



# ANNUAL REPORT 2013

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# 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

**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

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

**SOLICITOR**

Messrs Kadir, Andri & Partners

Level 10, Menara BRDB

285, Jalan Maarof, Bukit Bandaraya

50450 Kuala Lumpur

**AUDITORS**

Messrs Baker Tilly AC (AF001826)

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**

CIMB Bank Berhad

CIMB Empire Gallery Subang Jaya

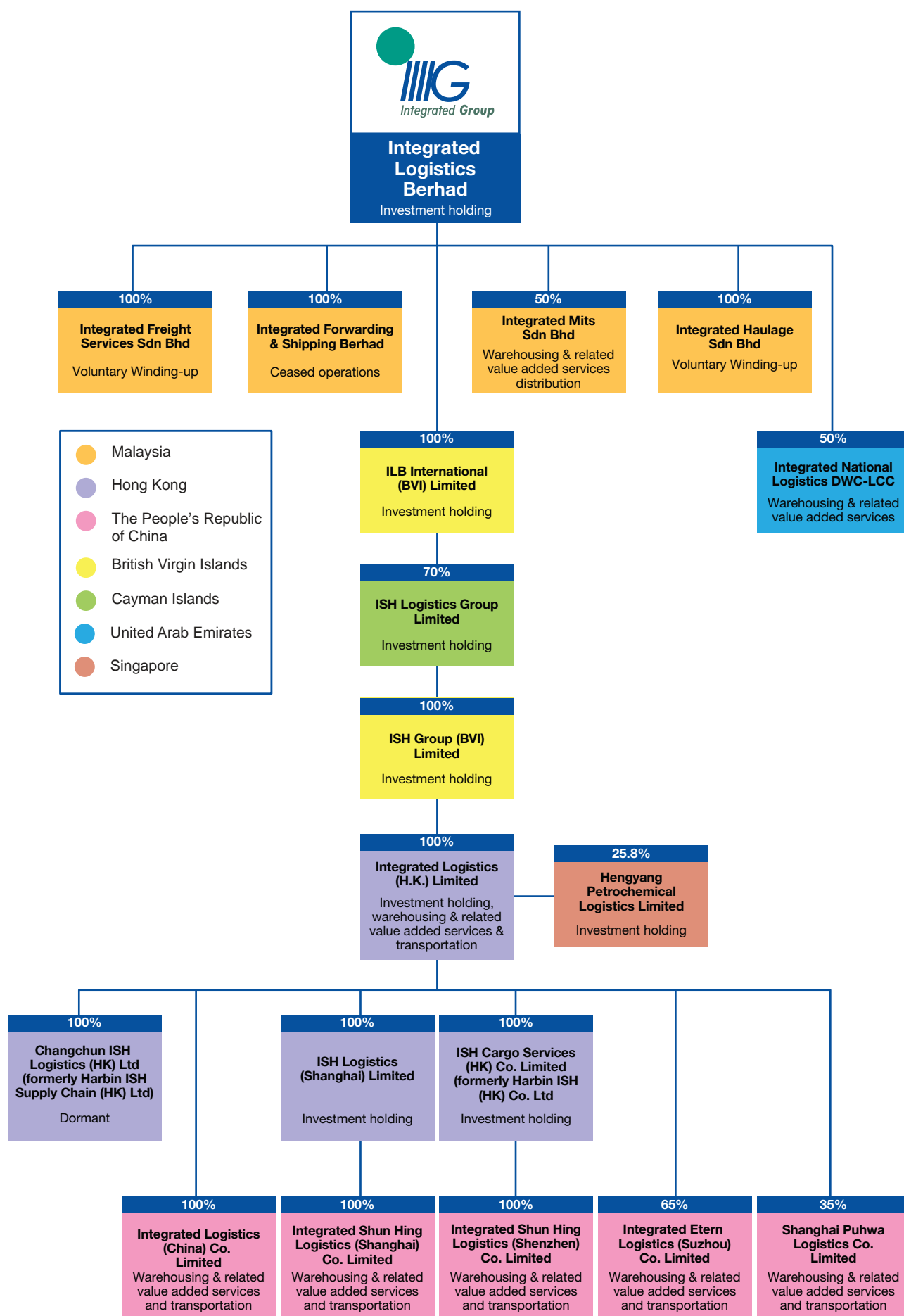
G01, Empire Shopping Gallery

Jalan SS 16/1, Subang Jaya

47500 Petaling Jaya

Selangor Darul Ehsan

## CORPORATE STRUCTURE

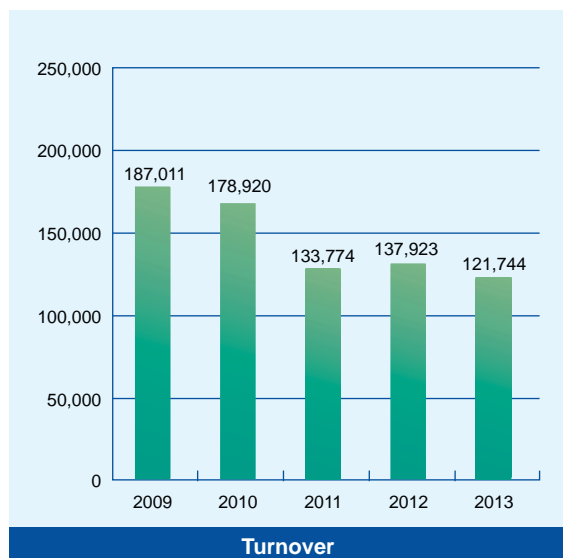


## GROUP FINANCIAL HIGHLIGHTS

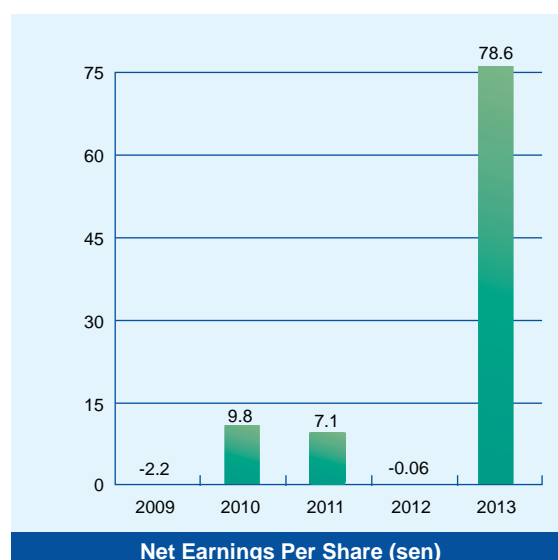
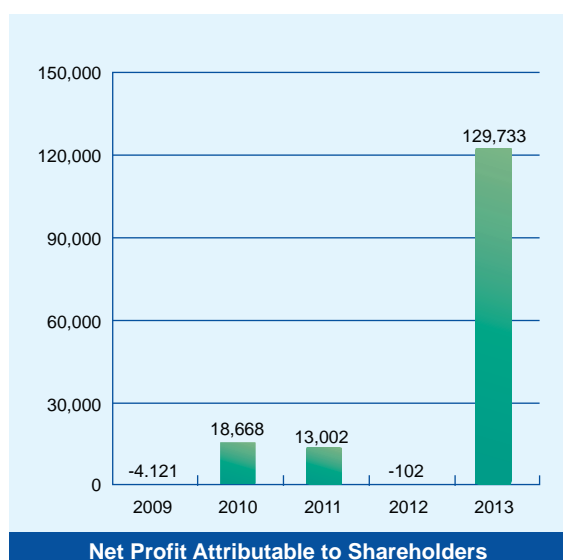
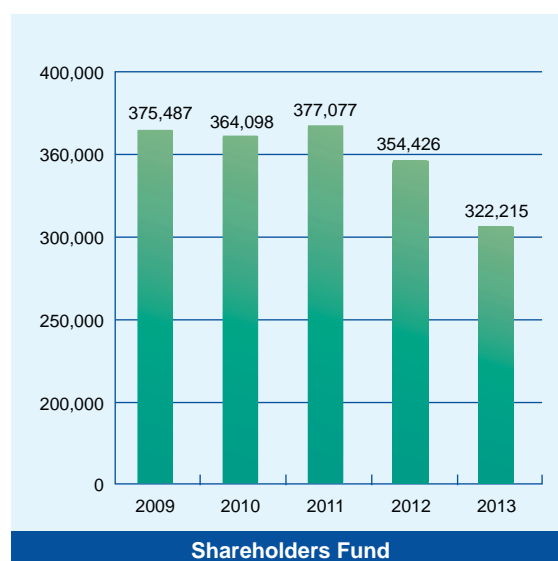
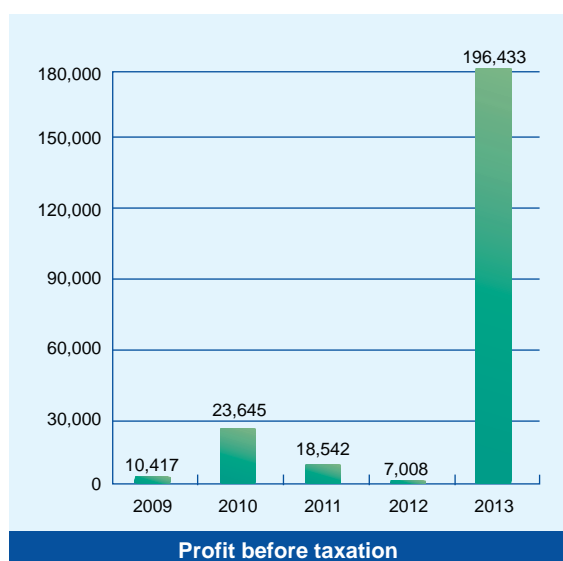
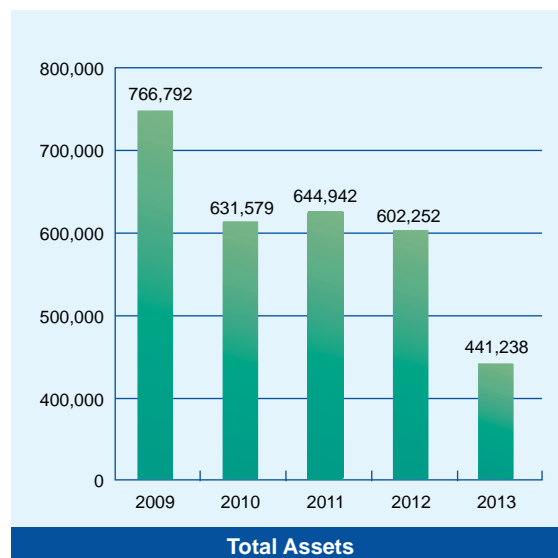
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
<b>Turnover</b>	187,011	178,920	133,774	137,923	121,744
<b>Profit before taxation</b>	10,417	23,645	18,542	7,008	196,433
<b>Net Profit/(Loss) Attributable to Shareholders</b>	(4,121)	18,668	13,002	(102)	129,733
<b>Paid-up Capital</b>	197,026	197,026	197,026	178,026	178,026
<b>Total Assets</b>	766,792	631,579	644,942	602,252	441,238
<b>Shareholders Fund</b>	375,487	364,098	377,077	354,426	322,215
<b>Net Earnings Per Share (sen)</b>	(2.2)	9.8	7.1	(0.06)	78.6
<b>Net Assets Per Share (RM)</b>	2.02	1.94	2.12	2.13	1.96
<b>Gross Dividend rate (%)</b>	3%	8.5%	5%	5%	118.93
<b>Share Dividend (Ratio)</b>	-	1 : 20	-	-	8 : 100
<b>Share Price (31 Dec)</b>	0.790	0.960	0.680	0.905	0.760

# GROUP FINANCIAL HIGHLIGHTS

## INCOME STATEMENT (RM'000)



## BALANCE SHEET (RM'000)



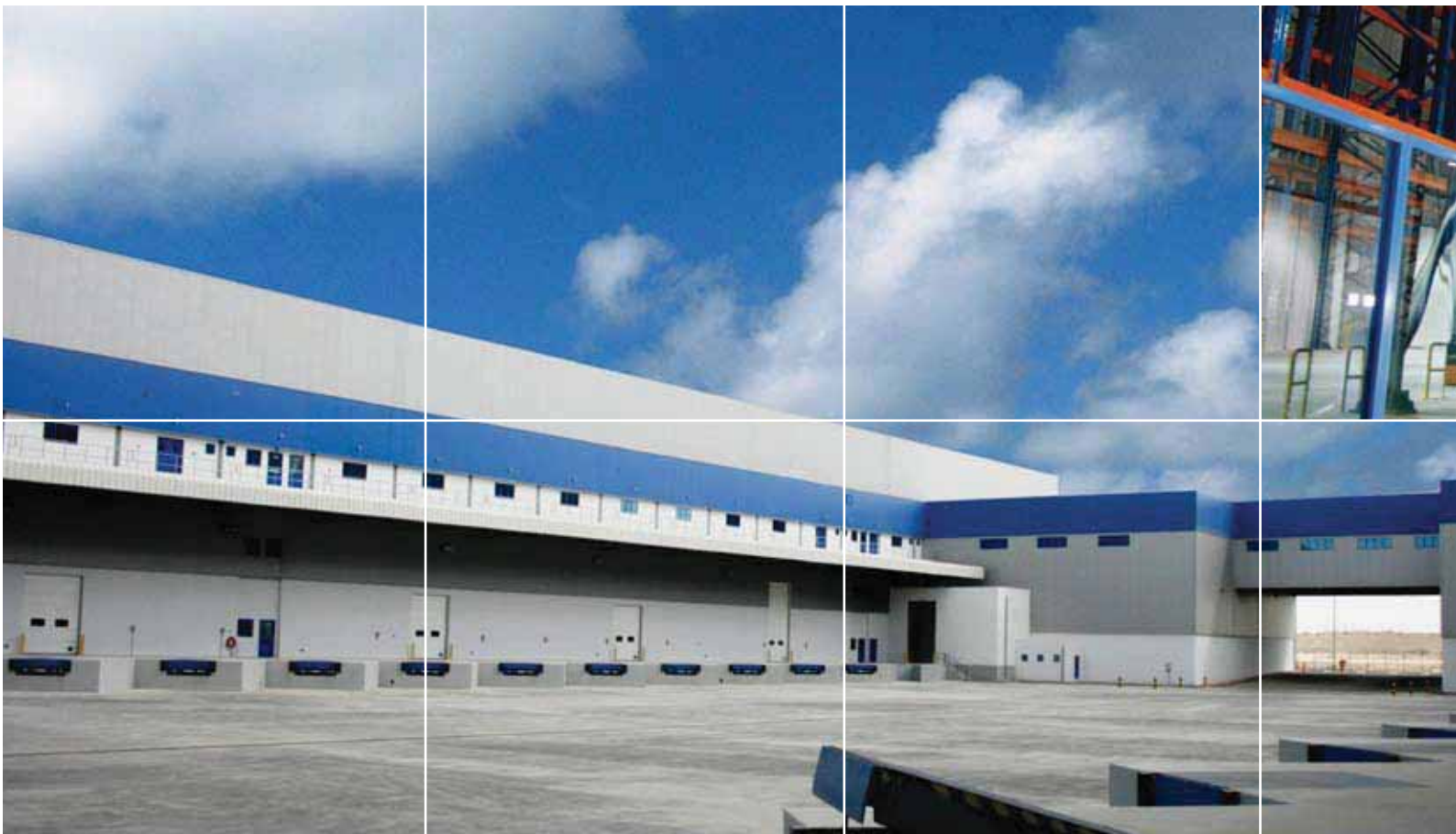


## CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

On behalf of the Board Directors of Integrated Logistics Berhad (ILB), I am pleased to present the Annual Report for the year 2013, incorporating the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2013.



## CHAIRMAN'S STATEMENT

### PERFORMANCE REVIEW

In the last quarter of 2013, the Group has completed the disposal of its major operations in China including its warehouses in Shenzhen and Henan, China ("the Disposal"). The Disposal unlocked the asset value of the Group's investment in China which generated a gain on disposal of RM245.9 million.

The Group recorded a total operating revenue of RM121.7 million in 2013 compared with RM137.9 million in 2012. The Group's pre-tax profit for the year amounted to RM196.4 million compared with RM7.0 million in the previous year.

The Group's earnings per share for the year was 78.6 sen compared with a loss of 0.1 sen previously. The increase in earnings per share was due mainly to the gain on the Disposal.

With the net cash proceeds from the Disposal, the Group is well-positioned to invest in synergistic investments which are expected to generate potential earnings for the Group.





## CHAIRMAN'S STATEMENT



### SHARE BUY-BACK

During the financial year ended 31 December 2013, the Company purchased a total of 1,882,900 ordinary shares of RM1-00 each of the issued share capital from the open market at an average price of RM0.92 per share. The total consideration for the share buy-back was RM1,731,786 and was financed by internally generated funds.

All the shares purchased during the financial year had been retained as treasury shares and the total number of shares retained as treasury shares as at 31 December 2013 was 13,565,500 ordinary shares of RM1-00 each.

Subsequent to the year end, the Board declared a Special Share Dividend of 8 treasury shares for every 100 existing ordinary shares of RM1-00 each held on the 14 February 2014 resulting in the distribution of 13,089,325 treasury shares. The balance of treasury shares after the distribution continued to be held as treasury shares.

## CHAIRMAN'S STATEMENT



### DIVIDENDS

#### Cash Dividend

The Board had on the 4 November 2013 declared a Special Dividend consisting of a franked dividend of 35.72 sen per share gross less 25% Malaysian tax and a single tier dividend of 83.21 sen per share in respect of the financial year ending 31 December 2013, which was paid on the 5 December 2013.

#### Share Dividend

Subsequent to the year end, the Board declared a Special Share Dividend of 8 treasury shares for every 100 existing ordinary shares of RM1-00 each held on the 14 February 2014

### REVIEW OF OPERATIONS

#### CHINA

Upon completion of the Disposal, the continuing operations of the Group in China include operations in Wujiang, Shenzhen and Hong Kong as well as its 25.8% investment in Hengyang Petrochemical Logistics Ltd.

The continuing operations contributed a total revenue amounting to RM41.7 million and a pre-tax profit of RM191.1 million (including the gain on disposal) respectively to the Group in 2013.



## CHAIRMAN'S STATEMENT

### DUBAI

The Group owns a 50:50 joint venture company, Integrated National Logistics DWC-LCC ("INL"). INL provides a wide range of high quality warehouse facilities and valued added logistics services catering to customers across the Middle East region.

INL has completed one full year of operations in 2013 since its commencement of operations in October 2012. The warehouse facilities achieved an average occupancy of 52% for the full year's operations. The response from existing and potential customers has been very positive and we expect the occupancy rate to improve further in 2014.

### PROSPECTS

#### CHINA

China's Gross Domestic Product (GDP) growth in 2014 is projected to decrease to 7.5%. 2014 is expected to be a challenging year for the Group's China operations due to the decrease in China's GDP coupled with a slowdown in a global economy. However, the contribution from the China operations to the Group has been reduced upon completion of the Disposal.

#### DUBAI

The United Arab Emirates achieved a GDP growth of 4% in 2013 and the GDP growth is projected to increase to around 5.0% in 2014. The higher GDP growth is expected to generate additional demand for warehouse and logistics services in Dubai.



## CHAIRMAN'S STATEMENT

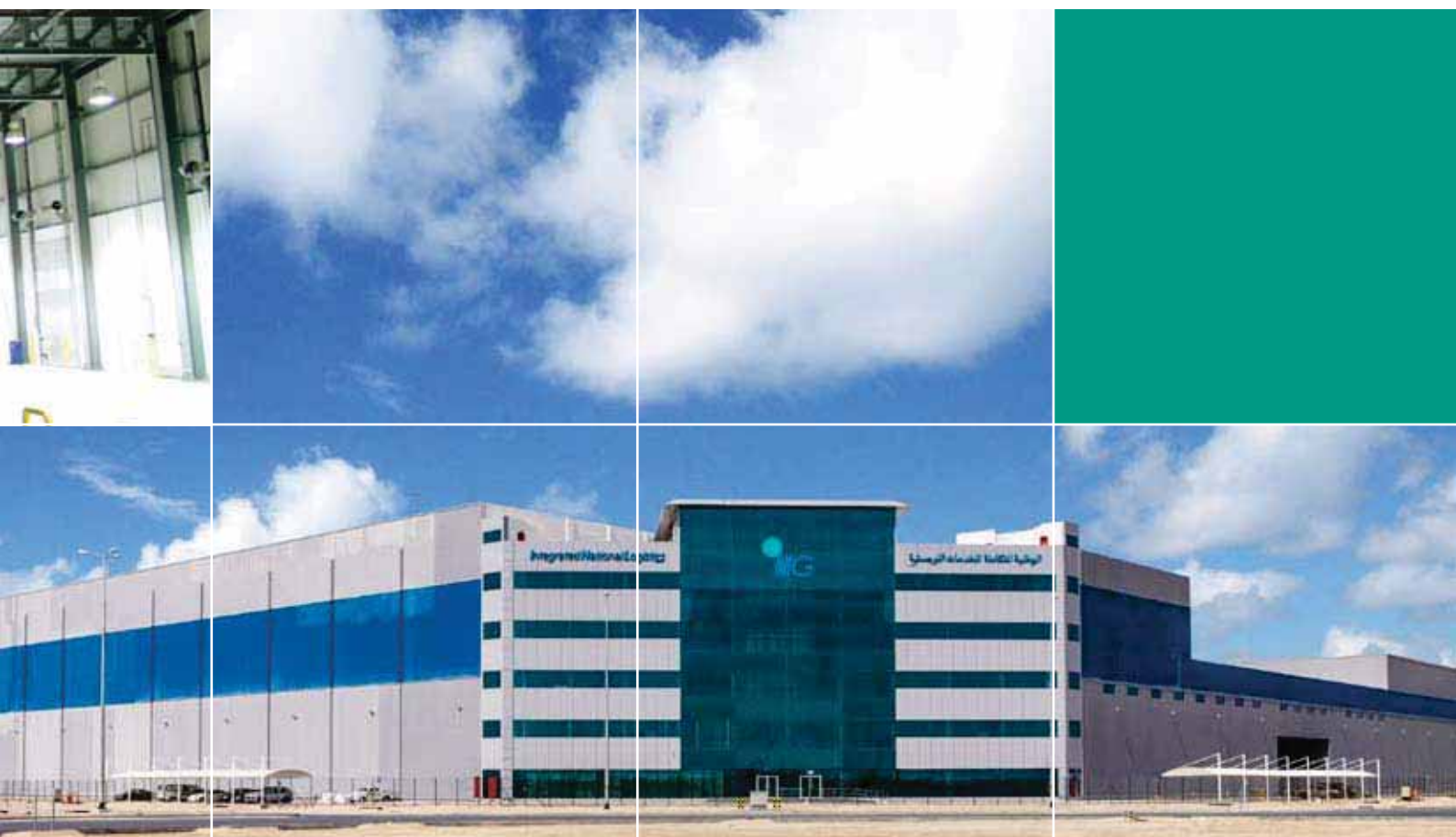
Dubai's new Al Maktoum International Airport started operations in October 2013. The close proximity of INL's warehouses to the new airport is expected to increase the demand for logistics services generated by this new airport.

The World Expo to be hosted by Dubai in 2020 is expected to boost the demand for a wide spectrum of logistics services in Dubai in the coming years. INL is poised to benefit from the additional demand for warehouse facilities and logistics services generated by the World Expo.

### 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

### **Datuk R. Karunakaran**

Chairman

Independent Non-Executive Director (Malaysian)



Datuk R. Karunakaran, aged 64, 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 & Remuneration Committee. He also sits as an Independent Non-Executive Director on the Boards of Bursa Malaysia Berhad, Chemical Company of Malaysia Berhad, IOI Corporation Berhad, Maybank Investment Bank Berhad and Etiqa Insurance Berhad.

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.

### **Tee Tuan Sem**

Chief Executive Officer

Executive Director (Malaysian)



Mr Tee Tuan Sem, aged 62, the Chief Executive Officer, was appointed to the Board on 9th June 1992. He is a member of the Malaysian Institute of Accountants and a Fellow 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 16,842,675 fully paid ordinary shares of RM1-00 each in the Company. He also has an indirect interest in 381,931 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.



## DIRECTORS' PROFILE

**Makoto Takahashi**  
Executive Director (Japanese)



Mr Makoto Takahashi, aged 46, 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 17,010,190 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.

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



Dato' Haji Wazir bin Haji Muaz, aged 63, 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 & Risk Management Committee and Nomination & Remuneration Committee. Dato' Haji Wazir 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



Mr Lee Kay Loon aged 62, was appointed to the Board as an Independent Non-Executive Director on the 1st June 2010. He is a Fellow of the Chartered Association of Certified Accountants, 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 the Chairman of the Audit & Risk Management Committee and a member of the Nomination & 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 64, was appointed to the Board as an Executive Director on 17 September 2001. He resigned as Executive Director on 26 March 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 & Risk Management Committee and Nomination & Remuneration Committee and does not hold any other directorships of public companies. 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.

#### 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 Malaysian Code of Corporate Governance (MCCG) defines corporate governance 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 (Board) remains committed to subscribe to the principles of good corporate governance that are central to the effective operation of the Company and to ensure the highest standards of accountability and transparency.

The Board supports the framework which is designed to promote the best Corporate Governance culture and which assists the Board in the discharge of its corporate governance responsibilities. The Board continues to improve 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 which are in line with the principles and recommendations laid out in the MCCG as follows :-

- i. Clear Roles and Responsibilities
- ii. Strengthen Composition of the Board and various Board Committees
- iii. Reinforce Independence
- iv. Foster Commitment
- v. Uphold Integrity in Financial reporting
- vi. Recognise and Manage Risks
- vii. Ensure Timely and high Quality Disclosures
- viii. Strengthen Relationship Between the Company and its Shareholders

The Board is pleased to report below on the principles and best practices of the Code were applied throughout the financial year ended 31 December 2013.

## CLEAR ROLES AND RESPONSIBILITIES

### Board Role and Responsibilities

The Company has an experienced Board comprising two Executive Directors, three Independent Non-Executive Directors and one 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 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.

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 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

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

- i. Charting the strategic direction, and setting out short term and long term plans for the Group.
- ii. Promoting ethical and best corporate governance culture in the Group.
- iii. Monitoring and reviewing compliance with internal control policies and risk management systems.
- iv. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
- v. Overseeing and review of business operations within a systematic and controlled environment.
- vi. Approving and monitoring the annual budget and financial performance of the Group.
- vii. Appointing and determining the remuneration, duration and relevant appointment terms of the Executive Directors.
- viii. Assessing the performance of and developing the succession plan for the 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 14 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 charted out and the day to day management of the Group, with clear authority delegated by the Board.

## Board Meetings

The Board meets on a quarterly basis with additional meetings being convened as when necessary to address issues deemed urgent. The Board met on nine occasions during the year ended 31 December 2013 and the details of attendance at Board Meetings held during the financial year are set out below.

ATTENDANCE	Total Number of Meetings	Number of Meetings Attended
<b>EXECUTIVE DIRECTORS</b>		
TEE TUAN SEM	9	9
MAKOTO TAKAHASHI	9	9
TAI ME TECK, JASPER (resigned on 26 November 2013)	9	9
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>		
DATUK R. KARUNAKARAN	9	9
DATO' HAJI WAZIR BIN HAJI MUAZ	9	9
LEE KAY LOON	9	9
<b>NON-INDEPENDENT NON-EXECUTIVE DIRECTORS</b>		
WAN AZFAR BIN DATO' WAN ANNUAR	8	9

*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.*

# CORPORATE GOVERNANCE STATEMENT

## 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 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, they may give their 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 respective business centres. During the year under review, the Board visited the company's subsidiary's warehouse at Futian Free Trade Zone, Shenzhen, The People's Republic of China.

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 where 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

### Board Committees

The Company has two Board Committees to assist the Board. They are delegated specific functions and are governed by their Terms of Reference. The two Committees are :-

- i. Audit & Risk Management Committee
- ii. Nomination & Remuneration Committee

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



# CORPORATE GOVERNANCE STATEMENT

## Audit & Risk Management Committee

The Audit & Risk Management Committee oversees the integrity of financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee had four meetings during the financial year 2013. The 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 & Remuneration Committee

The Nomination & Remuneration Committee does an annual review of the composition of the Board and makes recommendations to the Board accordingly, always keeping in mind the need to meet current and future requirements of the Group.

The Committee also reviews the remuneration from time to time with a view to ensuring the company is fair and able to attract and retain talent who can add value to the Company. Fees paid to Non-Executive Directors is tabled at the Company's AGM for approval.

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

The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills & experience of its Board members. Part of the evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board. The Committee had three meetings during the financial year. The 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     |
| 4 | Wan Azfar bin Dato' Wan Annuar  | - Non-Independent Non-Executive Director |

Details of Directors remuneration for the financial year ended 31 December 2013 are as follows:-

Particulars	Executive Directors	Non-Executive Directors	Total (RM)
Salaries & other emoluments	10,214,846	-	10,214,846
Fees	-	351,400	351,400
<b>Total (RM)</b>	<b>10,214,846</b>	<b>351,400</b>	<b>10,566,246</b>

# CORPORATE GOVERNANCE STATEMENT

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	-
RM1,600,001 to RM1,650,000	1	-	-
RM3,350,001 to RM3,400,000	1	-	-
RM5,200,001 to RM5,250,000	1	-	-

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

## REINFORCE INDEPENDENCE

The Non-Executive Directors are not employees of the Company and do not participate in the day to day management of the Company. 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. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter. The Nomination & Remuneration 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 recommended by the MCCG 2012, should the tenure of any independent director reach nine years, shareholders approval will be sought at a General Meeting if the services of the director concerned are still required or the director concerned will be re-designated as a non-independent director.

## FOSTER COMMITMENT

During the year, all the Non-Executive directors have committed sufficient time to carry out their duties for the tenure of their appointments.

### 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 "The Malaysian Code on Corporate Governance (MCCG) 2012" and "Statement on Risk Management and Internal Control" conducted by Mr Raymond Corray of RC Advisory Services Sdn Bhd.

## CORPORATE GOVERNANCE STATEMENT

The Chairman, Datuk R. Karunakaran also attended other training programmes during the year as follows :-

Conducted By	Training programmes
ICLIF Leadership & Governance Centre	Towers Watson 2012 Global Insurance ERM Survey Results
The Institute of Internal Auditors Malaysia	Launch of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers
Lion Corporation Berhad	<ul style="list-style-type: none"> <li>- Corporate Governance /ERM</li> <li>- Personal Data Protection Act 2010</li> <li>- Competition Act 2010</li> </ul>
Pricewaterhouse Coopers	Board Agenda Series : Boards Strategy - Where are we ?
Bursa Malaysia Berhad	Advocacy Sessions on Corporate Disclosures for Directors

Members of the Audit & Risk Management Committee attended a training programme on “Sharpening the Audit Committee Governance Challenges & the Internal Audit function Value Creation Culture conducted by Bursatra Sdn Bhd during the year.

### 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.

Audit & Risk Management Committee exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The 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 & Risk Management Committee recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board. The role of the Committee is further set out in their Report.

The Board has private sessions and dialogues through the Committee with the external auditors, in the absence of the executive directors and the management. For the year under review, there were two such dialogue sessions with the external auditors.

# 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 & Risk Management Committee and is authorised to conduct independent audits of all the departments and offices within the group and reports the findings to the Audit & Risk Management Committee at the end of each quarter.

The Audit & Risk Management Committee reviews, deliberates and evaluates the effectiveness and efficiency of the internal control systems in the organization which are designed to manage and mitigate rather than eliminate risks in achieving the company's corporate objectives, safeguarding the company's assets as well as investors interests.

## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board monitors 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 as soon as practicable 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.

## STRENGTHEN RELATIONSHIP 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 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 on matters raised.

Information on the Group's activities is provided in the Annual Report and Financial Statements which are despatched to shareholders. The Company also encourages 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](http://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 person:-

Name	Contact No.	E-mail address
Amarjit Singh, Company Secretary	03-5631 7377	<a href="mailto:amarjit@ilb.com.my">amarjit@ilb.com.my</a>

## 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 2013 was RM22,200.

### Share Buy-Back

During the financial year ended 31 December 2013, the Company purchased a total of 1,882,900 ordinary shares of RM1.00 each of the issued share capital from the open market at an average price of RM0.92 per share. The total consideration for the share buy-back was RM1,731,786 and was financed by internally generated funds. All the shares purchased during the financial year had been retained as treasury shares and the total number of shares retained as treasury shares as at 31 December 2013 was 13,565,500 ordinary shares of RM1-00 each.

Subsequent to the year end, the Board declared a Special Share Dividend of 8 treasury shares for every 100 existing ordinary shares of RM1-00 each held on the 14 February 2014 resulting in the distribution of 13,089,325 treasury shares. The balance of treasury shares after the distribution continued to be held as treasury shares.



## OTHER DISCLOSURES

Information on the shares purchased by the Company during the financial year ended 31 December 2013 is as follows:

Monthly Breakdown	No. of Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share	Total Consideration
		Lowest	Highest	(RM)	(RM)
January 2013	304,600	0.915	0.940	0.939	286,052
February 2013	48,300	0.900	0.910	0.917	44,274
March 2013	286,500	0.900	0.910	0.914	261,721
April 2013	1,000,000	0.960	0.960	0.963	963,368
May 2013	-	-	-	-	-
June 2013	-	-	-	-	-
July 2013	-	-	-	-	-
August 2013	-	-	-	-	-
September 2013	-	-	-	-	-
October 2013	-	-	-	-	-
November 2013	185,000	0.710	0.725	0.722	133,648
December 2013	58,500	0.725	0.725	0.730	42,723
<b>Total</b>	<b>1,882,900</b>			<b>0.920</b>	<b>1,731,786</b>

### 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 2012)

The board is pleased to report to its shareholders that the Group is committed to attaining the highest possible standards through the continuous adoption of the principles and best practises of the MCCG 2012 and all other applicable laws.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE

The Audit & Risk Management Committee ("Committee") comprises the following members and details of attendance at meetings held during the financial year ended 31 December 2013 are as follows :-

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

## TERMS OF REFERENCE

### 1.0 OBJECTIVES

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

- a) Promote integrity and accountability of the operation within the group towards safeguarding 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) Contribute towards improving the group operations and business efficiency, strengthen public confidence in the accuracy of accounting & audit function and transparency in the Group's reported financial results.
- d) Maintain a direct line of communication between the Board of Directors and the external Auditors as well as the Internal Auditors through regular meetings.
- e) Ensure the independence of the external and internal audit functions.
- f) Review regularly the adequacy of the Group's administrative, operating and accounting controls.
- g) Ensure the Risk Management Structure is embedded throughout the Group and is responsive to changes in the business environment.
- h) Ensure the Risk Management Structure adopted is consistent throughout the Group and is within the parameters established by the Board.
- i) Ensure the Risk Management Structure adopted is in compliance with the requirements of Bursa Malaysia and the Securities Commission.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## 2.0 COMPOSITION

The Committee shall be appointed by the Board 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, would interfere with the exercise of independent judgment in carrying out the functions of the Committee.

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

Where the composition of the 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 the Committee by the Board to determine whether the Committee has carried out its duties and responsibilities in accordance with its terms of reference.

No alternate director shall be appointed to the Committee.

## 3.0 AUTHORITY

The Committee is authorised by the Board 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 responsibilities.

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

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## 4.0 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be :-

- a) To review : -
  - the financial statements and annual reports prior to recommending acceptance or otherwise by the Board.
  - the Group's quarterly results prior to recommending acceptance or otherwise by the Board.
  - the compliance with and adequacy of the guidelines and procedures established to monitor Recurrent Related Party Transactions (RRPTs).
  - the planning, scope and area of internal and external audits 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 review the appointment of the external Auditors, Head of Internal Audit and their respective remuneration.
- c) to meet the external and internal auditors at least twice an year in the absence of the Executive Directors, the CEO and senior management 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 Committee, where necessary.
- d) to report to the Board 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.

## 5.0 MEETINGS

- a) The Committee shall meet at least four times a year.
- b) 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 Executive Directors, 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, both being independent non-executive directors.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## 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 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 Committee meetings shall be distributed, confirmed and signed by the chairman of the meeting at the next meeting. The said signed minutes shall be kept at the 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.

## MEETINGS

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

The Internal Auditor and the Company Secretary who is also the secretary to the Committee were in attendance during the meetings. 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 Committee submits reports on the matters deliberated, rectifications required and relevant recommendations based on the issues discussed to the attention of the Board for their information and further action.

## SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

### Risk Management

- Reviewed and deliberated on 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

- Reviewed and approved the Group Internal Audit Structure and Annual Audit Plan.
- Performed a 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 the adequacy and efficiency of corrective action taken by the management on outstanding Internal Audit issues raised in previous reports.
- Reviewed the Terms of Reference of the Committee



# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## External Audit

- Reviewed and approved the External Auditors audit plan and scope of audit works.
- Deliberated on the results of the annual audit report and reported to the Board.
- Assessed the performance of the External Auditors and recommended their re-appointment to the Board.
- Held meetings with the External Auditors, without the presence of the Executive Directors and management to discuss matters affecting the audit and the Committee's duties.

## Financial Results

- Reviewed the quarterly and annual financial statements with recommendation to the Board for approval.
- Deliberated on the full implementation of Malaysian Financial Reporting Standards (MFRS) requirements.

## Related Party Transactions

- Reviewed the Related Party Transactions during the period.
- Reviewed the system of identifying, monitoring and meeting disclosure requirements of Related Party Transactions.

## Statutory Reporting

- Reviewed and recommended to the Board for approval the Statement on Corporate Governance, Statement on Risk Management & Internal Control (SORMIC) and 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 to better understand operations and areas needing improvement.
- Reviewed all litigation involving the Company and their potential impact on the Group's financial statements.

## RISK MANAGEMENT AND INTERNAL CONTROL REVIEWS

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

Recommendations and advice on best practises were also given to the management.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

## BOARD RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Controls System. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. This includes the establishment of an appropriate controls 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 controls of the Group during the year.

The system of risk management and internal controls 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 controls 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 controls 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 controls 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 controls system is operating adequately and effectively in all material aspects, based on the risk management and internal controls system of the Group.

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

### Risk Management Framework

The Group has in place processes 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 excluding associates and jointly controlled entities. Both the Audit & Risk Management Committee ("ARMC") and Board of Directors review the risk management and internal controls reports on a regular basis.

Material joint venture or associate that has not been dealt with as part of the Group for the purpose of the Statement on Risk Management & Internal Controls are as follows:-

- Henyang Petrochemical Logistics Limited
- Integrated National Logistics DWC-LCC

For the period under review, the ARMC is assisted by the Internal Audit Department and the operation staff from various divisions within the Group. The framework is continually monitored to ensure it is responsive to the changes in the business environment.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

## Internal Control Structure

The Group has an established internal controls structure and is committed to 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 delegation of authority in place to assist the Board to maintain a proper control environment, supported by the following activities:-

- **Organisation Structure**

The organization structure clearly outlines the authority, responsibility, segregation of duties and accountability to ensure the Group achieves 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 with safety requirements.

- **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.

- **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 at the commencement of the financial year. Management accounts containing actual operation results versus forecasted 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 & Risk Management Committee (ARMC)**

The ARMC 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 ARMC 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 action is taken to address internal control weaknesses highlighted.

The Group Chief Risk Officer has an independent status in the Group and reports functionally to the Board through the ARMC. Where necessary, internal audit assignments are outsourced to facilitate the transfer of internal audit knowledge and coverage of areas where technical skills and resources are not available internally.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

- **Operational Monitoring and Controls**

The monitoring and control procedures are regularly reviewed by the Management responsible for reporting to the Board. These are supplemented by independent reviews undertaken by the internal audit department on the controls in operation in each individual business and independently reported to the ARMC. Regular reports are produced for the Board to assess the impact of control issues and appropriate actions recommended.

- **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.

Training and appraisal systems are also implemented for the employees to ensure continuity and regular updates of the control culture in the day to day working environment.

### **Conclusion**

During the year, the Internal Audit Department has performed its duties in accordance with its audit plan covering management, operational and financial areas of various subsidiaries. In addition, the Internal Audit Department also conducted compliance audits on the Groups' Recurrent Related Party Transactions (RRPTs) where applicable.

For the financial year under review, some weaknesses in internal control were detected. After due 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. The 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 24 February 2014.

## 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.

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## 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 2013.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 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 years:-		
- continuing operations	190,291,302	198,096,048
- discontinued operations	<u>2,456,273</u>	<u>-</u>
	<u>192,747,575</u>	<u>198,096,048</u>
Profit attributable to shareholders:-		
Owners of the parent	129,732,553	
Non-controlling interests	<u>63,015,022</u>	
	<u>192,747,575</u>	

### DIVIDENDS

The amount of dividend paid by the Company since 31 December 2012 was as follows:-

	RM
In respect of the financial year ended 31 December 2013:-	
Special dividend consisting of a franked dividend of 35.72% per ordinary share less tax at 25% and a single tier dividend of 83.21% per ordinary share declared on 4 November 2013 and paid on 5 December 2013	<u>181,173,849</u>

The directors declared a special share dividend on the basis of eight treasury shares for every one hundred existing ordinary shares of RM1 each held and fractions of treasury shares to be disregarded in respect of the financial year ended 31 December 2013 and credited to shareholders on 3 March 2014, whose name appeared in the Records of Depositors on 14 February 2014.

The directors do not recommend the payment of any final dividends 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.

# DIRECTORS' REPORT

## BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other 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 provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was required.

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

## CURRENT ASSETS

Before the statements of profit or loss and other 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 and 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.

# DIRECTORS' REPORT

## 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 except for the effects arising from the disposal of subsidiaries resulting in an increase in the profit of the Group for the financial year by RM245,913,320 and the reclassification of the discontinued operations as disclosed in Note 8 to the financial statements; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES OR DEBENTURES

During the financial year, no new issues of shares or debentures was made by the Company.

## TREASURY SHARES

During the financial year, the Company repurchased 1,882,900 of its issued ordinary shares from the open market at an average price of RM0.92 per share. The total consideration paid for the shares repurchased including transaction costs was RM1,731,786. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2013, the Company held a total of 13,565,500 ordinary shares of its 178,025,503 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM13,145,263 and further relevant details are disclosed in Note 23 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  
TEE TUAN SEM  
WAN AZFAR BIN DATO' WAN ANNUAR  
TAI ME TECK

(resigned on 26 November 2013)

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

The interests of directors in office at the end of the financial year in the ordinary shares of the Company during the financial year are as follows:-

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
<b>Direct Interest</b>				
Makoto Takahashi	4,011,943	11,738,233	-	15,750,176
Tee Tuan Sem	-	2,000,000	-	2,000,000
<b>Indirect Interest</b>				
<b>Being shares held through nominees, persons connected to Directors and corporations in which the Directors are interested</b>				
Tee Tuan Sem *#	13,948,710	-	-	13,948,710
Wan Azfar Bin Dato' Wan Annuar #	1,100,000	-	1,100,000	-

\* held through spouse of the director

# held through corporations in which the directors are interested

By virtue of the interests in the Company and pursuant to Section 6A of the Companies Act, 1965 in Malaysia, Makoto Takahashi and Tee Tuan Sem are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

The other directors in office at the end of the financial year did not have any interest in the ordinary shares of the Company or of 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 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.

# DIRECTORS' REPORT

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 42 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 dated 28 February 2014.

**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 42 to 128 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 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 129 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 dated 28 February 2014.

**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 the financial statements as set out on pages 42 to 128 and the supplementary information as set out on page 129 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at  
Kuala Lumpur in the Federal Territory  
on 28 February 2014

**TEE TUAN SEM**

Before me

**YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN**  
**Commissioner of Oaths (W533)**  
**Kuala Lumpur**



# INDEPENDENT AUDITOR'S 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 2013 of the Group and of the Company, and the statements of profit or loss and other 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 42 to 128.

### *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 2013 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 AUDITOR'S 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 13 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 129 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

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  
AF001826  
Chartered Accountants

Kuala Lumpur  
28 February 2014

Soh Eng Hooi  
3031/02/15(J)  
Chartered Accountant

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
<b>Continuing operations</b>			
Revenue	4	41,653,503	36,660,550
Direct operating costs		<u>(30,910,208)</u>	<u>(27,264,185)</u>
<b>Gross profit</b>		10,743,295	9,396,365
Other income		250,140,151	8,612,984
Administrative costs		(55,130,190)	(11,835,636)
Other costs		(344,649)	(112,988)
		<u>(55,474,839)</u>	<u>(11,948,624)</u>
<b>Profit from operations</b>		205,408,607	6,060,725
Finance costs	5	(1,431,534)	(1,663,103)
Share of results of associates		(1,524,219)	603,319
Share of results of jointly controlled entities		<u>(11,344,740)</u>	<u>(4,784,503)</u>
<b>Profit before tax</b>	6	191,108,114	216,438
Tax expense	7	<u>(816,812)</u>	<u>(1,579,989)</u>
<b>Profit/(Loss) for continuing operations</b>		190,291,302	(1,363,551)
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	8	<u>2,456,273</u>	<u>2,800,980</u>
<b>Profit for the financial year</b>		<u><u>192,747,575</u></u>	<u><u>1,437,429</u></u>
<b>Attributable to:-</b>			
Owners of the parent			
- from continuing operations		128,013,162	(2,000,644)
- from discontinued operations		<u>1,719,391</u>	<u>1,898,409</u>
		129,732,553	(102,235)
Non-controlling interests		<u>63,015,022</u>	<u>1,539,664</u>
<b>Profit for the financial year</b>		<u><u>192,747,575</u></u>	<u><u>1,437,429</u></u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	2013 RM	2012 RM
<b>Profit for the financial year</b>		192,747,575	1,437,429
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences		37,960,942	(14,461,791)
Fair value adjustment of available-for-sale financial assets		231,032	(153,689)
Total other comprehensive income for the financial year, net of tax		<u>38,191,974</u>	<u>(14,615,480)</u>
<b>Total comprehensive income for the financial year</b>		<u>230,939,549</u>	<u>(13,178,051)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		157,035,462	(12,082,586)
Non-controlling interests		<u>73,904,087</u>	<u>(1,095,465)</u>
<b>Total comprehensive income for the financial year</b>		<u>230,939,549</u>	<u>(13,178,051)</u>
<b>Earnings/(Loss) per share attributable to owners of the parent (sen)</b>	9		
Basic and diluted:-			
Continuing operations		77.566	(1.140)
Discontinued operations		<u>1.042</u>	<u>1.082</u>
		<u>78.608</u>	<u>(0.058)</u>

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 2013

	Note	2013 RM	2012 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	56,633,404	267,778,343
Land use rights	11	15,175,063	70,308,537
Capital work-in-progress	12	-	18,168,264
Interest in associates	14	82,757,034	71,680,219
Interest in jointly controlled entities	15	34,100,427	42,192,781
Other investments	16	1,816,062	1,485,464
Amounts owing by a jointly controlled entity	18	<u>37,901,500</u>	<u>29,973,600</u>
		228,383,490	501,587,208
<b>Current assets</b>			
Receivables	19	17,539,176	53,000,837
Amounts owing by a jointly controlled entity	18	11,593,400	-
Tax assets	21	344,216	452,856
Cash and cash equivalents	22	183,377,256	47,211,159
		<u>212,854,048</u>	<u>100,664,852</u>
<b>TOTAL ASSETS</b>		<u><u>441,237,538</u></u>	<u><u>602,252,060</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013 (cont'd)

	Note	2013 RM	2012 RM
<b>EQUITY AND LIABILITIES</b>			
Share capital	23	178,025,503	178,025,503
Share premium	24	27,609,598	27,609,598
Treasury shares	23	(13,145,263)	(11,413,477)
Retained earnings		84,753,174	73,553,464
Reserves	24	<u>44,972,385</u>	<u>86,650,728</u>
<b>Equity attributable to owners of the parent</b>		322,215,397	354,425,816
Non-controlling interests		<u>59,374,705</u>	<u>77,197,328</u>
<b>Total Equity</b>		381,590,102	431,623,144
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	25	-	34,381,344
Unsecured loan from a corporate shareholder	26	38,602,901	35,479,096
Government grant received in advance	27	-	6,031,992
Deferred tax liabilities	28	<u>46,204</u>	<u>24,347,619</u>
		38,649,105	100,240,051
<b>Current liabilities</b>			
Payables	29	15,836,075	31,306,723
Term loans	25	4,667,677	22,026,111
Unsecured loan from a corporate shareholder	26	242,225	15,065,955
Tax payables		<u>252,354</u>	<u>1,990,076</u>
		20,998,331	70,388,865
<b>Total Liabilities</b>		<u>59,647,436</u>	<u>170,628,916</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>441,237,538</u>	<u>602,252,060</u>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Equity attributable to owners of the parent					Distributable					Non-distributable					Non-controlling interests
		Total equity	RM	Share capital	Share premium	Treasury shares	Retained earnings	Total reserves	Asset revaluation reserve	Statutory reserve fund	Foreign exchange translation reserve	Fair value reserve	Other reserve	Capital reserve			
															RM	RM	
At 1.1.2012		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 2013 (cont'd)

	Note	← Non-distributable →				Distributable →				Non-distributable →				Non-controlling interests RM	
		Total equity RM	Equity attributable to owners of the parent RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total reserves RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Other reserve RM		Capital reserve RM
<b>Balance brought down</b>		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
<b>Transactions with owners</b>															
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	23	(11,565,184)	(11,565,184)	-	-	(11,565,184)	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	23	-	-	(19,000,000)	(16,476,733)	16,476,733	-	19,000,000	-	-	-	-	-	19,000,000	-
Revaluation of property, plant and equipment		20,302,394	14,144,511	-	-	-	-	14,144,511	14,211,859	-	(67,348)	-	-	-	6,157,883
Dividends	32	(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 interests in a subsidiary		4,248,953	-	-	-	-	-	-	-	-	-	-	-	-	4,248,953
<b>Total transactions with owners</b>		(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
<b>At 31.12.2012</b>		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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	← Non-distributable →				→ Distributable →				← Non-distributable →				Non-controlling interests RM	
		Equity attributable to owners of the parent				Total reserves				Non-distributable					
		Total equity RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total reserves RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Other reserve RM	Capital reserve RM		
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
Comprehensive Income															
Profit for the financial year		192,747,575	129,732,553	-	-	-	129,732,553	-	-	-	-	-	-	-	63,015,022
Other comprehensive income															
Foreign currency translation differences		37,960,942	27,141,186	-	-	-	-	27,141,186	(1,657,082)	790,246	28,008,022	-	-	-	10,819,756
Fair value adjustment of available-for-sale financial assets		231,032	161,723	-	-	-	-	161,723	-	-	-	161,723	-	-	69,309
Total other comprehensive income for the financial year		38,191,974	27,302,909	-	-	-	-	27,302,909	(1,657,082)	790,246	28,008,022	161,723	-	-	10,889,065
Total comprehensive income for the financial year		230,939,549	157,035,462	-	-	-	129,732,553	27,302,909	(1,657,082)	790,246	28,008,022	161,723	-	-	73,904,087
Balance carried down		662,562,693	511,461,278	178,025,503	27,609,598	(11,413,477)	203,286,017	113,953,637	50,816,931	16,165,417	27,575,140	396,149	-	19,000,000	151,101,415

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	← Non-distributable →				→ Distributable ←				Non-distributable				Non-controlling interests RM
		Total equity RM	Equity attributable to owners of the parent RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total reserves RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Other reserve RM	Capital reserve RM
<b>Balance brought down</b>		662,562,693	511,461,278	178,025,503	27,609,598	(11,413,477)	203,286,017	113,953,637	50,816,931	16,165,417	27,575,140	396,149	-	19,000,000
<b>Transactions with owners</b>														
Transfer to statutory reserve fund		-	-	-	-	-	(26,688)	26,688	-	26,688	-	-	-	-
Transfer on disposal of subsidiaries		(12,324,984)	(10,679,912)	-	-	-	62,667,694	(73,347,606)	(48,699,138)	(8,758,687)	(15,889,781)	-	-	(1,645,072)
Purchase of treasury shares	23	(1,731,786)	(1,731,786)	-	-	(1,731,786)	-	-	-	-	-	-	-	-
Realisation of revaluation on disposal of subsidiaries		(198,558)	(90,344)	-	-	-	-	(90,344)	(90,344)	-	-	-	-	(108,214)
Dividends	32	(181,173,849)	(181,173,849)	-	-	-	(181,173,849)	-	-	-	-	-	-	-
Dividends paid to non-controlling interests		(91,872,000)	-	-	-	-	-	-	-	-	-	-	-	(91,872,000)
Surplus on admission of non-controlling interest in associates	14	6,328,586	4,430,010	-	-	-	-	4,430,010	-	-	-	-	4,430,010	1,898,576
<b>Total transactions with owners</b>		(280,972,591)	(189,245,881)	-	-	(1,731,786)	(118,532,843)	(68,981,252)	(48,789,482)	(8,731,999)	(15,889,781)	-	4,430,010	(91,726,710)
<b>At 31.12.2013</b>		381,590,102	322,215,397	178,025,503	27,609,598	(13,145,263)	84,753,174	44,972,385	2,027,449	7,433,418	11,685,359	396,149	4,430,010	59,374,705

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 2013

	Note	2013 RM	2012 RM
<b>Cash Flows from Operating Activities</b>			
Profit before tax:-			
- continuing operations		191,108,114	216,438
- discontinued operations	8	<u>5,324,418</u>	<u>6,791,583</u>
		196,432,532	7,008,021
Adjustments for:-			
Amortisation of land use rights		1,201,032	1,772,454
Bad debts written off		307,700	150,344
Capital work-in-progress written off		-	148,649
Depreciation of property, plant and equipment		8,630,527	9,245,568
Deposits written off		-	5,100
Gain on disposal of subsidiaries	8	(245,913,320)	(2,028,236)
(Gain)/Loss on disposal of property, plant and equipment		(56,162)	78,406
(Gain)/Loss on unrealised foreign exchange		(5,956)	13,679
Government grant income		(109,772)	(91,576)
Interest income		(2,358,068)	(1,887,630)
Interest expense		2,760,667	4,352,985
Property, plant and equipment written off		13	-
Provision for employee benefits		3,736	404
Reversal of provision for land penalty		-	(3,483,172)
Share of results of associates		1,524,219	(603,319)
Share of results of jointly controlled entities		<u>11,344,740</u>	<u>4,784,503</u>
Operating (loss)/profit before working capital changes		(26,238,112)	19,466,180
Receivables		7,598,690	516,947
Payables		<u>186,094,042</u>	<u>4,333,330</u>
Cash generated from operations		167,454,620	24,316,457
Government grant received		-	4,492,573
Interest paid		(2,826,617)	(4,350,525)
Tax paid, net of tax refunded		<u>(6,339,936)</u>	<u>(4,972,381)</u>
Net cash from operating activities carried down		158,288,067	19,486,124

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	2013 RM	2012 RM
Net cash from operating activities brought down		158,288,067	19,486,124
<b>Cash Flows from Investing Activities</b>			
Acquisition of other investments		-	(350,000)
Effect of disposal of subsidiaries, net of cash disposed	8	341,176,714	35,920,613
Proceeds from disposal of property, plant and equipment		134,700	148,346
Capital work-in-progress incurred	12	(5,423,938)	(17,438,564)
Purchase of property, plant and equipment	10	(1,303,488)	(5,055,465)
Advances to jointly controlled entities		(16,815,003)	(17,871,042)
Capital contribution by non-controlling shareholder		-	4,248,953
Interest received		2,358,068	1,887,630
Net cash from/(used in) investing activities		320,127,053	(9,571,112)
<b>Cash Flows from Financing Activities</b>			
Dividends paid		(181,173,849)	(13,148,359)
Dividends paid to non-controlling interests		(91,872,000)	(3,550,500)
Repayments of unsecured loan from a corporate shareholder		(15,206,400)	-
Treasury shares repurchased	23	(1,731,786)	(11,565,184)
Drawdown of term loans		7,964,612	2,267,242
Repayments of term loans		(63,693,664)	(38,345,756)
Net cash used in financing activities		(345,713,087)	(64,342,557)
<b>Net change in cash and cash equivalents</b>		132,702,033	(54,427,545)
Effects of exchange rates changes on cash and cash equivalents		3,464,064	(4,267,821)
Cash and cash equivalents at beginning of financial year		47,211,159	105,906,525
<b>Cash and cash equivalents at end of financial year</b>	22	183,377,256	47,211,159

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



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Revenue	4	187,358,000	7,043,400
Other income		<u>17,337,247</u>	<u>4,596,305</u>
		204,695,247	11,639,705
Administrative costs		<u>(5,509,090)</u>	<u>(4,819,917)</u>
Other costs		<u>(776,636)</u>	<u>(6,103,267)</u>
		<u>(6,285,726)</u>	<u>(10,923,184)</u>
<b>Profit from operations</b>		198,409,521	716,521
Finance costs	5	<u>(50,473)</u>	<u>-</u>
<b>Profit before tax</b>	6	198,359,048	716,521
Tax expense	7	<u>(263,000)</u>	<u>(323,834)</u>
<b>Profit for the financial year</b>		198,096,048	392,687
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences		<u>8,928</u>	<u>(4,608)</u>
Fair value adjustment of available-for-sale financial assets		<u>-</u>	<u>145,911</u>
Other comprehensive income for the financial year, net of tax		<u>8,928</u>	<u>141,303</u>
<b>Total comprehensive income for the financial year</b>		<u>198,104,976</u>	<u>533,990</u>

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013 (cont'd)

	Note	2013 RM	2012 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	877,600	823,590
Subsidiaries	13	37,019,115	40,937,547
Interest in associates	14	11,007,500	11,007,500
Interest in jointly controlled entities	15	56,738,130	55,040,976
Other investments	16	635,168	626,240
Amounts owing by subsidiaries	17	84,404,921	82,336,985
Amount owing by a jointly controlled entity	18	<u>37,901,500</u>	<u>29,973,600</u>
		228,583,934	220,746,438
<b>Current assets</b>			
Receivables	19	2,547,849	1,253,191
Amounts owing by subsidiaries	17	-	13,807,500
Amount owing by a jointly controlled entity	18	11,593,400	-
Tax assets	21	344,216	420,216
Cash and cash equivalents	22	16,773,809	10,155,232
		<u>31,259,274</u>	<u>25,636,139</u>
<b>TOTAL ASSETS</b>		<u><u>259,843,208</u></u>	<u><u>246,382,577</u></u>
	Note	2013 RM	2012 RM
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital	23	178,025,503	178,025,503
Share premium	24	27,609,598	27,609,598
Treasury shares	23	(13,145,263)	(11,413,477)
Retained earnings		47,023,317	30,101,118
Reserves	24	<u>19,227,168</u>	<u>19,218,240</u>
<b>Total Equity</b>		258,740,323	243,540,982
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	28	-	6,400
<b>Current liabilities</b>			
Payables	29	1,102,885	1,823,195
Amounts owing to subsidiaries	17	-	1,012,000
		<u>1,102,885</u>	<u>2,835,195</u>
<b>Total Liabilities</b>		<u>1,102,885</u>	<u>2,841,595</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>259,843,208</u></u>	<u><u>246,382,577</u></u>

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 2013

		←	Non-distributable	→	Distributable	←	→			
			Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total reserves RM	Foreign exchange translation reserve RM	Capital reserve RM	Fair value reserve RM
	<b>Note</b>	<b>Total equity RM</b>								
	<b>At 1.1.2012</b>	267,720,535	197,025,503	44,086,331	(16,325,026)	42,856,790	76,937	(1,959)	-	78,896
	<b>Comprehensive Income</b>									
	Profit for the financial year	392,687	-	-	-	392,687	-	-	-	-
	<b>Other comprehensive income</b>									
	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
	<b>Total other comprehensive income for the financial year</b>	141,303	-	-	-	-	141,303	(4,608)	-	145,911
	<b>Total comprehensive income for the financial year</b>	533,990	-	-	-	392,687	141,303	(4,608)	-	145,911
	<b>Transactions with owners</b>									
32	Dividends	(13,148,359)	-	-	-	(13,148,359)	-	-	-	-
23	Purchase of treasury shares	(11,565,184)	-	-	(11,565,184)	-	-	-	-	-
23	Cancellation of treasury shares	-	(19,000,000)	(16,476,733)	16,476,733	-	19,000,000	-	19,000,000	-
	<b>Total transactions with owners</b>	(24,713,543)	(19,000,000)	(16,476,733)	4,911,549	(13,148,359)	19,000,000	-	19,000,000	-
	<b>At 31.12.2012</b>	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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	Non-distributable			Distributable			Non-distributable		
		Total equity RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total reserves RM	Foreign exchange translation reserve RM	Capital reserve RM	Fair value reserve RM
<b>At 31.12.2012</b>		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
<b>Comprehensive Income</b>										
Profit for the financial year		198,096,048	-	-	-	198,096,048	-	-	-	-
<b>Other comprehensive income</b>										
Foreign currency translation differences		8,928	-	-	-	-	8,928	8,928	-	-
<b>Total other comprehensive income for the financial year</b>		8,928	-	-	-	-	8,928	8,928	-	-
<b>Total comprehensive income for the financial year</b>		198,104,976	-	-	-	198,096,048	8,928	8,928	-	-
<b>Transactions with owners</b>										
Dividends	32	(181,173,849)	-	-	-	(181,173,849)	-	-	-	-
Purchase of treasury shares	23	(1,731,786)	-	-	(1,731,786)	-	-	-	-	-
<b>Total transactions with owners</b>		(182,905,635)	-	-	(1,731,786)	(181,173,849)	-	-	-	-
<b>At 31.12.2013</b>		258,740,323	178,025,503	27,609,598	(13,145,263)	47,023,317	19,227,168	2,361	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 2013

	Note	2013 RM	2012 RM
<b>Cash Flows from Operating Activities</b>			
Profit before tax		198,359,048	716,521
Adjustments for:-			
Bad debts written off		407,500	-
Depreciation of property, plant and equipment		376,858	345,708
Dividend income		(187,358,000)	(7,043,400)
Gain on voluntary winding-up of subsidiaries		(395)	-
(Gain)/Loss on unrealised foreign exchange		(11,640,489)	5,958,958
Impairment loss on investment in subsidiaries		32,000	45,000
Interest income		(4,148,473)	(4,004,928)
Interest expense		50,473	-
Property, plant and equipment written off		13	-
Provision for employee benefits		<u>3,736</u>	<u>404</u>
Operating loss before working capital changes		(3,917,729)	(3,981,737)
Receivables		(1,537,682)	(615,259)
Payables		<u>(724,046)</u>	<u>473,808</u>
Cash used in operations		(6,179,457)	(4,123,188)
Interest paid		(50,473)	-
Tax paid		<u>(193,400)</u>	<u>(57,000)</u>
Net cash used in operating activities carried down		(6,423,330)	(4,180,188)

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	Note	2013 RM	2012 RM
Net cash used in operating activities carried down		(6,423,330)	(4,180,188)
<b>Cash Flows from Investing Activities</b>			
Acquisition of other investments		-	(350,000)
Advances to jointly controlled entities		(16,815,003)	(17,871,042)
Net cash received from voluntary winding-up of subsidiaries	13	1,010,397	-
Repayments from subsidiaries		21,682,600	2,038,400
Purchase of property, plant and equipment	10	(430,881)	(23,749)
Dividend received		187,358,000	7,043,400
Interest received		4,148,473	4,004,928
Net cash from/(used in) investing activities		196,953,586	(5,158,063)
<b>Cash Flows from Financing Activities</b>			
Repayments to subsidiaries		(1,012,000)	-
Dividend paid		(181,173,849)	(13,148,359)
Treasury shares repurchased	23	(1,731,786)	(11,565,184)
Net cash used in financing activities		(183,917,635)	(24,713,543)
<b>Net change in cash and cash equivalents</b>		6,612,621	(34,051,794)
Effects of exchange rates changes on cash and cash equivalents		5,956	(13,677)
Cash and cash equivalents at beginning of financial year		<u>10,155,232</u>	<u>44,220,703</u>
<b>Cash and cash equivalents at end of financial year</b>	22	<u><u>16,773,809</u></u>	<u><u>10,155,232</u></u>

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 2013

## 1. CORPORATE INFORMATION

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

The registered office 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors dated 28 February 2014.

## 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 otherwise disclosed in the significant accounting policies.

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 reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement 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.

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

#### (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

##### New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

##### Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures



# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

##### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

##### New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
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##### Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
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The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

#### ***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 controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

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.

The Group and the Company adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3. The adoption of MFRS10 has no significant impact to the financial statements of the Group and of the Company.

#### ***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 venturer recognises its interest in the joint venture as an investment and account for its 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.

The Group and the Company adopted MFRS 11 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.16. The adoption of MFRS 11 has no significant impact to the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

##### ***MFRS 12 Disclosures of Interests in Other Entities***

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, 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. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. MFRS 12 disclosures are provided in Notes 13, 14 and 15.

##### ***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. As a result of the guidance in MFRS 13, the Group and the Company reassessed their policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group and of the Company. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 40.

##### ***Amendment to MFRS 101 Presentation of Financial Statements***

The amendment to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

This amendment also clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendment clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The above amendment affects presentation only and has no impact on the Group's and the Company's financial position or performance.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

##### ***MFRS 128 Investments in Associates and Joint Ventures (Revised)***

MFRS 128 (Revised) 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 standard 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, unit trusts and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

The adoption of this standard has no significant impact to the financial statements of the Group and of the Company.

##### ***Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards***

Amendment to MFRS 1 requires first-time adopters to apply the requirements of MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to MFRSs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Entities may choose to apply the requirements of MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 120 to any government loans originated before the date of transition to MFRSs retrospectively provided that the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give the first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest.

Amendment to MFRS 1 also clarifies that an entity that has applied MFRSs or IFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with MFRSs or IFRSs, has the option to apply this MFRS 1 or apply MFRSs retrospectively in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors as if it had never stopped applying MFRSs or IFRSs.

The adoption of this amendment has no significant impact to the financial statements of the Group and of the Company.

##### ***Amendments to MFRS 7 Financial Instruments: Disclosures***

Amendments to MFRS 7 address disclosure to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of these amendments has no significant impact to the financial statements of the Group and of the Company.

##### ***Amendment to MFRS 116 Property, Plant and Equipment***

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

The adoption of this amendment has no significant impact to the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

##### ***Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities***

Amendments to MFRS 10 clarify that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial performance and position of the Group and of the Company.

##### ***Amendment to MFRS 132 Financial Instruments: Presentation***

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

The adoption of this amendment has no significant impact to the financial statements of the Group and of the Company.

##### ***Amendment to MFRS 134 Interim Financial Reporting***

To be consistent with the requirements in MFRS 8 Operating Segments, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The adoption of this amendment has no significant impact to the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (b) New MFRSs, Amendments/Improvements to MFRSs and New 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 MFRSs, amendments/improvements to MFRSs and new 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
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	Deferred to a date to be announced by Malaysian Accounting Standards Boards ("MASB")
<u>Amendments/Improvements to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	Deferred to a date to be announced by MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 119	Employee benefits	1 July 2014
<u>Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 – 2012 Cycle"</u>		
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 8	Operation Segments	1 July 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 16	Property, Plant and Equipment	1 July 2014
MFRS 24	Related Party Disclosures	1 July 2014
MFRS 38	Intangible Assets	1 July 2014
<u>Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011–2013 Cycle"</u>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 140	Investment Property	1 July 2014
<u>New IC Int</u>		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

##### ***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 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.

##### ***Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements***

Amendments to MFRS 10 introduce an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarify that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS 139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

##### ***Amendment to MFRS 132 Financial Instruments: Presentation***

Amendment to MFRS 132 does not change the current offsetting model in MFRS 132. The amendment clarifies the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendment clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

##### ***Amendment to MFRS 136 Impairment of Assets***

Amendment to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

#### (b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

##### ***Amendment to MFRS 139 Financial Instruments: Recognition and Measurement***

Amendment to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendment, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

##### ***IC Int 21 Levies***

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.

### 2.3 Basis of consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries which are disclosed in Note 13 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.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an investee if and only if the Group has:-

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:-

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that 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.



# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.3 Basis of consolidation and Subsidiaries (cont'd)

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 recognised in profit or loss.

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.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net 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 parent's 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 profit or loss and other 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.

### 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 profit or loss and other 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 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 RM 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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.6 Revenue

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

Commissions and revenue from services are recognised when services are rendered.

Rental revenue is recognised on an accrual basis.

Dividends from subsidiaries, associates and other investments are recognised when the right to receive payment is established.

Interest revenue is recognised on a time proportion basis that reflects the effective yield of the asset.

### 2.7 Employee benefits

#### (a) Short term employee benefits

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

#### (b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.8 Borrowing costs

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.9 Tax expense

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

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

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

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

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

### 2.10 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.11 Property, plant and equipment and depreciation

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

Subsequent to initial recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at valuation less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the valuation of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the principal annual rates used for this purpose as follows:-

Warehouse and office buildings	2% - 5%
Machinery, equipment, furniture and fittings	20% - 33 1/3%
Motor vehicles	20%

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy of recognition of impairment losses is in accordance with Note 2.11.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.12 Land use rights

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

### 2.13 Capital work-in-progress

Capital work-in-progress consists of expenditure incurred on the construction of property, plant and equipment which take a substantial period of time to be ready for their intended use.

Capital work-in-progress is stated at cost during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of the construction, the cost will be transferred to property, plant and equipment.

### 2.14 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.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.15 Goodwill

Goodwill acquired in a business combination represents the difference between purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when any indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of an interest in a subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of the interest in the subsidiary in profit or loss.

### 2.16 Joint arrangements

The Group has applied MFRS 11 to all joint arrangements as of 1 January 2013. Under MFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using equity method.

Under the equity method of accounting, interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

### 2.17 Impairment of non-financial assets

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

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



# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.18 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and has categorised the financial assets as loans and receivables and available-for-sale financial assets.

#### (a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables comprise trade and other receivables including deposits and cash and cash equivalents.

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

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

#### (b) Available-for-sale financial assets

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

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

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

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

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.19 Impairment of financial assets

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

#### (a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### (b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active market are considerations to determine whether there is objective evidence that investment classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### 2.20 Cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.21 Share capital and share issuance expenses

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

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

### 2.22 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sale consideration and the carrying amount is recognised in equity.

### 2.23 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

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

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

### 2.24 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.25 Government grants

Government grants are recognised in the consolidated financial statements initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset. As the government grant is received for capital project, it is recognised as government grant received in advance.

### 2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.27 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimated of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

The Group does not recognise contingent assets and liabilities, but discloses its existence in the financial statements, unless the possibility of an outflow of resources embodying economic benefit is remote.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 2.29 Leases

#### (a) Finance Lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

#### (b) Operating Lease – the Group as Lessee

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

#### (c) Operating Lease – the Group as Lessor

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements of the Group and of the Company require management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgement used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

#### (i) Useful lives of property, plant and equipment (Note 10)

The cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets and therefore, future depreciation changes could be revised.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

### (ii) Impairment of available-for-sale investments (Note 16)

The Group reviews its unquoted investments classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of a investment is less than its cost.

### (iii) Impairment of receivables (Note 19)

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

### (iv) Deferred tax assets (Note 28)

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

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

### (v) Impairment of investments, amount owing by subsidiaries and joint controlled entities (Notes 13, 14 and 15)

The directors review the investments, amount owing by subsidiaries and jointly controlled entities for impairment when there is an indication of impairment. This involves measuring the recoverable amount which includes fair value less costs to sell and valuation techniques. Valuation techniques include discounted cash flows analysis and in some cases, based on current market indicators and estimates that provide reasonable approximations to the detailed computation. For quoted investment, the directors make impairment loss based on assessment whether the decline in the market value is of permanent in nature together with the assessment on the prospect of the business. Where expectations differ from the original estimate, the differences will impact the carrying amount of these investments.

### (vi) Joint arrangements

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a jointly venture.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

### (vii) Impairment of goodwill

The Group tests goodwill annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Where expectations differ from the original estimates, the differences will impact the carrying amount of goodwill.

## 4. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Continuing operations</b>				
Warehousing and related value added services	29,293,477	26,724,826	-	-
Transportation and distribution, freight forwarding and haulage services	12,360,026	9,935,724	-	-
Dividend revenue	-	-	187,358,000	7,043,400
	<u>41,653,503</u>	<u>36,660,550</u>	<u>187,358,000</u>	<u>7,043,400</u>
<b>Discontinued operations</b>				
Warehousing and related value added services	75,239,989	91,221,157	-	-
Transportation and distribution, freight forwarding and haulage services	4,850,609	10,041,613	-	-
	<u>80,090,598</u>	<u>101,262,770</u>	<u>-</u>	<u>-</u>
	<u>121,744,101</u>	<u>137,923,320</u>	<u>187,358,000</u>	<u>7,043,400</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 5. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Continuing operations</b>				
Interest expense on:				
Term loans	289,707	485,030	-	-
Revolving credit	50,473	-	50,473	-
Shareholder's loan	<u>1,091,354</u>	<u>1,178,073</u>	<u>-</u>	<u>-</u>
	<u>1,431,534</u>	<u>1,663,103</u>	<u>50,473</u>	<u>-</u>
<b>Discontinued operations</b>				
Interest expense on:				
Term loans	<u>1,329,133</u>	<u>2,689,882</u>	<u>-</u>	<u>-</u>
	<u>2,760,667</u>	<u>4,352,985</u>	<u>50,473</u>	<u>-</u>

## 6. PROFIT BEFORE TAX

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amortisation of land use rights	1,201,032	1,772,454	-	-
Auditors' remuneration				
- auditors of the Company				
- statutory audit	70,000	50,000	70,000	50,000
- under provision in previous year	-	30,000	-	30,000
- other services	22,200	8,600	22,200	8,600
- component auditors of the Group				
- statutory audit	189,407	193,251	-	-
- other services	31,046	-	-	-
Bad debts written off				
- subsidiaries	-	-	407,500	-
- third parties	307,700	150,344	-	-
Capital work-in-progress written off	-	148,649	-	-
Depreciation of property, plant and equipment	8,630,527	9,245,568	376,858	345,708
Deposits written off	-	5,100	-	-
Directors' remuneration *				
- fees	351,400	276,255	351,400	216,000
- other emoluments	10,214,846	4,098,469	605,243	1,626,463
(Gain)/Loss on disposal of property, plant and equipment	(56,162)	78,406	-	-
Gain on disposal of subsidiaries	(245,913,320)	(2,028,236)	-	-
Gain on voluntary winding-up of subsidiaries	-	-	(395)	-
Government grant income (Note 27)	<u>(109,772)</u>	<u>(91,576)</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROFIT BEFORE TAX (cont'd)

The following items have been included in arriving at profit before tax: - (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Impairment loss on investment in subsidiaries	-	-	32,000	45,000
Interest expense	2,760,667	4,352,985	50,473	-
Interest income				
- banks	(961,867)	(1,112,407)	(513,688)	(884,614)
- amounts owing by subsidiaries	-	-	(2,238,584)	(2,345,091)
- amount owing by a jointly controlled entity	(1,396,201)	(775,223)	(1,396,201)	(775,223)
(Gain)/Loss on realised foreign exchange	(769,482)	(49,422)	309,634	79,310
(Gain)/Loss on unrealised foreign exchange	(5,956)	13,679	(11,640,489)	5,958,958
Government subsidies	(1,331,314)	(1,116,416)	-	-
Property, plant and equipment written off	13	-	13	-
Provision for employee benefits	3,736	404	3,736	404
Rental of warehouse and office buildings	24,681,089	24,028,734	1,012,936	519,309
Rental of equipment	12,000	12,594	12,000	12,594
Rental of warehouse	(1,547,890)	(591,377)	(1,547,890)	(591,377)
Reversal of provision for land penalty	-	(3,483,172)	-	-
Staff costs				
- Contribution to defined contribution plan	74,593	57,190	74,593	57,190
- Salaries and others	<u>68,539,161</u>	<u>35,895,218</u>	<u>883,407</u>	<u>778,724</u>

\* Included in directors' remuneration were aggregate amounts of remuneration received and receivable by the directors of the Company during the financial year as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive directors				
- fees	-	60,255	-	-
- other emoluments	<u>10,214,846</u>	<u>3,981,249</u>	<u>605,243</u>	<u>1,509,243</u>
Total executive directors' remuneration	<u>10,214,846</u>	<u>4,041,504</u>	<u>605,243</u>	<u>1,509,243</u>
Non-executive directors				
- fees	351,400	216,000	351,400	216,000
- other emoluments	<u>-</u>	<u>117,220</u>	<u>-</u>	<u>117,220</u>
Total non-executive directors' remuneration	<u>351,400</u>	<u>333,220</u>	<u>351,400</u>	<u>333,220</u>
Total directors' remuneration	<u>10,566,246</u>	<u>4,374,724</u>	<u>956,643</u>	<u>1,842,463</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAX (cont'd)

The monetary value of benefits-in-kind of the Group and of the Company provided to certain directors of the Company amounted to RM249,562 (2012: RM248,590) and RM95,200 (2012: RM95,200) respectively.

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

	Number of Directors	
	2013	2012
Executive:		
RM800,001 - RM850,000	-	1
RM1,150,001 - RM1,200,000	-	1
RM1,600,001 - RM1,650,000	1	-
RM2,000,001 - RM2,050,000	-	1
RM3,350,001 - RM3,400,000	1	-
RM5,200,001 - RM5,250,000	1	-
Non-Executive:		
<u>Independent</u>		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	1	1
<u>Non-Independent</u>		
RM50,001 - RM100,000	1	1

### 7. TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Continuing operations</b>				
Current income tax				
- Malaysian tax	277,000	121,000	277,000	121,000
- Foreign tax	541,931	832,694	-	-
- (Over)/Under provision in respect of prior financial years	(7,600)	219,534	(7,600)	219,534
	811,331	1,173,228	269,400	340,534

# NOTES TO THE FINANCIAL STATEMENTS

## 7. TAX EXPENSE (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deferred tax (Note 28)				
- Origination and reversal of temporary differences	5,781	422,061	(6,100)	(1,400)
- Over provision in respect of prior financial years	-	(15,300)	-	(15,300)
- Relating to changes in tax rate	(300)	-	(300)	-
	<u>5,481</u>	<u>406,761</u>	<u>(6,400)</u>	<u>(16,700)</u>
Tax expense from continuing operations	816,812	1,579,989	263,000	323,834
<b>Discontinued operations</b>				
Tax expense from discontinued operations (Note 8)	<u>2,868,145</u>	<u>3,990,603</u>	<u>-</u>	<u>-</u>
Total income tax expense recognised in profit or loss	<u>3,684,957</u>	<u>5,570,592</u>	<u>263,000</u>	<u>323,834</u>

The numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable statutory income tax rate are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax from continuing operations	191,108,114	216,438	198,359,048	716,521
Profit before tax from discontinued operations (Note 8)	<u>5,324,418</u>	<u>6,791,583</u>	<u>-</u>	<u>-</u>
Total profit before tax	<u>196,432,532</u>	<u>7,008,021</u>	<u>198,359,048</u>	<u>716,521</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. TAX EXPENSE (cont'd)

The numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable statutory income tax rate are as follows:- (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax at Malaysian statutory income tax rate of 25% (2012 : 25%)	49,108,100	1,752,000	49,589,800	179,100
Effect of changes in tax rates on opening balance of deferred tax	(300)	-	(300)	-
Deferred tax recognised at different tax rates	26	-	26	-
Effect of different tax rates in other jurisdictions	(5,340,200)	(175,000)	-	-
Share of results of associates	381,100	(150,800)	-	-
Share of results of jointly controlled entities	2,836,200	1,196,100	-	-
Tax effect of non-taxable revenue	(50,545,100)	(3,778,700)	(50,674,816)	(2,617,800)
Tax effect of non-deductible expenses	7,086,031	5,374,758	1,355,890	2,558,300
Tax effect of withholding tax in foreign subsidiaries	177,300	1,234,400	-	-
Utilisation of deferred tax assets not recognised in prior financial years	(16,300)	(89,400)	-	-
Deferred tax assets not recognised during the financial year	5,700	3,000	-	-
(Over)/Under provision in prior financial years				
- current income tax	(7,600)	219,534	(7,600)	219,534
- deferred tax	-	(15,300)	-	(15,300)
Total income tax expense recognised in profit or loss	<u>3,684,957</u>	<u>5,570,592</u>	<u>263,000</u>	<u>323,834</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. TAX EXPENSE (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM225,138,927 (2012: RM21,411,400). The tax exempt income is in respect of chargeable income of which income tax had been waived and second tier dividend income.

The Group has unutilised tax losses of RM1,653,500 (2012: RM1,560,000) available for set-off against future taxable profits.

### 8. DISCONTINUED OPERATIONS

#### 2013

On 28 June 2013, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70%-owned subsidiary of the Company entered into a Deed of Sale and Purchase ("Deed") with Winfair International Holdings Limited ("Winfair"), a wholly-owned subsidiary of C.J.H. Investment Company Limited who has guaranteed the performance of Winfair's obligations under the Deed, for the disposal by ILHK of its entire equity interest in ISH Logistics (Shenzhen II) Limited and Integrated Logistics Henan (H.K.) Limited (the "Target Companies") to Winfair for a total cash consideration of RMB998.0 million (equivalent to approximately RM533.93 million). Net consideration payable to ILHK pursuant to the Deed shall be the total consideration less outstanding loans and intercompany payables and subject to the adjustment of an amount equal to the net current assets (the "Adjustment Sum") of the Target Companies at the Completion Date.

The disposal was completed on 30 October 2013 upon fulfilment of all the Conditions Precedent of the Deed.

#### 2012

On 20 August 2012, Integrated Logistics (H.K.) Limited and ISH Group (BVI) Limited, indirect subsidiaries in which the Company has 70% effective equity interest, had completed the share sale in relation to the Share Transfer Agreement dated 5 June 2012 entered with On Yip Property (Group) Limited for the sale of 100% equity interests in ISH Logistics (Shenzhen) Limited ("ISH HK"). ISH HK is an investment holding company which owns 100% equity stake in ISH Logistics Yantian (Shenzhen) Company Limited ("ISH Yantian") and Integrated Shun Hing Logistics (Shenzhen) Company Limited ("ISH Shenzhen"). ISH Yantian owns the land use rights of a piece of development land located at Yantian Port Free Trade Zone, Shenzhen, The People's Republic of China. ISH Shenzhen which is to be excluded from the share sale, has been transferred to ISH Cargo Services (H.K.) Company Limited, an indirect 70% subsidiary of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 8. DISCONTINUED OPERATIONS (cont'd)

(a) An analysis of the results of the discontinued operations are as follows:

		2013 RM	Group 2012 RM
	Note		
Revenue	4	80,090,598	101,262,770
Direct operating costs		<u>(65,861,652)</u>	<u>(80,688,670)</u>
Gross profit		14,228,946	20,574,100
Other income		2,796,276	978,893
Administrative costs		<u>(10,371,671)</u>	<u>(12,071,528)</u>
Profit from operations		6,653,551	9,481,465
Finance costs	5	<u>(1,329,133)</u>	<u>(2,689,882)</u>
Profit before tax	8(c)	5,324,418	6,791,583
Tax expense	7	<u>(2,868,145)</u>	<u>(3,990,603)</u>
Profit for the financial year		<u>2,456,273</u>	<u>2,800,980</u>
<b>Attributable to:-</b>			
Owners of the parent		1,719,391	1,898,409
Non-controlling interests		<u>736,882</u>	<u>902,571</u>
<b>Profit for the financial year</b>		<u>2,456,273</u>	<u>2,800,980</u>

(b) Effect of disposal on the financial position of the Group:-

		2013 RM	2012 RM
	Note		
Property, plant and equipment	10	241,777,608	-
Land use rights	11	60,360,109	33,113,851
Receivables		27,312,247	-
Cash and cash equivalents		11,552,982	15
Payables		(201,568,425)	-
Non-controlling interests		(1,645,072)	-
Government grant received in advance	27	(6,345,082)	-
Deferred tax liabilities	28	(24,991,397)	-
Translation differences		<u>(3,557,203)</u>	<u>604,360</u>
Net assets and liabilities		102,895,767	33,718,226
Cash consideration received		<u>(348,809,087)</u>	<u>(35,746,462)</u>
Gain on disposal of investment in subsidiaries		<u>(245,913,320)</u>	<u>(2,028,236)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 8. DISCONTINUED OPERATIONS (cont'd)

(b) Effect of disposal on the financial position of the Group:- (cont'd)

	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Net cash inflow arising from disposal:		
Cash consideration received	348,809,087	35,746,462
Cash and cash equivalents	(11,552,982)	(15)
Translation differences	<u>3,920,609</u>	<u>174,166</u>
	<u><u>341,176,714</u></u>	<u><u>35,920,613</u></u>

Included in the cash consideration received is Adjustment Sum placed by Winfair. The Adjustment Sum has been finalised resulting in an amount payable to Winfair of RM453,707 as disclosed in Note 30.

(c) The following amounts have been included in arriving at profit before tax of the discontinued operations:

	<b>2013</b>	<b>Group</b>
	<b>RM</b>	<b>2012</b>
		<b>RM</b>
Amortisation of land use rights	880,265	1,022,245
Auditors' remuneration	46,561	53,602
Bad debts written off	307,700	71,757
Depreciation of property, plant and equipment	6,926,180	7,666,135
Directors' remuneration		
- other emoluments	580,558	669,739
(Gain)/Loss on disposal of property, plant and equipment	(14,172)	827
Interest expense	1,329,133	2,689,882
Interest income		
- banks	(396,964)	(44,440)
(Gain)/Loss on realised foreign exchange	(832,457)	786
Rental of warehouse and office buildings	14,767,674	14,745,364
Staff costs		
- Salaries and others	<u><u>24,847,264</u></u>	<u><u>28,340,024</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 8. DISCONTINUED OPERATIONS (cont'd)

(d) The cash flows attributable to the discontinued operations are as follows:

	2013 RM	Group 2012 RM
Operating activities	84,067,000	34,638,509
Investing activities	(280,623)	(4,842,455)
Financing activities	<u>(83,201,957)</u>	<u>(30,919,870)</u>
Net cash from/(used in) discontinued operations	<u>584,420</u>	<u>(1,123,816)</u>

## 9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share are calculated by dividing profit for the financial year attributable to owners of parent by the weighted average number of ordinary shares outstanding during the financial year.

The diluted earnings/(loss) per share is not applicable for the current financial year as the Group does not have dilutive potential ordinary shares as at the reporting date.

	2013 RM	Group 2012 RM
Profit/(Loss) for the financial year attributable to owners of the parent:		
- Continuing operations	128,013,162	(2,000,644)
- Discontinued operations	<u>1,719,391</u>	<u>1,898,409</u>
	<u>129,732,553</u>	<u>(102,235)</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share computation*	<u>165,036,947</u>	<u>175,447,120</u>

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Warehouse and Office Buildings RM	Machinery, Equipment, Furniture and Fittings RM	Motor Vehicles RM	Total RM
<b>Cost/Valuation</b>				
At 1.1.2013				
At cost	196,994,758	20,211,681	5,414,590	222,621,029
At valuation	65,160,353	-	-	65,160,353
	262,155,111	20,211,681	5,414,590	287,781,382
Translation differences	24,452,587	1,935,079	383,455	26,771,121
Additions	130,357	562,898	610,233	1,303,488
Adjustment on revaluation	(264,748)	-	-	(264,748)
Elimination of accumulated depreciation on revaluation	(1,011,894)	-	-	(1,011,894)
Transfer from capital work-in-progress (Note 12)	25,227,273	-	-	25,227,273
Disposals	(22,457)	(613,375)	(414,465)	(1,050,297)
Written off	-	(32,904)	-	(32,904)
Disposal of subsidiaries (Note 8)	(255,163,988)	(18,014,012)	(3,119,057)	(276,297,057)
At 31.12.2013	55,502,241	4,049,367	2,874,756	62,426,364
<b>Representing</b>				
At cost	55,365,860	4,049,367	2,874,756	62,289,983
At valuation	136,381	-	-	136,381
	55,502,241	4,049,367	2,874,756	62,426,364
<b>Accumulated Depreciation</b>				
At 1.1.2013	704,563	16,325,654	2,972,822	20,003,039
Translation differences	11,803,968	1,646,445	245,937	13,696,350
Charge for the financial year	6,029,467	1,698,604	902,456	8,630,527
Elimination of accumulated depreciation on revaluation	(1,011,894)	-	-	(1,011,894)
Disposals	(15,345)	(567,902)	(389,475)	(972,722)
Written off	-	(32,891)	-	(32,891)
Disposal of subsidiaries (Note 8)	(17,401,059)	(15,342,568)	(1,775,822)	(34,519,449)
At 31.12.2013	109,700	3,727,342	1,955,918	5,792,960
<b>Net Carrying Amount</b>				
At cost	55,256,160	322,025	918,838	56,497,023
At valuation	136,381	-	-	136,381
At 31.12.2013	55,392,541	322,025	918,838	56,633,404

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Warehouse and Office Buildings RM	Machinery, Equipment, Furniture and Fittings RM	Motor Vehicles RM	Total RM
<b>Cost/Valuation</b>				
At 1.1.2012				
At cost	99,619,473	20,467,576	5,702,710	125,789,759
At valuation	153,841,226	-	-	153,841,226
	253,460,699	20,467,576	5,702,710	279,630,985
Translation differences	(8,959,789)	(714,944)	(150,110)	(9,824,843)
Additions	4,483,656	571,809	-	5,055,465
Adjustment on revaluation	30,944,855	-	-	30,944,855
Elimination of accumulated depreciation on revaluation	(17,458,010)	-	-	(17,458,010)
Disposals	(316,300)	(112,760)	(138,010)	(567,070)
At 31.12.2012	262,155,111	20,211,681	5,414,590	287,781,382
Representing				
At cost	196,994,758	20,211,681	5,414,590	222,621,029
At valuation	65,160,353	-	-	65,160,353
	262,155,111	20,211,681	5,414,590	287,781,382
<b>Accumulated Depreciation</b>				
At 1.1.2012	13,001,495	14,532,871	2,185,541	29,719,907
Translation differences	(544,549)	(546,431)	(71,723)	(1,162,703)
Charge for the financial year	5,800,460	2,448,094	997,014	9,245,568
Elimination of accumulated depreciation on revaluation	(17,458,010)	-	-	(17,458,010)
Disposals	(94,833)	(108,880)	(138,010)	(341,723)
At 31.12.2012	704,563	16,325,654	2,972,822	20,003,039
<b>Net Carrying Amount</b>				
At cost	176,313,928	3,886,027	2,441,768	182,641,723
At valuation	85,136,620	-	-	85,136,620
At 31.12.2012	261,450,548	3,886,027	2,441,768	267,778,343

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Equipment, Furniture and Fittings RM	Motor vehicles RM	Total RM
<b>Company</b>			
<b>Cost</b>			
At 1.1.2013	279,225	1,458,215	1,737,440
Additions	39,650	391,231	430,881
Written off	(32,904)	-	(32,904)
At 31.12.2013	<u>285,971</u>	<u>1,849,446</u>	<u>2,135,417</u>
<b>Accumulated Depreciation</b>			
At 1.1.2013	171,881	741,969	913,850
Charge for the financial year	59,133	317,725	376,858
Written off	(32,891)	-	(32,891)
At 31.12.2013	<u>198,123</u>	<u>1,059,694</u>	<u>1,257,817</u>
<b>Net Carrying Amount</b>			
At 31.12.2013	<u>87,848</u>	<u>789,752</u>	<u>877,600</u>
<b>Cost</b>			
At 1.1.2012	255,476	1,458,215	1,713,691
Additions	23,749	-	23,749
At 31.12.2012	<u>279,225</u>	<u>1,458,215</u>	<u>1,737,440</u>
<b>Accumulated Depreciation</b>			
At 1.1.2012	117,816	450,326	568,142
Charge for the financial year	54,065	291,643	345,708
At 31.12.2012	<u>171,881</u>	<u>741,969</u>	<u>913,850</u>
<b>Net Carrying Amount</b>			
At 31.12.2012	<u>107,344</u>	<u>716,246</u>	<u>823,590</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (a) During the financial year, the warehouse and office buildings of the Group were revalued by the directors based on independent professional valuations on the open market value basis.

The net carrying amount of these property, plant and equipment had no revaluation been made are as follows:-

	<b>2013</b>	<b>Group</b>
	<b>RM</b>	<b>2012</b>
		<b>RM</b>
Warehouse and office buildings	<u>55,200,427</u>	<u>175,981,686</u>

- (b) The net carrying amount of property, plant and equipment pledged to the financial institutions as security for borrowing facilities (Note 25) are as follows:-

	<b>2013</b>	<b>Group</b>
	<b>RM</b>	<b>2012</b>
		<b>RM</b>
Warehouse and office buildings	<u>55,336,806</u>	<u>261,316,615</u>

## 11. LAND USE RIGHTS

	<b>2013</b>	<b>Group</b>
	<b>RM</b>	<b>2012</b>
		<b>RM</b>
At 1 January	70,308,537	109,193,159
Amortisation for the financial year	(1,201,032)	(1,772,454)
Disposal of subsidiaries (Note 8)	(60,360,109)	(33,113,851)
Translation differences	<u>6,427,667</u>	<u>(3,998,317)</u>
At 31 December	<u>15,175,063</u>	<u>70,308,537</u>

At the end of the financial year, the Group has land use rights located in Suzhou in The People's Republic of China ("PRC") where the Group's warehousing facilities reside under medium lease terms for a duration of 50 years. Certain land use rights with carrying amounts of RM6,947,809 (2012: RM49,367,010) are charged as security for borrowing facilities as disclosed in Note 25.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. CAPITAL WORK-IN-PROGRESS

	Group	
	2013 RM	2012 RM
At cost,		
At 1 January	18,168,264	907,772
Additions	5,423,938	17,438,564
Translation differences	1,635,071	(29,423)
Written off	-	(148,649)
Transfer to property, plant and equipment (Note 10)	<u>(25,227,273)</u>	<u>-</u>
	<u>-</u>	<u>18,168,264</u>

This was in respect of construction of the warehouse buildings of the Group. The balance of the capital commitment in the previous financial year is disclosed in Note 34.

## 13. SUBSIDIARIES

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost		
At 1 January	44,816,197	44,816,197
Capital repayments	(1,010,000)	-
Voluntary winding-up	(2)	-
At 31 December	43,806,195	44,816,197
Less: Accumulated impairment loss		
At 1 January	22,933,000	22,888,000
Additions	32,000	45,000
At 31 December	22,965,000	22,933,000
Amounts owing by subsidiaries	<u>16,177,920</u>	<u>19,054,350</u>
	<u>37,019,115</u>	<u>40,937,547</u>

Amounts owing by subsidiaries are solely from ILB International (BVI) Limited, which is non-trade in nature, unsecured and interest free. The settlements of the amounts are neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment loss.

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

The amounts owing by subsidiaries are denominated in Hong Kong Dollar.



# NOTES TO THE FINANCIAL STATEMENTS

## 13. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2013	2012
Integrated Forwarding & Shipping Berhad	Malaysia	Ceased operations	100%	100%
^ Integrated Freight Services Sdn. Bhd.	Malaysia	Ceased operations	100%	100%
^ Integrated Leasing Corporation Sdn. Bhd.	Malaysia	Ceased operations	100%	100%
^ Integrated Haulage Sdn. Bhd.	Malaysia	Ceased operations	100%	100%
& Business Protocol Sdn. Bhd.	Malaysia	Dormant	-	100%
@ ILB International (BVI) Limited	British Virgin Islands	Investment holding	100%	100%
<b>Subsidiary of ILB International (BVI) Limited</b>				
@ ISH Logistics Group Limited	Grand Cayman Island	Investment holding	70%	70%
<b>Subsidiary of ISH Logistics Group Limited</b>				
@ ISH Group (BVI) Limited	British Virgin Islands	Investment holding	70%	70%
<b>Subsidiary of ISH Group (BVI) Limited</b>				
@ Integrated Logistics (H.K.) Limited	Hong Kong	Investment holding, warehousing and related value added services and transportation	70%	70%
<b>Subsidiaries of Integrated Logistics (H.K.) Limited</b>				
@ ISH Logistics (Shanghai) Limited	Hong Kong	Investment holding	70%	70%
@ ISH Logistics (Shenzhen II) Limited	Hong Kong	Investment holding	-	70%
@ Integrated Logistics Henan (H.K.) Limited	Hong Kong	Investment holding	-	70%
@ Integrated Logistics (China) Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	70%	70%

# NOTES TO THE FINANCIAL STATEMENTS

## 13. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:- (Cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2013	2012
@ Integrated Etern Logistics (Suzhou) Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	45.5%	45.5%
@ ISH Cargo Services (H.K.) Company Limited	Hong Kong	Investment holding	70%	70%
@ Changchun ISH Logistics (H.K.) Limited	Hong Kong	Dormant	70%	70%
<b>Subsidiary of ISH Logistics (Shanghai) Limited</b>				
@ Integrated Shun Hing Logistics (Shanghai) Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	70%	70%
<b>Subsidiary of ISH Logistics (Shenzhen II) Limited</b>				
@ Shenzhen ISH Logistics Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	-	70%
<b>Subsidiary of Integrated Logistics Henan (H.K.) Limited</b>				
@ Henan ISH Logistics Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	-	70%
<b>Subsidiary of ISH Cargo Services (H.K.) Company Limited</b>				
@ Integrated Shun Hing Logistics (Shenzhen) Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	70%	70%

# NOTES TO THE FINANCIAL STATEMENTS

## 13. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:- (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2013	2012
Subsidiaries of Shenzhen ISH Logistics Company Limited				
@ Xiamen ISH Logistics Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	-	70%
@ Beijing ISH Logistics Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	-	70%
@ Chongqing ISH Logistics Company Limited	The People's Republic of China	Warehousing and related value added services and transportation	-	45.5%

^ The subsidiaries which were consolidated using unaudited management financial statements have been placed under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 in Malaysia.

& Business Protocol Sdn. Bhd. had been deregistered in January 2013.

@ Audited by another professional firms of accountants.

(a) In the previous financial year, the shares of ISH Logistics (Shanghai) Limited with the carrying amount of RM15,860,000 were pledged to a financial institution as security for borrowing facilities as disclosed in Note 25.

(b) Voluntary winding-up of subsidiaries

Effect of voluntary winding-up of subsidiaries on the financial position of the Company:-

	2013 RM
Cost of investment	1,010,002
Net cash received	<u>(1,010,397)</u>
Gain on voluntary winding-up of subsidiaries	<u>(395)</u>

(c) Details of subsidiaries disposed off during the financial year are disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. SUBSIDIARIES (cont'd)

(d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:-

	Integrated Logistics (H.K.) Limited RM	Integrated Shun Hing Logistics (Shanghai) Co. Limited RM	Integrated Logistics (China) Co. Limited RM	Integrated Etern Logistics (Suzhou) Co. Limited RM	Shenzhen ISH Logistics Company Limited* RM	Other individual subsidiaries RM	Total RM
<b>2013</b>							
NCI percentage of ownership interest and voting interest	30%	30%	30%	19.5%	-	-	-
Carrying amount of NCI	<u>38,775,352</u>	<u>3,787,208</u>	<u>8,882,618</u>	<u>11,738,535</u>	<u>-</u>	<u>(3,809,008)</u>	<u>59,374,705</u>
Profit allocated to NCI	<u>63,099,317</u>	<u>836</u>	<u>93,206</u>	<u>32,838</u>	<u>-</u>	<u>(948,057)</u>	<u>62,278,140</u>
<b>2012</b>							
NCI percentage of ownership interest and voting interest	30%	30%	30%	19.5%	30%	-	-
Carrying amount of NCI	<u>21,549,411</u>	<u>5,625,428</u>	<u>537,488</u>	<u>9,957,338</u>	<u>38,966,322</u>	<u>561,341</u>	<u>77,197,328</u>
Profit allocated to NCI	<u>7,820</u>	<u>55,483</u>	<u>217,584</u>	<u>39,727</u>	<u>-</u>	<u>316,479</u>	<u>637,093</u>

\* The profit allocated to NCI is not disclosed in Shenzhen ISH Logistics Company Limited as it has been disposed off during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. SUBSIDIARIES (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:-

	Integrated Logistics (H.K.) Limited RM	Integrated Shun Hing Logistics (Shanghai) Co. Limited RM	Integrated Logistics (China) Co. Limited RM	Integrated Etern Logistics (Suzhou) Co. Limited RM	Shenzhen ISH Logistics Company Limited* RM
<b>2013</b>					
<b>Assets and liabilities</b>					
Non-current assets	107,104,188	412,632	97,616	70,528,852	-
Current assets	103,736,175	26,197,051	30,132,926	1,030,223	-
Non-current liabilities	(122,230,858)	-	-	(33,919)	-
Current liabilities	(38,492,775)	(1,874,618)	(638,814)	(18,652,415)	-
Net assets	50,116,730	24,735,065	29,591,728	52,872,741	-
<b>Results</b>					
Revenue	18,240,153	17,617,022	3,613,243	3,143,654	-
Profit for the financial year	298,363,807	2,788	310,687	168,402	-
Total comprehensive income	298,363,807	2,788	310,687	168,402	-

## NOTES TO THE FINANCIAL STATEMENTS

### 13. SUBSIDIARIES (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:- (cont'd)

2012	Integrated Logistics (H.K.) Limited RM	Integrated Shun Hing Logistics (Shanghai) Co. Limited RM	Integrated Logistics (China) Co. Limited RM	Integrated Etern Logistics (Suzhou) Co. Limited RM	Shenzhen ISH Logistics Company Limited* RM
<b>Assets and liabilities</b>					
Non-current assets	151,207,368	465,923	152,318	60,387,270	113,845,993
Current assets	109,074,892	24,839,447	27,141,686	4,699,277	44,390,590
Non-current liabilities	(153,358,221)	-	-	(4,450,981)	-
Current liabilities	(41,492,822)	(2,179,234)	(793,735)	(12,727,001)	(90,809,523)
Net assets	<u>65,431,217</u>	<u>23,126,136</u>	<u>26,500,269</u>	<u>47,908,565</u>	<u>67,427,060</u>
<b>Results</b>					
Revenue	10,877,987	17,144,753	4,222,156	3,050,006	-
Profit for the financial year	20,877,956	184,943	725,280	203,727	-
Total comprehensive income	<u>20,877,956</u>	<u>184,943</u>	<u>725,280</u>	<u>203,727</u>	<u>-</u>

\* The profit allocated to NCI is not disclosed in Shenzhen ISH Logistics Company Limited as it has been disposed off during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTEREST IN ASSOCIATES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares, at cost				
At 1 January/31 December	10,988,300	10,988,300	11,007,500	11,007,500
Quoted shares outside Malaysia, at cost				
At 1 January	59,768,100	48,706,517	-	-
Additions	-	11,061,583	-	-
Surplus on admission	6,328,586	-	-	-
At 31 December	66,096,686	59,768,100	-	-
Less: Accumulated impairment loss	(136,242)	(136,242)	-	-
Share of results:				
At 1 January	4,896,676	4,293,357	-	-
Additions	(1,524,219)	603,319	-	-
At 31 December	3,372,457	4,896,676	-	-
Exchange differences	2,435,833	(3,836,615)	-	-
	<u>82,757,034</u>	<u>71,680,219</u>	<u>11,007,500</u>	<u>11,007,500</u>
The Group's investments in associates is represented by:-				
Group's share of net assets	<u>82,757,034</u>	<u>71,680,219</u>		
Market value:				
Quoted shares outside Malaysia	<u>24,821,055</u>	<u>19,357,166</u>		

The associates are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2013	2012
Integrated Mits Sdn. Bhd.	Malaysia	Warehousing and related value added services	50%	50%
<b>Interest held through Integrated Logistics (H.K.) Limited</b>				
** Shanghai Puhwa Logistics Company Limited	The People's Republic of China	Warehousing and transportation	24.5%	24.5%
** Hengyang Petrochemica Logistics Limited	Singapore	Investment holding	18.1%	18.1%

\*\* Audited by another professional firms of accountants.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTEREST IN ASSOCIATES (cont'd)

- (a) The Group has not recognised losses relating to Shanghai Puhwa Logistics Company Limited where it had been fully impaired in the previous financial years and its share of losses exceeds the Group's interest in this associate.
- (b) The summarised financial information of the associates is as follows:-

	<b>Hengyang Petrochemical Logistics Limited RM</b>	<b>Integrated Mits Sdn. Bhd. RM</b>	<b>Total RM</b>
<b>2013</b>			
<b>Assets and liabilities</b>			
Non-current assets	715,020,979	26,508,864	741,529,843
Current assets	150,521,818	3,625,525	154,147,343
Non-current liabilities	(313,751,539)	(3,999,000)	(317,750,539)
Current liabilities	<u>(212,622,221)</u>	<u>(119,078)</u>	<u>(212,741,299)</u>
Net assets	<u>339,169,037</u>	<u>26,016,311</u>	<u>365,185,348</u>
<b>Results</b>			
Revenue	64,964,094	1,751,621	66,715,715
Profit for the financial year	(8,337,485)	225,155	(8,112,330)
Total comprehensive income	<u>(8,337,485)</u>	<u>225,155</u>	<u>(8,112,330)</u>
<b>2012</b>			
<b>Assets and liabilities</b>			
Non-current assets	360,852,306	25,154,002	386,006,308
Current assets	120,949,361	4,867,017	125,816,378
Non-current liabilities	(173,041,508)	(4,126,200)	(177,167,708)
Current liabilities	<u>(98,909,040)</u>	<u>(104,847)</u>	<u>(99,013,887)</u>
Net assets	<u>209,851,119</u>	<u>25,789,972</u>	<u>235,641,091</u>
<b>Results</b>			
Revenue	54,513,666	2,264,882	56,778,548
Profit for the financial year	2,672,108	154,813	2,826,921
Total comprehensive income	<u>2,672,108</u>	<u>154,813</u>	<u>2,826,921</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 14. INTEREST IN ASSOCIATES (cont'd)

- (c) The reconciliation of net assets of the associates to the carrying amount of the investment in associates are as follows:-

	<b>Hengyang Petrochemical Logistics Limited RM</b>	<b>Integrated Mits Sdn. Bhd. RM</b>	<b>Total RM</b>
<b>2013</b>			
Group's share of net assets	56,850,041	11,773,244	68,623,285
Goodwill	10,600,396	1,233,762	11,834,158
Exchange differences	2,435,833	-	2,435,833
Less: Accumulated impairment losses	<u>(136,242)</u>	<u>-</u>	<u>(136,242)</u>
Carrying amount in the statement of financial position	<u>69,750,028</u>	<u>13,007,006</u>	<u>82,757,034</u>
<b>Share of results of the Group for the financial year ended 31 December 2013</b>			
Share of results of the Group	<u>(1,637,389)</u>	<u>113,170</u>	<u>(1,524,219)</u>
<b>2012</b>			
Group's share of net assets	49,786,941	11,660,074	61,447,015
Goodwill	12,972,299	1,233,762	14,206,061
Exchange differences	(3,836,615)	-	(3,836,615)
Less: Accumulated impairment losses	<u>(136,242)</u>	<u>-</u>	<u>(136,242)</u>
Carrying amount in the statement of financial position	<u>58,786,383</u>	<u>12,893,836</u>	<u>71,680,219</u>
<b>Share of results of the Group for the financial year ended 31 December 2012</b>			
Share of results of the Group	<u>525,913</u>	<u>77,406</u>	<u>603,319</u>

- (d) The results of Hengyang Petrochemical Logistics Limited ("Hengyang") have been accounted for based on the public announcement of Hengyang for the financial years ended 31 December 2013 and 2012.
- (e) The surplus on admission is arising from the change in ownership interest of Hengyang Holding Pte. Ltd. ("HHPL"), a subsidiary of Hengyang where MEGCIF Investments 5 Limited, a company owned by Macquarie Everbright Greater China Infrastructure Fund L.P. has subscribed for 35% equity share of HHPL during the financial year for a cash consideration of RMB275.21 million (equivalent to approximately RM138.76 million).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares, at cost				
At 1 January/31 December	35,066,081	35,066,081	34,716,902	34,716,902
Share of results:				
At 1 January	(10,692,455)	(5,907,952)	-	-
Additions	(11,344,740)	(4,784,503)	-	-
At 31 December	(22,037,195)	(10,692,455)	-	-
Exchange differences	(949,687)	(2,504,919)	-	-
	12,079,199	21,868,707	34,716,902	34,716,902
Amounts owing by jointly controlled entities	<u>22,021,228</u>	<u>20,324,074</u>	<u>22,021,228</u>	<u>20,324,074</u>
	<u>34,100,427</u>	<u>42,192,781</u>	<u>56,738,130</u>	<u>55,040,976</u>
The Group's investments in jointly controlled entities are represented by:-				
Group's share of net assets	<u>34,100,427</u>	<u>42,192,781</u>		

The amounts owing by jointly controlled entities are solely due from Integrated National Logistics DWC-LLC ("INL") non-trade in nature, unsecured and interest free. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. The Group's intension is to provide adequate funds to the jointly controlled entities to meet their liabilities as and when they fall due. As these amounts are, in substance, part of the Group's net investment in the jointly controlled entities, it is stated at cost less accumulated impairment losses.

In the opinion of the directors, no impairment is required as INL will be able to operate profitably, following the successful conversion of one of its warehouse facility in foreseeable future which will drive the growth of its business in long term.

The amounts owing by jointly controlled entities are denominated in United Arab Emirates.

(i) The jointly controlled entities are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2013	2012
* Integrated National Logistics DWC-LLC	United Arab Emirates	Warehousing and related value added services	50%	50%
* Chongqing ISH Sunga Customs Broker Company Limited ("Chongqing")	The People's Republic of China	Customs service	-	35%

\* Audited by another professional firms of accountants

# NOTES TO THE FINANCIAL STATEMENTS

## 15. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

- (ii) The interest in Chongqing held by ISH Logistics (Shenzhen II) Limited ("IL Shenzhen") has been disposed of following the disposal of IL Shenzhen during the financial year as disclosed in Note 8.
- (iii) The summarised financial information of INL, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:-

	2013 RM	Group 2012 RM
<b>Assets and liabilities</b>		
Non-current assets	259,484,109	245,616,210
Current assets	12,366,666	5,713,379
Non-current liabilities	(150,207,416)	(141,754,652)
Current liabilities	<u>(53,107,856)</u>	<u>(24,935,601)</u>
Net assets	<u>68,535,503</u>	<u>84,639,336</u>
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investment in jointly controlled entities	<u>34,100,427</u>	<u>42,192,781</u>
<b>Results</b>		
Revenue	21,938,979	1,702,459
Cost of sales	<u>(24,820,792)</u>	<u>(3,988,387)</u>
Gross loss	(2,881,813)	(2,285,928)
Other income	88,353	5,088
Administrative expenses	(11,767,541)	(5,116,170)
Finance costs	<u>(8,128,481)</u>	<u>(2,171,996)</u>
Loss for the financial year	<u>(22,689,482)</u>	<u>(9,569,006)</u>
Share of results by the Group for the financial year	<u>(11,344,740)</u>	<u>(4,784,503)</u>

## 16. OTHER INVESTMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Available-for-sale financial assets</b>				
Golf club memberships				
At 1 January	1,485,464	1,325,269	626,240	134,937
Addition	-	350,000	-	350,000
Translation differences	86,991	(30,603)	8,928	(4,608)
Change in fair value	<u>243,607</u>	<u>(159,202)</u>	<u>-</u>	<u>145,911</u>
At 31 December	<u>1,816,062</u>	<u>1,485,464</u>	<u>635,168</u>	<u>626,240</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 17. AMOUNTS OWING BY/TO SUBSIDIARIES

The amounts owing by subsidiaries are solely from ISH Group (BVI) Limited which is denominated in Hong Kong Dollar, is non-trade in nature, unsecured and bears effective interest at a rate of 2.39% (2012: 2.41%) per annum and is repayable commencing from year 2015.

In the previous financial year, the amounts owing to subsidiaries which were denominated in Hong Kong Dollar, were non-trade in nature, unsecured, interest free and are payable on demand by cash and cash equivalents.

## 18. AMOUNTS OWING BY A JOINTLY CONTROLLED ENTITY

The amounts owing by a jointly controlled entity, INL which are denominated in United Arab Emirates, are non-trade in nature, unsecured, interest free except for an amount of RM37,901,500 (2012: RM29,973,600) which bears effective interest at a rate of 4.0% (2012: 4.0%) per annum and is repayable commencing from 2016 to 2018.

## 19. RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
- external parties	11,339,894	36,034,994	-	-
Less: Allowance for impairment loss	-	(376,133)	-	-
	11,339,894	35,658,861	-	-
Other receivables, deposits and prepayments (Note 20)	6,199,282	17,341,976	2,547,849	1,253,191
	<u>17,539,176</u>	<u>53,000,837</u>	<u>2,547,849</u>	<u>1,253,191</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2012: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The foreign currency exposure profile of the trade receivables for the Group is as follows:-

	Hong Kong Dollar RM	United States Dollar RM	Total RM
Functional currency of the Group entities			
<b>2013</b>			
Chinese Renminbi	<u>4,387,007</u>	<u>719,883</u>	<u>5,106,890</u>
<b>2012</b>			
Chinese Renminbi	<u>4,887,425</u>	<u>3,954,813</u>	<u>8,842,238</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. RECEIVABLES (cont'd)

### Ageing analysis of trade receivables

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

	2013 RM	Group 2012 RM
Neither past due nor impaired	8,685,478	28,489,503
90 to 180 days past due not impaired	2,540,944	6,922,325
181 to 360 days past due not impaired	113,472	247,033
	2,654,416	7,169,358
Impaired	-	376,133
	<u>11,339,894</u>	<u>36,034,994</u>

### Receivables that are neither past due nor impaired

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

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

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM2,654,416 (2012: RM7,169,358) that are past due at the reporting date but not impaired.

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

The Group does not hold any collateral or other credit enhancements over these balances.

### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date is as follows:-

	Individually impaired 2013 RM	2012 RM
Trade receivables	-	376,133
Less: Allowance for impairment loss	-	(376,133)
	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. RECEIVABLES (cont'd)

### Receivables that are impaired (cont'd)

Movement in allowance accounts:

	Group	
	2013 RM	2012 RM
At 1 January	376,133	376,133
Written off	(376,133)	-
At 31 December	<u>-</u>	<u>376,133</u>

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

## 20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables				
- external parties	2,291,740	2,076,298	1,975,813	634,173
- subsidiaries	-	-	559,216	606,198
	2,291,740	2,076,298	2,535,029	1,240,371
Deposits	3,212,232	12,357,914	12,820	12,820
Prepayments	695,310	2,907,764	-	-
	<u>6,199,282</u>	<u>17,341,976</u>	<u>2,547,849</u>	<u>1,253,191</u>

Receivables from subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand by cash.

Included in the deposits of the Group in the previous financial year was a deposit of approximately RM2,821,914 paid by a subsidiary for the acquisition of a piece of land in China in 2009. The acquisition was subsequently aborted. The outstanding balance was fully refunded during the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

The foreign currency exposure profile for the Group is as follows:-

	Hong Kong Dollar RM	Arab Emirates Dirham RM	Total RM
Functional currency of the Group entities			
<b>2013</b>			
Ringgit Malaysia	530,946	1,665,272	2,196,218
Chinese Renminbi	130,313	-	130,313
	<u>661,259</u>	<u>1,665,272</u>	<u>2,326,531</u>
<b>2012</b>			
Ringgit Malaysia	580,749	269,071	849,820
Chinese Renminbi	110,373	-	110,373
	<u>691,122</u>	<u>269,071</u>	<u>960,193</u>

## 21. TAX ASSETS

This amount is in respect of tax paid in advance to the tax authorities.

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits with licensed banks	101,753,341	21,572,468	-	5,000,000
Cash at banks and on hand	<u>81,623,915</u>	<u>25,638,691</u>	<u>16,773,809</u>	<u>5,155,232</u>
	<u>183,377,256</u>	<u>47,211,159</u>	<u>16,773,809</u>	<u>10,155,232</u>

The deposits with licensed banks bear effective interest at rates ranging from 0.27% to 2.85% (2012: 2.57% to 3.15%) per annum and matured on 7 February 2014.

Cash at banks earn interest at floating rates based on daily deposit rates.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. CASH AND CASH EQUIVALENTS (cont'd)

The foreign currency exposure profile for the Group is as follows:-

	Hong Kong Dollar RM	United States Dollar RM	Japanese Yen RM	Singapore Dollar RM	Total RM
Functional currency of the Group entities <b>2013</b>					
Ringgit Malaysia	-	1,275	-	-	1,275
Chinese Renminbi	84,552,407	3,709,295	1,639	22,682	88,286,023
	<u>84,552,407</u>	<u>3,710,570</u>	<u>1,639</u>	<u>22,682</u>	<u>88,287,298</u>
<b>2012</b>					
Ringgit Malaysia	-	353,044	-	-	353,044
Chinese Renminbi	4,123,821	2,499,885	1,877	22,219	6,647,802
	<u>4,123,821</u>	<u>2,852,929</u>	<u>1,877</u>	<u>22,219</u>	<u>7,000,846</u>

## 23. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares of RM1 each		<-----Amount----->	
	Issued and fully paid	(Treasury Shares)	Issued and fully paid RM	(Treasury Shares) RM
At 1 January 2012	197,025,503	(18,783,700)	197,025,503	(16,325,026)
Repurchase of shares	-	(11,898,900)	-	(11,565,184)
Cancellation of treasury shares	<u>(19,000,000)</u>	<u>19,000,000</u>	<u>(19,000,000)</u>	<u>16,476,733</u>
At 31 December 2012 / 1 January 2013	178,025,503	(11,682,600)	178,025,503	(11,413,477)
Repurchase of shares	<u>-</u>	<u>(1,882,900)</u>	<u>-</u>	<u>(1,731,786)</u>
At 31 December 2013	<u>178,025,503</u>	<u>(13,565,500)</u>	<u>178,025,503</u>	<u>(13,145,263)</u>

### Share capital

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



# NOTES TO THE FINANCIAL STATEMENTS

## 23. SHARE CAPITAL AND TREASURY SHARES (cont'd)

### Treasury shares

The shareholders of the Company, by special resolution passed in a general meeting held on 2 April 2013 approved the Company to repurchase its own shares. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,882,900 ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.92 per share. The total consideration paid for the share buy-back was RM1,731,786. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

As at 31 December 2013, the Company held a total of 13,565,500 ordinary shares of its 178,025,503 issued ordinary shares as treasury shares.

## 24. RESERVES

### a) Asset revaluation reserve

The asset revaluation reserve represents increase in the fair value of warehouse and office buildings, net of tax, and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

### b) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in The People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory income after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

### c) Foreign exchange translation reserve

The foreign exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### d) Fair value reserve

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

### e) Capital reserve

Capital reserve comprises mainly reserve arising from the cancellation of treasury shares.

### f) Share premium

This reserve comprises the premium paid on subscription of shares in the Company over and above the par values of the shares.

### g) Other reserve

Other reserve represents the surplus arising from the change in ownership interest of a subsidiary of an associate, Hengyang Petrochemical Logistics Limited during the financial year as disclosed in Note 14. It is not distributable and the balance in other reserve will be recycled to the profit or loss when the associate is disposed.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. TERM LOANS

	Group	
	2013 RM	2012 RM
<b>Current liabilities</b>		
Secured short-term loans	<u>4,667,677</u>	<u>22,026,111</u>
<b>Non-current liabilities</b>		
Secured term loans		
More than 1 year but less than 2 years	-	12,002,195
More than 2 years but less than 3 years	-	7,644,710
More than 3 years but less than 4 years	-	7,644,710
More than 4 years but less than 5 years	-	7,089,729
	<u>-</u>	<u>34,381,344</u>
<b>Total term loans</b>	<u><u>4,667,677</u></u>	<u><u>56,407,455</u></u>

The foreign currency exposure profile of term loans for the Group are as follows:

	2013 RM	2012 RM
Chinese Renminbi	-	9,030,104
United States Dollar	<u>4,667,677</u>	<u>47,377,351</u>
	<u><u>4,667,677</u></u>	<u><u>56,407,455</u></u>

The term loans amounted to RM4,667,677 (2012: RM47,377,351) bear effective interest at rates ranging from 3.05% to 3.50% (2012: 2.15% to 3.05%) per annum and are secured and supported as follows:-

- (a) legal charges over the respective subsidiaries' land use rights and warehouse and office buildings; and
- (b) corporate guarantees by the Company.

The secured term loans amounted to RM9,030,104 in the previous financial year bore effective interest at rates ranging from 5.94% to 6.12% per annum and were secured and supported as follows:-

- (a) legal charges over the respective subsidiaries' land use rights and warehouse and office buildings; and
- (b) all share interests of a foreign subsidiary.

## 26. UNSECURED LOAN FROM A CORPORATE SHAREHOLDER

The unsecured loan from Shun Hing China Investments Limited, a corporate shareholder of a subsidiary, is denominated in Hong Kong Dollar, is non-trade in nature, bears interest at a rate of 2.39% (2012: 2.41%) per annum and is repayable commencing from year 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. GOVERNMENT GRANT RECEIVED IN ADVANCE

The government grant was received from Henan Xinxan Hi-tech Development Administration Committee in China for capital expenditure incurred on land use rights and warehouse buildings in Henan. Movements in government grant received in advance during the financial year are as follows:-

	<b>Group</b>	
	<b>2013 RM</b>	<b>2012 RM</b>
At 1 January	6,031,992	1,772,291
Grant received	-	4,492,573
Translation differences	422,862	(141,296)
Less : Income recognised	(109,772)	(91,576)
Disposal of subsidiaries (Note 8)	<u>(6,345,082)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>6,031,992</u>

## 28. DEFERRED TAX ASSETS/(LIABILITIES)

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>	<b>2013 RM</b>	<b>2012 RM</b>
At 1 January	(24,347,619)	(14,004,942)	(6,400)	(23,100)
Translation differences	(1,689,917)	496,217	-	-
Recognised in profit or loss (Note 7)				
- continuing operations	(5,481)	(406,761)	6,400	16,700
Withholding tax on payment of dividends	939,226	210,067	-	-
Reversal/(Provision) on revaluation surplus	66,190	(10,642,200)	-	-
Disposal of subsidiaries (Note 8)	<u>24,991,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>(46,204)</u>	<u>(24,347,619)</u>	<u>-</u>	<u>(6,400)</u>

Presented after appropriate offsetting as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>	<b>2013 RM</b>	<b>2012 RM</b>
Deferred tax assets	-	3,300	-	3,300
Deferred tax liabilities	<u>(46,204)</u>	<u>(24,350,919)</u>	<u>-</u>	<u>(9,700)</u>
	<u>(46,204)</u>	<u>(24,347,619)</u>	<u>-</u>	<u>(6,400)</u>

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>	<b>2013 RM</b>	<b>2012 RM</b>
Deferred tax assets				
Deductible temporary differences in respect of expenses	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>3,300</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 28. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:- (cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deferred tax liabilities				
Differences between the carrying amounts of property, plant and equipment and their tax base	-	(9,700)	-	(9,700)
PRC distributable profits	(33,919)	(808,639)	-	-
Surplus arising from revaluation of warehouse and office buildings	<u>(12,285)</u>	<u>(23,532,580)</u>	<u>-</u>	<u>-</u>
	<u>(46,204)</u>	<u>(24,350,919)</u>	<u>-</u>	<u>(9,700)</u>

Pursuant to PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors (5% for Hong Kong incorporated investment holding companies) from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is liable for withholding taxes at 5% on dividends from subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008.

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

	Group	
	2013 RM	2012 RM
Unutilised tax losses	<u>1,641,300</u>	<u>1,572,200</u>

## 29. PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables	2,450,802	5,737,916	-	-
Other payables, deposits and accruals (Note 30)	13,368,161	25,555,431	1,085,773	1,809,819
Provisions (Note 31)	<u>17,112</u>	<u>13,376</u>	<u>17,112</u>	<u>13,376</u>
	<u>15,836,075</u>	<u>31,306,723</u>	<u>1,102,885</u>	<u>1,823,195</u>

The normal trade credit terms granted to the Group and the Company ranges from 45 to 60 days (2012: 45 to 60 days).

# NOTES TO THE FINANCIAL STATEMENTS

## 29. PAYABLES (cont'd)

The foreign currency exposure profile of trade payables for the Group is as follows:-

	Hong Kong Dollar RM	United States Dollar RM	Total RM
Functional currency of the Group entities			
<b>2013</b>			
Chinese Renminbi	<u>2,450,802</u>	<u>-</u>	<u>2,450,802</u>
<b>2012</b>			
Chinese Renminbi	<u>1,805,303</u>	<u>14,167</u>	<u>1,819,470</u>

## 30. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other payables	7,702,267	11,479,493	275,895	282,427
Rental and utilities				
deposits	2,319,441	1,661,078	-	-
Accruals	<u>3,346,453</u>	<u>12,414,860</u>	<u>809,878</u>	<u>1,527,392</u>
	<u>13,368,161</u>	<u>25,555,431</u>	<u>1,085,773</u>	<u>1,809,819</u>

Included in other payables is an amount of RM453,707 (2012: Nil) owing to a third party, Winfair for which Adjustment Sum is placed by Winfair pursuant to the Deed upon completion of the disposal of subsidiaries as disclosed in Note 8.

The foreign currency exposure profile for the Group arising from subsidiaries with Chinese Renminbi as functional currency is as follows:-

	2013 RM	2012 RM
Hong Kong Dollar	2,157,207	1,048,526
United States Dollar	<u>7,204</u>	<u>253,656</u>
	<u>2,164,411</u>	<u>1,302,182</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31. PROVISIONS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Employee benefits</b>				
At 1 January	13,376	12,972	13,376	12,972
Arosed during the financial year	<u>3,736</u>	<u>404</u>	<u>3,736</u>	<u>404</u>
At 31 December	<u>17,112</u>	<u>13,376</u>	<u>17,112</u>	<u>13,376</u>
<b>Land penalty</b>				
At 1 January	-	3,490,976	-	-
Translation differences	-	(7,804)	-	-
Reversed during the financial year	-	(3,483,172)	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>17,112</u>	<u>13,376</u>	<u>17,112</u>	<u>13,376</u>

Employee benefits are in respect of short term accumulating compensated absences.

Land penalty was in respect of the estimated penalty payable to the Government Land Office in China for the delay in developing the land use rights in financial year ended 2011. In the previous financial year, the provision was reversed prior to the disposal of the subsidiary that owned the land pursuant to the Share Transfer Agreement entered into by both parties.

## 32. DIVIDENDS

	Group and Company	
	2013 RM	2012 RM
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares		
- First and final dividend for 2011: 5.0 sen less 25% tax per share	-	6,660,510
- Interim dividend for 2012: 5.0 sen less 25% tax per share	-	6,487,849
- Special dividend for 2013: a franked dividend of 35.72 sen less 25% tax per share and a single tier dividend of 83.21 sen per share	<u>181,173,849</u>	<u>-</u>
	<u>181,173,849</u>	<u>13,148,359</u>

The directors declared a special share dividend on the basis of eight treasury shares for every one hundred existing ordinary shares of RM1 each held and fractions of treasury shares to be disregarded in respect of financial year ended 31 December 2013 and credited to shareholders on 3 March 2014, whose name appeared in the Records of Depositors on 14 February 2014.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT ANALYSIS

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

- (i) Warehousing and related value added services - rental of warehouses, handling and providing logistics solution services
- (ii) Freight forwarding - sea and air freight forwarding and shipping agent
- (iii) Transportation and distribution - trucking and container haulage

Other non-reportable segments comprise of investment holding and management services.

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

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

Transfer prices between operating segments are carried out on negotiated terms.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT ANALYSIS (cont'd)

### (a) Operating Segments

	Warehousing and Related Value Added Services			Freight Forwarding			Transportation and Distribution			Others		Adjustments and Eliminations		Notes		Total	
	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2013 RM	2012 RM	2013 RM	2012 RM	2013 RM	2012 RM
<b>Revenue</b>																	
External revenue	104,533,466	117,945,983	481,364	788,793	16,729,271	19,188,544	-	-	-	-	-	-	-	A	121,744,101	137,923,320	
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	B	-	-	
Total revenue	104,533,466	117,945,983	481,364	788,793	16,729,271	19,188,544	-	-	-	-	-	-	-		121,744,101	137,923,320	
<b>Results</b>																	
Interest income	448,180	227,793	-	-	-	-	-	-	4,148,472	4,004,928	(2,238,584)	(2,345,091)	(2,345,091)		2,358,068	1,887,630	
Interest expense	(4,191,071)	(5,370,289)	-	-	(739,601)	(1,342,572)	-	-	(50,473)	-	2,220,478	2,359,876	2,359,876		(2,760,667)	(4,352,985)	
Depreciation of property, plant and equipment	7,883,482	8,437,948	-	-	370,187	461,912	376,858	345,708	-	-	-	-	-		8,630,527	9,245,568	
Amortisation of land use rights	1,201,032	1,772,454	-	-	-	-	-	-	-	-	-	-	-		1,201,032	1,772,454	
Non-cash expenses (other than depreciation and amortisation)	307,700	228,750	-	-	-	-	-	-	435,749	6,158,111	(432,000)	(5,990,279)	(5,990,279)		311,449	396,582	
Segment profit	(34,445,635)	2,041,498	(309)	109,062	(4,379,151)	(605,413)	242,802,168	2,852,475	(12,868,959)	(4,181,184)				C	191,108,114	216,438	



# NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT ANALYSIS (cont'd)

### (a) Operating Segments (cont'd)

- A The revenue relating to disposal of subsidiaries have been excluded to arrive at amounts shown in the consolidated statements of profit or loss and other comprehensive income as they are presented separately in the statements of profit or loss and other comprehensive income within one line item, "profit from discontinued operations, net of tax".

Reconciliations of reportable segment revenues to the corresponding amounts of the Group are as follows:

	2013 RM	Group 2012 RM
<b>Revenue</b>		
Total revenue for reportable segments	121,744,101	137,923,320
Discontinued operations (Notes 4 and 8)	<u>(80,090,598)</u>	<u>(101,262,770)</u>
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>41,653,503</u>	<u>36,660,550</u>

- B Inter-segment revenues are eliminated on consolidation.

- C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2013 RM	Group 2012 RM
Share of results of associates	(1,524,219)	603,319
Share of results of jointly controlled entities	<u>(11,344,740)</u>	<u>(4,784,503)</u>
	<u>(12,868,959)</u>	<u>(4,181,184)</u>

Reconciliations of reportable segment profit or loss to the corresponding amounts of the Group are as follows:

	2013 RM	Group 2012 RM
<b>Segment profit</b>		
Total profit for reportable segments	196,432,532	7,008,021
Discontinued operations (Notes 4 and 8)	<u>(5,324,418)</u>	<u>(6,791,583)</u>
Profit of the Group per consolidated statement of profit or loss and other comprehensive income	<u>191,108,114</u>	<u>216,438</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT ANALYSIS (cont'd)

### (b) Geographical Segments

The Group operates in three principal geographical areas of the world:-

- (i) Malaysia
- (ii) The People's Republic of China (including Hong Kong)
- (iii) United Arab Emirates

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including interest in associates and jointly controlled entities) and deferred tax assets.

	<b>Revenue</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
The People's Republic of China (including Hong Kong)	<u>41,653,503</u>	<u>36,660,550</u>

	<b>Non-current assets</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Malaysia	877,600	823,590
The People's Republic of China (including Hong Kong)	<u>70,930,867</u>	<u>355,431,554</u>
	<u>71,808,467</u>	<u>356,255,144</u>

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

	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Property, plant and equipment	56,633,404	267,778,343
Land use rights	15,175,063	70,308,537
Capital work-in-progress	-	18,168,264
Other investments	<u>1,816,062</u>	<u>1,485,464</u>
	<u>73,624,529</u>	<u>357,740,608</u>

### (c) Major Customers

Revenue from two major individual customers of the Group's warehousing and related value added services segment represent approximately RM31 million and RM27 million respectively of the Group's total revenue in The People's Republic of China (2012: RM34 million and RM30 million respectively).

# NOTES TO THE FINANCIAL STATEMENTS

## 34. CAPITAL AND OTHER COMMITMENTS

	2013 RM	Group 2012 RM
Approved and contracted for:		
- construction of warehouse buildings	-	4,072,029
- share of jointly controlled entity's capital commitments in relation to enhancement of logistics warehouse facility	<u>6,470,861</u>	<u>-</u>
	<u>6,470,861</u>	<u>4,072,029</u>

## 35. CONTINGENT LIABILITY

The Company is contingently liable for corporate guarantee of RM4,667,677 (2012: RM47,377,351) and RM41,947,838 (2012: RM47,034,645) granted to financial institutions to secure credit facilities granted to subsidiaries and a jointly controlled entity.

## 36. OPERATING LEASE ARRANGEMENTS

The Group had contracted with lessees under non-cancellable operating leases in respect of land and buildings in Shanghai and Shenzhen, China owned by the Group. At 31 December 2013, the future minimum lease payments receivable by the Group as part of warehouse handling revenue are as follows:-

	2013 RM	Group 2012 RM
Within one year	4,744,113	20,632,350
In the second to fifth years inclusive	<u>4,531,261</u>	<u>16,074,297</u>
	<u>9,275,374</u>	<u>36,706,647</u>

At 31 December 2013, the Group had future minimum lease payments payable under non-cancellable operating leases in respect of land and buildings, which fall due as follows:-

	2013 RM	Group 2012 RM
Within one year	8,305,974	23,485,374
In the second to fifth years inclusive	<u>397,583</u>	<u>11,268,104</u>
	<u>8,703,557</u>	<u>34,753,478</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 37. SIGNIFICANT INTER-COMPANY AND RELATED PARTY TRANSACTIONS

(a) For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associate, director related companies and key management personnel. Director related companies refer to companies in which directors of the Company have substantial financial interests.

(b) Significant inter-company transactions with subsidiaries are as follows:-

	<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>
(Received or receivable from)/Paid or payable to subsidiaries		
Non-trade		
- Interest	(2,238,584)	(2,345,091)
- Gross dividends	(187,358,000)	(7,043,409)
- Bad debts written off	<u>407,500</u>	<u>-</u>
(Received or receivable from)/Paid or payable to a jointly controlled entity and an associate		
Non-trade		
- Interest	(1,396,201)	(773,105)
- Rental of premises	<u>832,936</u>	<u>339,309</u>

(c) Compensation of the key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any director of the Company.

The remuneration of the key management personnel other than those as disclosed in Note 6 is as follow:-

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>	<b>2013 RM</b>	<b>2012 RM</b>
Other key management personnel:				
Short-term employee benefits	7,983,250	795,445	412,500	355,000
Post-employment benefits	<u>50,176</u>	<u>39,904</u>	<u>50,176</u>	<u>39,904</u>
	<u>8,033,426</u>	<u>835,349</u>	<u>462,676</u>	<u>394,904</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FINANCIAL INSTRUMENTS

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are exercised by the Executive Directors and the Financial Controller, the audit committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below:-

### i. Foreign Currency Risk

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

The Group has transactional currency exposures arising from loans and borrowings that are denominated in a currency other than the functional currencies of the Group entities, primarily RM, Chinese Renminbi ("RMB") and Hong Kong Dollar ("HKD"). The foreign currencies in which these transactions are denominated in are United States Dollar ("USD") and United Arab Emirates ("UAE").

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

As at the end of the financial year, if RMB had weakened or strengthened 100 basis points against HKD and USD with all other variables held constant, the Group's profit after tax for the year would (decrease)/increase by the following amounts.

	<b>Group</b>	
	<b>2013 RM</b>	<b>2012 RM</b>
RMB/HKD - strengthen	342,124	332,079
RMB/HKD - weaken	(342,124)	(332,079)
RMB/USD - strengthen	1,843	308,929
RMB/USD - weaken	<u>(1,843)</u>	<u>(308,929)</u>

As at the end of the financial year, if Ringgit Malaysia had weakened or strengthened 100 basis points against UAE and HKD with all other variables held constant, the Company's profit after tax for the year would (decrease)/increase by the following amounts.

	<b>Company</b>	
	<b>2013 RM</b>	<b>2012 RM</b>
RM/UAE - strengthen	383,701	226,820
RM/UAE - weaken	(383,701)	(226,820)
RM/HKD - strengthen	758,353	860,757
RM/HKD - weaken	<u>(758,353)</u>	<u>(860,757)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FINANCIAL INSTRUMENTS (cont'd)

### i Foreign Currency Risk (cont'd)

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies are disclosed in Notes 13, 15, 17, 18, 19, 20, 22, 25, 26, 29 and 30.

### ii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

Interest bearing financial assets includes fixed deposits with licensed banks which are placed for better yield returns than cash at banks and advances to a jointly controlled entity at fixed rate which expose the Group to fair value risk.

The Group's interest bearing financial liabilities comprise bank borrowings and loan from a corporate shareholder at floating rate which expose the Company to cash flows risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the financial year would not affect profit or loss.

As at the end of the financial year, a change of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the equity and profit after tax by approximately RM35,008 (2012: RM197,636) arising mainly as a result of lower/higher interest income on floating deposits rate and lower/higher interest expense on floating rate loans and borrowings.

### iii. Credit Risk

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument default on its contractual obligations. The Group's exposure to credit risk arises principally from its receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and the financial guarantees given.

#### Receivables

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group's maximum exposure to credit risk arising from the receivables is represented by the carrying amounts in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FINANCIAL INSTRUMENTS (cont'd)

### iii. Credit Risk (cont'd)

#### Receivables (cont'd)

The exposure of credit risk for receivables as at the end of the financial year by geographic region is as follows:-

	Group			
	2013		2012	
	RM	% of total	RM	% of total
The People's Republic of China	11,339,894	100%	35,658,861	100%

The Group does not have any significant exposure to any individual customer. A significant portion of its trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 19.

#### Financial Guarantees

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and a jointly controlled entity and their financial performance.

The maximum exposure to credit risk amounts to RM4,667,677 (2012: RM47,377,351) and RM41,947,838 (2012: RM47,034,645) representing the outstanding banking facilities of the subsidiaries and a jointly controlled entity as at the end of the financial year.

As at the end of the financial year, there was no indication that any of these subsidiaries and a jointly controlled entity would default on repayment.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' and of the jointly controlled entity's borrowings in view of the security pledged by the subsidiaries and a jointly controlled entity and it is unlikely that the subsidiaries and the jointly controlled entity will default within the guarantee period.

#### Inter-Company/Related Party Balances

The Company provides unsecured loans and advances to subsidiaries and a jointly controlled entity. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as at the end of the financial year.

As at the end of the financial year, there was no indication that the loans and advances to the subsidiaries and jointly controlled entities are not recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FINANCIAL INSTRUMENTS (cont'd)

### iv. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from loans and borrowings.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and by monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 5 years RM	Total RM
<b>2013</b>					
<b>Group</b>					
Financial liabilities:					
Trade and other payables	15,818,963	15,818,963	15,818,963	-	15,818,963
Unsecured loan from a corporate shareholder	38,845,126	38,845,126	38,845,126	-	38,845,126
Term loans	4,667,677	4,748,671	4,748,671	-	4,748,671
	<u>59,331,766</u>	<u>59,412,760</u>	<u>59,412,760</u>	<u>-</u>	<u>59,412,760</u>
<b>Company</b>					
Financial liabilities:					
Other payables	<u>1,085,773</u>	<u>1,085,773</u>	<u>1,085,773</u>	<u>-</u>	<u>1,085,773</u>
<b>2012</b>					
<b>Group</b>					
Financial liabilities:					
Trade and other payables	31,293,347	31,293,347	31,293,347	-	31,293,347
Unsecured loan from a corporate shareholder	50,545,051	50,545,051	50,545,051	-	50,545,051
Term loans	56,407,455	59,623,313	23,459,186	36,164,127	59,623,313
	<u>138,245,853</u>	<u>141,461,711</u>	<u>105,297,584</u>	<u>36,164,127</u>	<u>141,461,711</u>
<b>Company</b>					
Financial liabilities:					
Other payables	<u>1,809,819</u>	<u>1,809,819</u>	<u>1,809,819</u>	<u>-</u>	<u>1,809,819</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

### (b) Other investments

The fair value of shares quoted in an active market is determined by reference to the quoted closing bid price at the reporting date.

### (c) Borrowings

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

The carrying amount of long term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values.

## 40. FAIR VALUE HIERARCHY

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

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

## 40. FAIR VALUE HIERARCHY (cont'd)

As at 31 December 2013 and 31 December 2012, the Group held the following financial instruments carried at fair values on the statement of financial position:

### Assets measured at fair value

2013	2013 RM	Level 1 RM	Level 2 RM	Level 3 RM
Available -for- sale financial assets				
- golf club memberships	1,816,062	-	1,816,062	-
2012	2012 RM	Level 1 RM	Level 2 RM	Level 3 RM
Available -for- sale financial assets				
- golf club memberships	1,485,464	-	1,485,464	-

During the financial years ended 31 December 2013 and 31 December 2012, there was no transfer between fair value measurement hierarchy.

## 41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern, maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

Deposits are made at varying periods depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates.

The Group reviews the capital structure on an annual basis. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

# NOTES TO THE FINANCIAL STATEMENTS

## 41. CAPITAL MANAGEMENT (cont'd)

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2013 and 31 December 2012.

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Term loans	4,667,677	56,407,455	-	-
Less: Cash and cash equivalents	<u>(183,377,256)</u>	<u>(47,211,159)</u>	<u>(16,773,809)</u>	<u>(10,155,232)</u>
Net debt	<u>(178,709,579)</u>	<u>9,196,296</u>	<u>(16,773,809)</u>	<u>(10,155,232)</u>
Total equity	<u>381,590,102</u>	<u>431,623,144</u>	<u>258,740,323</u>	<u>243,540,982</u>
Debt-to-equity ratio	<u>N/A</u>	<u>0.02</u>	<u>N/A</u>	<u>N/A</u>

N/A – Not applicable

As disclosed in Note 24(b), certain subsidiaries of the Group is required by the Foreign Enterprise Law of the PRC to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective PRC's subsidiaries for the financial years ended 31 December 2013 and 31 December 2012.

## 42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) Details of disposal of subsidiaries during the financial year are disclosed in Note 8.
- (ii) On 19 November 2013, Integrated Freight Services Sdn. Bhd. and Integrated Haulage Sdn. Bhd., both of which are wholly-owned subsidiaries of the Company have been placed under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

## SUPPLEMENTARY INFORMATION OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained earnings of the Group and of the Company at 31 December 2013 and 31 December 2012 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at 31 December 2013 and 31 December 2012 are analysed as follow:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings of the Company and its subsidiaries				
- Realised	96,632,811	50,041,684	47,017,361	36,066,476
- Unrealised	<u>5,956</u>	<u>(20,078)</u>	<u>5,956</u>	<u>(5,965,358)</u>
	<u>96,638,767</u>	<u>50,021,606</u>	<u>47,023,317</u>	<u>30,101,118</u>
Total share of retained earnings from associates				
- Realised	12,077,806	18,466,012	-	-
- Unrealised	<u>(3,234,672)</u>	<u>(8,456,378)</u>	<u>-</u>	<u>-</u>
	<u>8,843,134</u>	<u>10,009,634</u>	<u>-</u>	<u>-</u>
Total share of accumulated losses from jointly controlled entities				
- Realised	(18,393,314)	(7,410,284)	-	-
- Unrealised	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(18,393,314)</u>	<u>(7,410,284)</u>	<u>-</u>	<u>-</u>
Less : Consolidation adjustments	<u>(2,335,413)</u>	<u>20,932,508</u>	<u>-</u>	<u>-</u>
Total retained earnings	<u>84,753,174</u>	<u>73,553,464</u>	<u>47,023,317</u>	<u>30,101,118</u>

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

# PROPERTIES OF ILB GROUP

As at 31 December 2013

Location	Description	Age of Building (Years)	Area (sq. ft.)		Tenure	NBV @ 31.12.2013 (RM)	Year of Acquisition Or Revaluation*
Wu Guo Yong (2007) No. 07049293 Fenhu Economic Centre, East Fenhu Road, Fenhu, Wujiang, Jiangsu The People's Republic of China	Land with Warehouse building	4.5	Land - Built-up -	718,501 286,825	Land Use Rights expiring in 2056	6,915,067 30,141,765	2013*
Wu Guo Yong (2010) No. 07049217 Fenhu Economic Centre, East Fenhu Road, Fenhu, Wujiang, Jiangsu The People's Republic of China	Land with Warehouse building	0.7	Land - Built-up -	694,023 191,661	Land Use Rights expiring in 2060	8,259,996 25,250,776	2013*
					Total	70,567,604	

# ANALYSIS OF SHAREHOLDINGS

As at 5 March 2014

## SHARE CAPITAL

Authorised Share Capital	:	RM250,000,000
Issued and Fully Paid-up Share Capital	:	RM178,025,503
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Holders		No. of Shares *		Percentage (%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	606	55	18,437	879	0.01	0.00
100 – 1,000	439	6	198,816	1,557	0.11	0.00
1,001 – 10,000	3,607	61	12,340,269	237,446	6.98	0.13
10,001 – 100,000	1,110	55	28,537,407	1,893,430	16.15	1.07
100,001 to less than 5% of issued shares	123	22	44,825,522	36,384,717	25.37	20.59
5% and above of issued shares	2	1	35,267,458	17,010,190	19.96	9.63
Total	5,887	200	121,187,909	55,528,219	68.58	31.42
<b>Grand Total</b>	<b>6,087</b>		<b>176,716,128</b>		<b>100.00</b>	

\* Excluding a total of 1,309,375 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares

## LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name of shareholder	No. of shares held	% of issued capital
1.	Lembaga Tabung Haji	20,584,783	11.65
2.	Makoto Takahashi	17,010,190	9.63
3.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AmBank (M) Berhad for Tee Tuan Sem	14,682,675	8.31
4.	Hassan Mohammad Kazem Ahmadi	8,640,000	4.89
5.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	8,116,578	4.59
6.	Beh Eng Par	7,048,375	3.99
7.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Shun Hing Electronic Trading Company Limited (Gainwell Securities Co. Ltd.)	6,642,000	3.76
8.	United Asia Success Limited	4,393,548	2.49
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	3,245,940	1.84
10.	Tee Tuan Sem	2,160,000	1.22
11.	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSF for Gan Boon Hwee	2,036,426	1.15
12.	Wong Fok Sew	1,311,006	0.74
13.	Lee Chin Chai	1,080,486	0.61
14.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank NA, Singapore (Julius Baer)	1,078,174	0.61

## ANALYSIS OF SHAREHOLDINGS

No.	Name of shareholder	No. of shares held	% of issued capital
15.	Motohiko Tachibana	941,544	0.53
16.	Goh Theow Hiang	936,735	0.53
17.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for How Bee Hua (E-SJA/BSY)	890,000	0.50
18.	Gan Eng Leong	855,080	0.48
19.	Fuziah Binti Attan	826,800	0.47
20.	Wang Jim	793,800	0.45
21.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Bhd for Tabung Warisan Negeri Selangor	697,572	0.39
22.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	677,433	0.38
23.	Maybank Nominees (Tempatan) Sdn Bhd DBS Bank for Tan Bee Kong	658,176	0.37
24.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Yong Jee Patt	648,000	0.37
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)	637,200	0.36
26.	Tai Me Teck	570,996	0.32
27.	Tan Bee Kong	555,840	0.31
28.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Win Kee (8106483)	540,000	0.31
29.	Yoshinori Kobe	540,000	0.31
30.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Chee Meow @ Ho Chee Mee (SIN 5433-2)	486,000	0.28

\* Excluding a total of 1,309,375 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares

### The Directors shareholdings in the Company as at 5 March 2014 are as follows :-

Name of Directors	Direct No. of Shares	Note	% of issued Capital*	Indirect No. of Shares	Note	% of issued Capital *
Datuk R. Karunakaran	-	-	-	-	-	-
Tee Tuan Sem	16,842,675	1	9.53	381,931	2	0.22
Makoto Takahashi	17,010,190	3	9.63	-	-	-
Wan Azfar bin Dato' Wan Annuar	-	-	-	-	-	-
Dato' Haji Wazir bin Haji Muaz	-	-	-	-	-	-
Lee Kay Loon	-	-	-	-	-	-

#### NOTE

1. Held through Amsec Nominees (Tempatan) Sdn Bhd.
2. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.
3. Held directly.

## ANALYSIS OF SHAREHOLDINGS

### Substantial Shareholders

The substantial shareholders of the Company as at 5 March 2014 are as follows :-

Name of Shareholder	Direct No. of Shares	Note	% of issued Capital*	Indirect No. of Shares	Note	% of issued Capital *
Lembaga Tabung Haji	20,584,783	1	11.65	-	-	-
Makoto Takahashi	17,010,190	1	9.63	-	-	-
Tee Tuan Sem	16,842,675	2	9.53	381,931	3	0.22

### NOTE

1. Held directly.
2. Held through Amsec Nominees (Tempatan) Sdn Bhd.
3. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.

\* Excluding a total of 1,309,375 ordinary shares of RM1-00 each bought back by the Company and retained as treasury shares



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 22nd Annual General Meeting ("AGM") of Integrated Logistics Berhad ("ILB" or "Company") will be held at Melati 1, 2 & 3, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 4 April 2014 at 10:00 a.m. for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2013 and Auditors Report thereon.	(Resolution 1)
2. To approve the payment of Directors' Fees of RM351,400 for the year ended 31 December 2013.	(Resolution 2)
3. To re-elect the following Directors retiring by rotation in accordance with Article 80 of the Company's Articles of Association :-	
a) Tee Tuan Sem	(Resolution 3)
b) Dato' Haji Wazir Bin Haji Muaz	(Resolution 4)
c) Lee Kay Loon	(Resolution 5)
4. To re-appoint Messrs Baker Tilly AC as the Company's Auditors until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.	(Resolution 6)
5. To transact any other ordinary business of the Company for which due notice has been received.	

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following as Ordinary Resolution :-

### ORDINARY RESOLUTIONS

6. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY	(Resolution 7)
<p><b>THAT</b>, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to buy back and/or hold from time to time and at any time such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company (the Proposed Share Buy-Back") provided that :-</p>	

## NOTICE OF ANNUAL GENERAL MEETING

6. i) The maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten (10) per cent of the total issued and paid-up share capital of the Company from time to time being quoted on Bursa Securities provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the Annual General Meeting held on 2nd April 2013, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities.
- ii) The maximum amount of funds to be allocated for the purchase of the shares pursuant to the Proposed Share Buy-Back shall not exceed the aggregate of retained profits and/or share premium account of the Company based on its latest audited accounts available up to the date of a transaction pursuant to the Proposed Share-Buy Back. As at 31 December 2013, the audited Retained Profits and Share Premium Account of the Company were RM47,023,317 and RM 27,609,598 respectively.
- iii) The Proposed Share Buy-Back to be undertaken will be in compliance with Section 67A of the Companies Act, 1965. The Directors will deal with the shares purchased in the following manner:-
- (a) to cancel the Shares so purchased; or
  - (b) to retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or re-sell on Bursa Securities in accordance with the Main Market Listing Requirements of Bursa Securities and/or cancellation subsequently; or
  - (c) to retain part of the Shares so purchased as treasury shares and cancel the remainder.

**AND THAT** such authority to purchase the Company's own shares will be effective immediately from the passing of this resolution until the conclusion of the next Annual General Meeting ("AGM") at which such resolution was passed at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally or the passing of the date on which the next AGM is required by law to be held or the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

**AND THAT** the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things in accordance with the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Securities and all other relevant governmental/regulatory authorities.

# NOTICE OF ANNUAL GENERAL MEETING

## 7. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

(Resolution 8)

**THAT** subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being.

**AND THAT** such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.

By Order of the Board  
Amarjit Singh A/L Banta Singh  
Company Secretary  
Selangor Darul Ehsan  
Date: 12 March 2014

## NOTES

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 27 March 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 22nd AGM.
2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. A proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.
3. If you wish to appoint as your proxy any person other than "the Chairman of the Meeting", please insert the full name of the proxy (in block letters) in the space provided and delete the words "the Chairman of the Meeting".
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.
6. The instrument appointing a proxy must reach the Business Office of the Company at Indera Subang, Jalan USJ 6/2L, 47610 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

# NOTICE OF ANNUAL GENERAL MEETING

## **Explanatory note on item (6) of the Agenda**

The proposed ordinary resolution, if passed, will empower the Directors of the Company to buy back and/or hold from time to time shares of the Company not exceeding ten (10) per cent of the issued and paid-up share capital of the Company from time to time being quoted on Bursa Securities as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company.

## **Explanatory note on item (7) of the Agenda**

- (i) The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being and for such purposes as the Directors would consider to be in the best interests of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM of the Company.
- (ii) This is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last AGM of the Company on the 2 April 2013. The Company did not issue any new shares after the previous mandate was obtained at the last AGM.
- (iii) The general mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) working capital and/or acquisitions and would enable the Company to avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes.
- (iv) At this juncture, there is no decision to issue any new shares. Should there be a decision to issue new shares pursuant to the general mandate obtained, the Company will make an announcement in respect of the purpose and/or utilisation of proceeds arising from such an issue of shares.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Annual General Meeting of the Company in accordance with Article 80 of the Company's Articles of Association are :-

- a) Tee Tuan Sem
- b) Dato' Haji Wazir bin Haji Muaz
- c) Lee Kay Loon

Details of the Directors seeking re-election are set out in the Director's profiles' section of this Annual Report. Their shareholdings in the Company are set out on pages 12 and 14 of this Annual Report.

2. Details of attendance of Directors at Board Meetings

Nine (9) Board Meetings were held during the financial year ended 31 December 2013. Details of attendance of the Directors at Board Meetings are set out on page 16 of this Annual Report.

3. Date, Time and Place of the 22nd Annual General Meeting

Date and Time : 4 April 2014 at 10:00 a.m.

Place : Melati 1, 2 & 3, Dorsett Grand Subang  
Jalan SS 12/1  
47500 Subang Jaya  
Selangor Darul Ehsan

# PROXY FORM

"I/We," \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a member/members of

INTEGRATED LOGISTICS BERHAD, hereby appoint ("the Chairman of the Meeting") or \_\_\_\_\_

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf, at the 22 Annual General Meeting ("AGM") of the Company to be held at Melati 1, 2 & 3, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 4 April, 2014 at 10.00 a.m. or any adjournment thereof and to vote as indicated below :-

## AS ORDINARY BUSINESS

		FOR	AGAINST
RESOLUTION 1	To receive the Directors Report and Audited Financial Statements.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 2	To approve Directors' fee of RM351,400.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 3	To re-elect Mr Tee Tuan Sem as Director in accordance with Article 80 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 4	To re-elect Dato' Haji Wazir Bin Haji Muaz as Director in accordance with Article 80 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 5	To re-elect Mr Lee Kay Loon as Director in accordance with Article 80 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 6	To re-appoint Messrs Baker Tilly AC as the Company's Auditors until the conclusion of the next AGM and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

## AS SPECIAL BUSINESS ORDINARY RESOLUTION

RESOLUTION 7	Proposed Renewal of Share Buy-Back Authority.	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 8	To authorize the Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965.	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Shareholder(s) \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2014

No. of shares held \_\_\_\_\_

### NOTE :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 27 March 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 22nd AGM.
2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him, and that a proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.
3. If you wish to appoint as your proxy any person other than "the Chairman of the Meeting", please insert the full name of the proxy (in block letters) in the space provided and delete the words "the Chairman of the Meeting".
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.
6. Please indicate with an "X" either "For" or "Against". If neither "For" or "Against" is indicated, the proxy will vote as he thinks fit or abstain from voting.
7. The instrument appointing a proxy must reach the Business Office of the Company at Indera Subang, Jalan USJ 6/2L, 47610 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

**The Company Secretary  
Integrated Logistics Berhad**

(229690-K)

Indera Subang  
Jalan USJ 6/2L  
47610 UEP Subang Jaya  
Selangor Darul Ehsan

STAMP



**Integrated Logistics Berhad (229690 K)**

Website: [www.ilb.com.my](http://www.ilb.com.my)

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