



**JAKS RESOURCES BERHAD**  
585648-T

# Annual Report 2012



**Strength In Fundamentals**

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# JAKS at a Glance

## JAKS at a Glance

The business of JAKS was started by our founder Datuk Ang Ken Seng in the 60's from the humble beginning as a plumber providing services to residential premises. With the aim to be a major player in the water reticulation works, Datuk Ang later incorporated JAKS Sdn Bhd (formerly known as Ang Ken Seng & Sons Sdn Bhd) in 1987, which eventually became the core business and subsidiary of JAKS Resources Berhad (JAKS ) for its listing on the Main Board of Bursa Malaysia on 1 July 2004.

JAKS' group of companies is primarily engaged in water supply construction projects, manufacturing, supply and trading of mild steel pipes, steel pipes and other steel related products. The Group has also expanded its construction activities to cover property construction. With the experience and skills gained in the construction business, the Group has also moved into property development of mixed residential and commercial developments. On the international front, the Group is diversifying into energy and other large scale infrastructure projects. The strategy to invest overseas is to safeguard against any cyclical local businesses of the steel manufacturing and construction activities.

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# JAKS at a Glance



## Our Vision

### Our Vision

" A Global leader in the integrated water resources management industry by providing a comprehensive range of services including designing, manufacturing, supplying and laying of pipes. "

The Group initially commenced operations as water supply contractors and other water related works but advanced into pipe laying and reservoir construction works. Over the years, we have built a **consistent record of quality, excellence and dependability** in the design and construction of sewerage treatment facilities.

On the properties construction activities, the Group involved in the **construction and development of large-scale properties development** to develop mixed residential and commercial development projects.

Our manufacturing operations produces mild steel pipes and other steel products and is also actively **involved in infrastructure projects and trading of construction and steel related products**, both locally and abroad.

Today, our **extensive expertise and experience** enables us to adopt and implement solutions to meet our customers' specific requirements. We will use **our competitive strength** and continue to **strive for greater growth** by seizing the opportunities of tomorrow.

### Our Mission

- To provide total customer satisfaction by providing cost effective, quality products and services on a timely basis.
- To fully utilize integrated technology and information system to improve operational processes to ensure a sustainable and competitive advantage.
- To optimize shareholder wealth by continuously exploring new business opportunities while strengthening and expanding current core business with good corporate governance and prudent risk management.
- To build a dynamic, innovative and competent workforce through teamwork and commitment to excel.
- To build strategic alliances with our consultants, contractors, suppliers and other business associates for further growth and expansion.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Chairman)

**Ang Lam Poah**  
(Managing Director & Group Chief Executive Officer)

**Dato' Razali Merican Bin Naina Merican**  
(Executive Director)

**Ang Lam Aik**  
(Executive Director)

**Dato' Azman Bin Mahmood**  
(Independent Non-Executive Director)

**Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

## SECRETARY

**Leong Oi Wah** (MAICSA 7023802)

## REGISTERED OFFICE

802, 8th Floor  
Block C, Kelana Square  
17, Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel No : 603-7803 1126  
Fax No : 603-7806 1387

## REGISTRARS

**Tricor Investor Services Sdn Bhd**  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No : 603-2264 3883  
Fax No : 603-2282 1886

## AUDITORS

**Baker Tilly Monteiro Heng**  
Baker Tilly MH Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur

## PRINCIPAL PLACE OF BUSINESS

Lot 526, Persiaran Subang Permai  
Sungai Penaga Industrial Park, USJ 1  
47600 Subang Jaya  
Selangor Darul Ehsan  
Tel No : 603-5633 1988  
Fax No : 603-5633 3571  
Website : [www.jaks.com.my](http://www.jaks.com.my)

## PRINCIPAL BANKERS

AmBank (M) Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad  
Standard Chartered Bank (M) Berhad  
Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

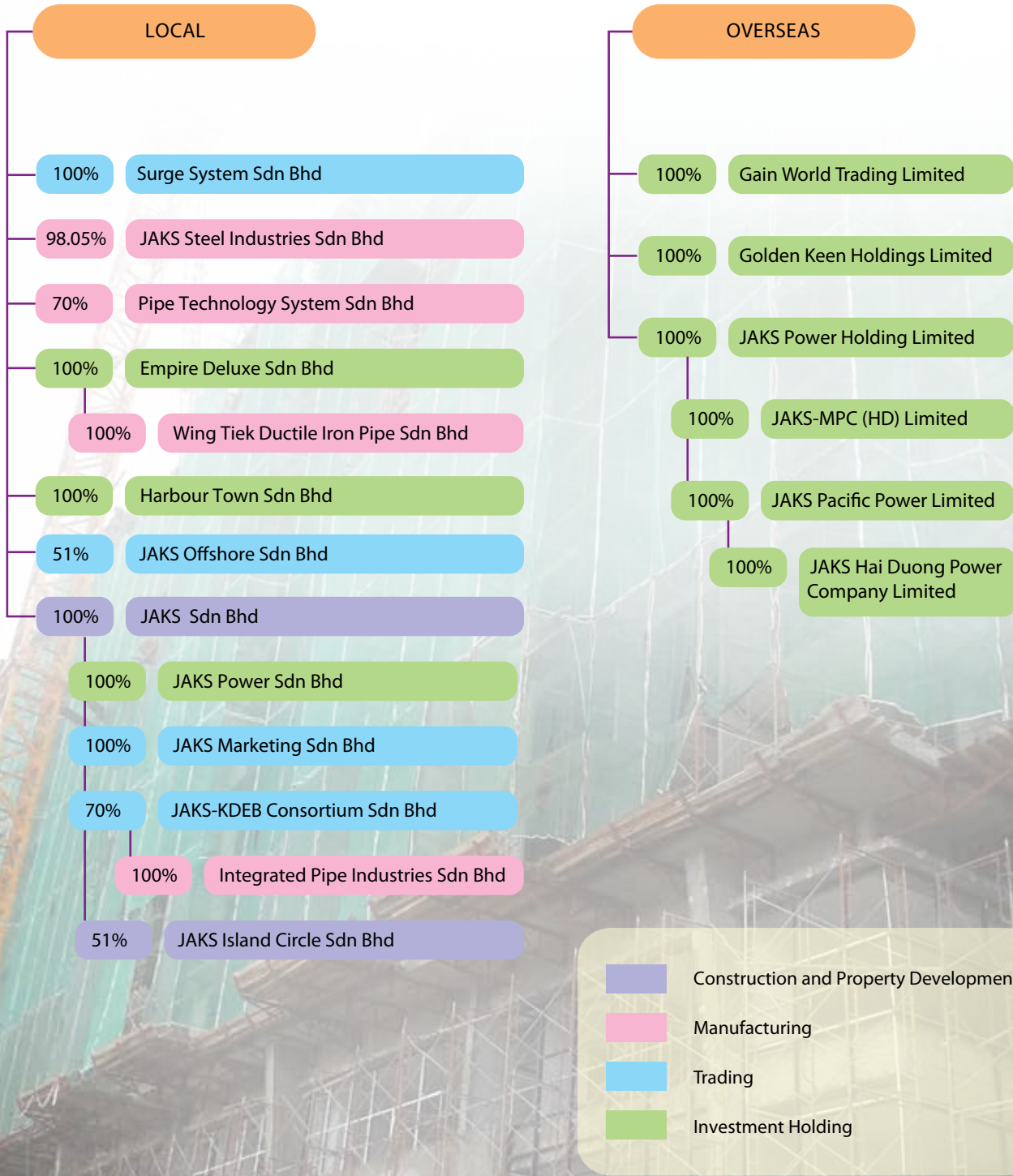
Bursa Malaysia Securities Berhad (Main Market)  
Stock Name : JAKS  
Stock Code : 4723





**JAKS RESOURCES BERHAD**

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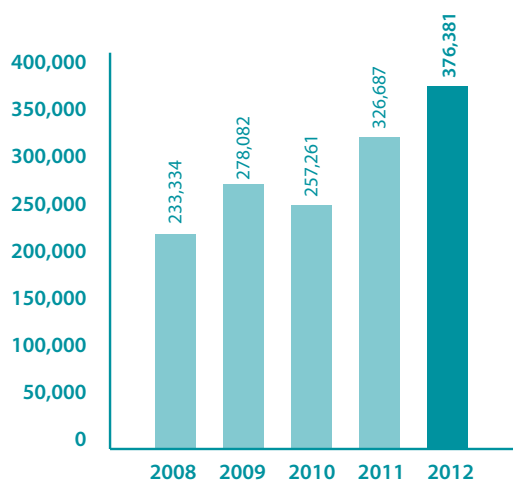


# 5 YEARS FINANCIAL HIGHLIGHTS

Year Ended 31 October 2012

Group Five Years Summary	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	233,334	278,082	257,261	326,687	376,381
Profit / (Loss) before taxation	7,182	(2,432)	4,440	(19,238)	8,223
Profit / (Loss) attributable to owners of the Company	2,885	(6,747)	2,278	(22,896)	2,751
Paid up Capital	438,361	438,361	438,361	438,361	438,361
Shareholders' funds	462,732	455,986	458,264	435,367	438,118
Net assets per share (RM)	1.06	1.04	1.05	0.99	1.00

Revenue (RM'000)



Shareholders' funds (RM'000)



Profit / (Loss) before taxation (RM'000)



Net assets per share (RM)





## **TAN SRI DATUK HUSSIN BIN HAJI ISMAIL**

A Malaysian, aged 60, was appointed to the Board on 28 June 2011 as an Independent Non-Executive Director of the Company. On 29 March 2012, the Company appointed him as Deputy Chairman and he was re-designation to the position of Chairman on 24 September 2012. He is a member of Audit Committee, Remuneration Committee and Nomination Committee.

He holds a Diploma in Police Science from Universiti Kebangsaan Malaysia. He was a former Deputy Inspector General of Police, Royal Malaysia Police (RMP) and has 39 years of working experience in RMP holding various positions including Officer In Charge of Police District (OCPD), Head of Special Branch, Chief of Police and Director of Internal Security and Public Order Department. He also served as a diplomat in Moscow, Russia as a Security Liaison Officer. He is an Independent Non-Executive Director of Tecnic Group Berhad.

Tan Sri Datuk Hussin does not have any family relationship with the Directors and/or major shareholders of the Company and has no other conflict of interest with the Company. He has no convictions for offence within the past ten years.



## **ANG LAM POAH**

A Malaysian, aged 45 was appointed to the Board on 23 December 2003. He is the Managing Director and Group Chief Executive Officer of the Company. He is a member of the Remuneration Committee.

He holds a Diploma in Business Administration from Toronto School of Business. Upon obtaining his diploma in 1990, he started his career in JAKS.

He has been actively involved in the day-to-day operations and management of the water construction projects undertaken by JAKS upon his graduation. Apart from the water construction activities, he has also been involved in setting up companies manufacturing mild steel pipes and manufacturing common clay bricks. He also holds directorships in several other private limited companies.

Ang Lam Poah is the brother to the Director, Ang Lam Aik. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past ten years.



## **DATO' RAZALI MERICAN BIN NAINA MERICAN**

A Malaysian, aged 42 was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He has been actively involved in business after the completion of his University degree in 1995. Since then, he has acquired extensive experience and expertise especially in water construction and steel manufacturing.

Dato' Razali does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past ten years.



## Board Of Directors (cont'd)



### **ANG LAM AIK**

A Malaysian, aged 39, was appointed to the Board on 23 December 2003. He is an Executive Director of the Company.

He holds a Diploma in Computer Science from Canada and has been involved in project management and construction related fields since 1995.

Ang Lam Aik is the brother to the Managing Director, Ang Lam Poah. Save as disclosed, he does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past ten years.



### **DATO' AZMAN BIN MAHMOOD**

A Malaysian, aged 61, was appointed to the Board as Director on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Audit Committee as well as the Nomination Committee.

Dato' Azman is a member of the Institute of Chartered Accountants in England and Wales. He has vast experience working in a number of auditing firms in London and Johor Bahru.

He joined Kumpulan Perangsang Selangor Berhad in 1983 and left in 1990 to become the Managing Director of Worldwide Holdings Berhad, a public listed company in Bursa Securities until 1996.

Presently, Dato' Azman is the Executive Chairman of Fine Access Sdn Bhd, a company involved with property development and the Chairman of Cocoland Holdings Berhad, a food confectionary manufacturer listed on the Main Market of Bursa Malaysia Securities Berhad.

Dato' Azman does not have any family relationship with any other Director and/or major shareholder and has no conflict of interest with the Company. He has no convictions for offence within the past ten years.



### **LIEW JEE MIN @ CHONG JEE MIN**

A Malaysian, aged 54, was appointed to the Board on 23 December 2003. He is an Independent Non-Executive Director of the Company and the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

He holds the LLB (Hons) degree from University of Leeds, England and was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He is a partner of the legal firm, J.M. Chong, Vincent Chee & Co and has been practicing since the date of admission. He also sits on the board of Lion Industries Corporation Berhad, Autoair Holdings Berhad and Yung Kong Galvanising Industries Bhd.

Chong Jee Min does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offence within the past ten years.

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On behalf of the Board, it is my privilege to present to you JAKS Resources Berhad's ("JAKS") Annual Report and Financial Statements of the Group and Company for the financial year ended 31 October 2012.”



## FINANCIAL REVIEW

For the financial year ended 31 October 2012, the Group achieved revenue of RM376.4 million, a commendable increase of 15% from the previous financial year's revenue of RM326.7 million. On a more positive note, the Group recorded a profit before tax of RM8.2 million in 2012 as compared with the previous financial year loss before tax of RM19.2 million as there was a goodwill impairment adjustment of RM25.9 million in the previous financial year.

For the financial year under review, the Construction and Property Development division contributed approximately RM20.6 million profit before tax to the Group, bolstered by the joint venture Pahang-Selangor Raw Water Transfer Project with IJM Construction Sdn Bhd that contributed a share of pre-tax profit of approximately RM7.1 million. However, with the Manufacturing division recording a loss before tax of RM8.9 million in the year under review, the overall Group's performance was affected. The losses in the Manufacturing division were due to the competitive market and higher unit cost as the production levels could not be optimized.

## DIVIDEND

The Board is not recommending any dividends to be paid out for the financial year ended 31 October 2012.

## OPERATION REVIEW

The Construction and Property Development Division continues to be the main contributor to the Group's profit in the financial year ended 31 October 2012 bringing in RM14.3 million net profit for the financial year, almost double that of the previous year. This stems from the higher revenue attained of RM408.7 million, up 33% from the revenue of RM305.9 million achieved in the previous financial year as the contracts-in-hand progressed according to schedule. Over the past year, the Group has seen lower order book and revenue for water-related business due to reduced government spending on major water infrastructure projects as well as delays in project implementation. The Group has been fortunate to replenish its order book quickly with construction works for property development.

The Manufacturing Division on the other hand turned in much lower revenue of RM84.4 million as compared with previous year's revenue of RM126.0 million. Catering on to local consumption, the Manufacturing Division has had to face the local industry's competition against the influx of imports, uncertainty and volatility of prices of raw materials and finished products. These issues affected the producers' market and squeezed profit margin. With the low orders-in-hand, the Manufacturing Division had to grapple with higher unit cost as the production levels could not be optimized. This division incurred a higher loss of RM8.5 million in the financial year ended 31 October 2012 compared to a loss of RM2.9 million last year. The higher loss here had affected the overall Group's results.



As part of the strategy to strengthen the Group's earnings and allow the Group to better manage its profitability in the long term, the Company has forayed into a large scale property development at the strategically located Section 13 in Petaling Jaya in the previous year. The Property Division in the year under review recognized revenue of RM1.0 million as construction work had just started towards the end of the financial year under review. This development undertaken through the 51% subsidiary, JAKS Island Circle Sdn Bhd, has an estimated gross development value (GDV) of approximately RM940 million to be recognized over the next 4 to 5 years.

The property development project known as "PACIFIC STAR" comprise of a unique integrated commercial and residential development consisting of a 4 Storey Lifestyle Retail Space integrated with a series of modern Signature Office Suites and Exclusive Service Apartments. The 17-storey Beta office suite Tower which consists of 258 units of small office suites and duplex suites, is to cater to flexible office needs. There will be three blocks of service apartments, two of which will be 34-storey high and the other 25-storey tall. There will be 2,595 units of parking space in the entire project located at four levels of basement and five levels of elevated parking space.

Since "PACIFIC STAR" was launched in May 2012, it has achieved an estimated sales to-date of RM308.5 million inclusive of the 14-storey office building for Star Publications (M) Berhad. This gives an improved earnings visibility in the coming year and the Group is confident that the property development division will contribute positively to the Group's performance in the future.

## INDEPENDENT POWER PLANT PROJECT

The Company had in April 2012 obtained shareholders approval to proceed with the Independent Power Plant Project in Vietnam ("the Project") with the joint venture partners, Meiya Power (HD) Limited and Island Circle Investment Holding Limited. However with the non-fulfillment of certain conditions of the joint venture agreements and the lack of progress with the joint venture partners, the Board had to make the decisions to terminate the joint venture agreements with them. The EPC Contract with the consortium of China National Technical Import & Export Corporation and Tianjin Electric Power Construction Company for the development of the coal-fired power plant was also terminated.

In ensuring the continuance of the Project, the Group had entered into conditional agreements on 12 December 2012 with new joint venture partners, Wuhan Kaidi Electric Power Engineering Co., Ltd ("Kaidi") and Sanjung Merpati Sdn. Bhd. A new EPC contract was entered into with Kaidi for the latter to construct the power plant for the Project on a turnkey basis. The Company is making the necessary arrangements for all approvals to be sought so that it can proceed with the new joint venture partners in raising the required funding to fully implement the Project.



## BUSINESS OUTLOOK

Despite a lacklustre global growth prospects, Malaysia's economy is expected to remain relatively resilient in the coming year due to continued domestic demand and the implementation of key initiatives under the Economic Transformation Programme.

The Construction Division is expected to do better going forward from improved construction progress and encouraging order book replenishment prospects. The Property Division will be a strong performer in the coming year on the back of a strong middle income market and sizeable unrecognised revenue.

The Group will continue its cost-cutting measures to ensure that the Manufacturing Division's results do not deteriorate further. Some of the manufacturing facilities are located at prime property development areas. Should the opportunity arise, the manufacturing facilities could be re-located for the land to be re-developed to maximise returns to the Group.

While positive in its outlook, the Group is aware of the near term macroeconomic uncertainties and will cautiously approach new growth strategies.

## ACKNOWLEDGEMENT

I wish to place on record the Board's sincere thanks and appreciation to Tan Sri Dato' Seri Law Hieng Ding, our former Independent Director for his contribution to the JAKS Group during his tenure and wish him well in his new undertakings.

I would also like to thank the staffs who have been resilient to the dynamic business environment in the past year and their continued drive, hard work and dedication. I also wish to thank my colleagues on the Board for their guidance and counsel. I am grateful that JAKS has a formidable Board with the vision, expertise and experience to provide sound counsel and corporate strategies in propelling the Group forward.

Also my sincere thanks to all our shareholders, business partners, suppliers, financiers, consultants and government authorities and agencies for their continued support and confidence shown towards us throughout these years.

**Tan Sri Datuk Hussin Bin Haji Ismail**  
Chairman



“ Saya, bagi pihak Lembaga Pengarah dengan sukacitanya ingin membentangkan Laporan Tahunan dan Penyata Kewangan untuk Kumpulan dan Syarikat JAKS Resources Berhad (“JAKS”) bagi tahun kewangan berakhir 31 Oktober 2012.”



## TINJAUAN KEWANGAN

Bagi tahun kewangan berakhir 31 Oktober 2012, Kumpulan JAKS telah mencatatkan pendapatan sebanyak RM376.4 juta, iaitu peningkatan sebanyak 15% berbanding tahun kewangan sebelumnya iaitu sebanyak RM326.7 juta. Kumpulan JAKS telah mencatatkan keuntungan sebelum cukai sebanyak RM8.2 juta pada tahun 2012 berbanding dengan tahun sebelumnya yang mencatatkan kerugian sebelum cukai sebanyak RM19.2 juta di mana Kumpulan telah membuat pelarasan "goodwill impairment" sebanyak RM25.9 juta pada tahun kewangan sebelumnya.

Bagi tahun kewangan yang ditinjau, divisyen Pembinaan dan Pembangunan Hartanah telah menyumbang kira-kira RM20.6 juta keuntungan sebelum cukai bagi Kumpulan JAKS. Ini termasuk pencapaian yang dicatatkan melalui usahasama Projek Pemindahan Air Mentah Pahang-Selangor bersama IJM Construction Sdn Bhd yang telah menyumbang sebahagian keuntungan sebelum cukai kira-kira RM7.1 juta. Walau bagaimanapun, prestasi keseluruhan Kumpulan JAKS terjejas di mana Kumpulan JAKS mengalami kerugian sebelum cukai yang telah dicatatkan oleh divisyen Pengilangan sebanyak RM8.9 juta pada tahun kewangan 2012. Kerugian ini adalah disebabkan oleh persaingan pasaran dan kos unit yang lebih tinggi kerana tahap pengeluaran tidak dapat dioptimumkan.

## DIVIDEN

Lembaga tidak mengesyorkan sebarang dividen untuk tahun kewangan berakhir 31 Oktober 2012.



## TINJAUAN OPERASI

Divisyen Pembinaan dan Pembangunan Hartanah terus menjadi penyumbang utama kepada keuntungan Kumpulan JAKS pada tahun kewangan berakhir 31 Oktober 2012. Kedua-dua divisyen tersebut telah menjana keuntungan bersih sebanyak RM14.3 juta, iaitu hampir dua kali ganda daripada tahun sebelumnya. Ini adalah hasil daripada pendapatan yang lebih tinggi yang diperolehi iaitu RM408.7 juta, 33% lebih tinggi daripada pendapatan tahun kewangan sebelumnya iaitu RM305.9 juta ekoran daripada kontrak dalam tangan yang berjalan mengikut jadual yang ditetapkan. Pada tahun kewangan sebelumnya, Kumpulan JAKS mengalami penurunan dalam buku pesanan dan pendapatan bagi industri berkaitan air. Ini berpunca daripada pengurangan perbelanjaan oleh kerajaan dalam projek infrastruktur air dan penangguhan dalam pelaksanaan projek. Walau bagaimanapun, Kumpulan JAKS berjaya meningkatkan buku pesanan melalui kerja-kerja pembinaan untuk pembangunan hartanah.

Sebaliknya, divisyen pengilangan mencatatkan pendapatan yang lebih rendah iaitu RM84.4 juta berbanding dengan pendapatan tahun sebelumnya iaitu RM126.0 juta. Untuk memenuhi permintaan tempatan, divisyen pengilangan terpaksa menghadapi persaingan dari pengeluar tempatan terhadap kemasukan import, ketidakpastian dan ketidaktentuan harga bahan mentah dan produk siap. Isu-isu ini telah menjejaskan pasaran pengeluar dan margin keuntungan. Kesan dari pesanan dalam tangan yang lebih rendah, divisyen pengilangan terpaksa berhadapan faktor kos unit yang lebih tinggi kerana tahap pengeluaran tidak dapat dioptimumkan. Divisyen ini mengalami kerugian yang lebih tinggi iaitu sebanyak RM8.5 juta pada tahun kewangan berakhir 31 Oktober 2012 berbanding RM2.9 juta tahun lepas. Kerugian yang lebih tinggi ini telah menjejaskan keputusan keseluruhan Kumpulan.

Pada tahun lepas, Syarikat telah mengatur strategi bagi mengukuhkan pendapatan dan keuntungan melalui rancangan jangka panjang di mana Syarikat telah menceburi bidang pembangunan hartanah berskala besar di lokasi strategik di Seksyen 13, Petaling Jaya. Divisyen hartanah telah menyumbang hasil sebanyak RM1.0 juta bagi kerja-kerja pembinaan yang baru bermula menjelang akhir tahun kewangan yang ditinjau. Pembangunan ini dijalankan oleh JAKS Island Circle Sdn Bhd iaitu 51% subsidiari Kumpulan di mana ia di jangka mencapai Nilai Pembangunan Kasar (PNK) sebanyak RM940 juta dalam tempoh 4 hingga 5 tahun akan datang.

Projek pembangunan hartanah yang dikenali sebagai "PACIFIC STAR" ini merangkumi pembangunan komersial dan kediaman unik bersepadu yang terdiri daripada 4 Tingkat "Lifestyle Retail Space", diintergerasikan dengan "Modern Office Signature Suites" dan "Exclusive Service Suites". Menara Beta iaitu Suite Pejabat 17 tingkat terdiri daripada 258 unit suite kecil ke suite duplex dibina bagi memenuhi permintaan ruang pejabat. Terdapat dua blok servis apartmen terdiri daripada 34 tingkat dan satu blok servis apartmen setinggi 25 tingkat. Bagi projek ini, sejumlah 2,595 petak ruang letak kereta akan dibina bagi keseluruhan projek di mana ia akan dibahagikan kepada empat tingkat ruang letak kereta bawah tanah dan lima lantai ruang letak kereta bertingkat.

Sejak "PACIFIC STAR" dilancarkan pada bulan Mei 2012, ia telah mencapai anggaran jualan sebanyak RM308.5 juta termasuk bangunan pejabat 14 tingkat bagi Star Publications (M) Berhad. Ini di jangka meningkatkan perolehan yang memberangsangkan pada tahun yang akan datang dan Kumpulan yakin bahawa divisyen Pembangunan Hartanah dapat memberi sumbangan yang positif kepada keputusan Kumpulan pada masa hadapan.

### PROJEK STESEN JANA KUASA BEBAS

Pada April 2012, Syarikat telah mendapat kelulusan daripada pemegang saham untuk meneruskan Projek Stesen Jana Kuasa Bebas di Vietnam dengan rakan usahasama, Meiya Power (HD) Limited dan Island Circle Investment Holding Limited. Walau bagaimanapun, terdapat syarat-syarat tertentu perjanjian usahasama yang tidak dipenuhi dan kurangnya perkembangan dengan rakan usahasama, Lembaga Pengarah telah membuat keputusan untuk menamatkan perjanjian usahasama dengan mereka. Sehubungan itu, Kontrak "Engineering Procurement & Construction" ("EPC") dengan konsortium China National Technical Import & Export Corporation dan Tianjin Electric Power Construction Company bagi pembangunan stesen jana kuasa arang batu juga telah ditamatkan.

Dalam memastikan kesinambungan projek tersebut, Kumpulan telah memeterai perjanjian bersyarat dengan rakan usahasama baru, Wuhan Kaidi Electric Power Engineering Co, Ltd ("Kaidi") dan Sanjung Merpati Sdn Bhd pada 12 Disember 2012. Kontrak EPC yang baru juga telah dimeterai dengan Kaidi untuk membina stesen jana kuasa bagi projek tersebut. Segala keperluan bagi persiapan untuk mendapatkan semua kelulusan yang diperlukan telah diatur supaya Kumpulan bersama rakan usahasama baru boleh mendapatkan pembiayaan yang diperlukan untuk melaksanakan projek tersebut dengan sepenuhnya.





## TINJAUAN PERNIAGAAN

Dalam prospek pertumbuhan ekonomi global yang tidak menentu, ekonomi Malaysia di jangka kekal berdaya saing pada tahun mendatang atas faktor dipengaruhi oleh permintaan domestik yang berterusan dan pelaksanaan inisiatif utama di bawah Program Transformasi Ekonomi Negara.

Divisyen Pembinaan di jangka akan memberi keputusan yang lebih baik pada masa hadapan dengan terdapatnya kemajuan dalam pembinaan serta prospek penambahan buku pesanan yang menggalakkan. Divisyen Hartanah akan menjadi peneraju utama pada tahun yang akan datang dengan peningkatan pasaran kelas pendapatan pertengahan yang kukuh dan sejumlah besar pendapatan yang belum diiktiraf.

Kumpulan akan meneruskan langkah-langkah pengurangan kos bagi memastikan bahawa keputusan Divisyen Pengilangan merosot. Terdapat beberapa fasiliti pengilangan yang terletak di kawasan pembangunan tanah perdana. Sekiranya berpeluang, fasiliti pengilangan ini akan dipindah untuk tujuan perancangan pembangunan semula tanah tersebut bagi memaksimumkan pulangan Kumpulan.

Walaupun Kumpulan mempunyai pandangan yang positif terhadap prospek yang sedia ada, namun Kumpulan sedar akan ketidaktentuan makroekonomi jangka masa pendek dan akan terus merancang strategi pertumbuhan yang baru dengan lebih berhati-hati.

## PENGHARGAAN

Saya bagi pihak Lembaga Pengarah ingin merakamkan penghargaan dan ucapan terima kasih kepada Tan Sri Dato' Seri Law Hieng Ding, bekas Pengarah Bebas kami di atas sumbangan beliau kepada Kumpulan JAKS sepanjang tempoh perkhidmatannya dan mendoakan kesejahteraan serta kejayaan beliau pada masa akan datang.

Di sini, saya ingin mengucapkan ribuan terima kasih kepada kakitangan syarikat kerana memperlihatkan daya saing yang tinggi dalam persekitaran perniagaan yang dinamik serta usaha, kerja keras dan dedikasi mereka yang berterusan sepanjang tahun lepas. Saya juga ingin mengucapkan terima kasih kepada rakan-rakan saya dalam Lembaga Pengarah atas bimbingan dan nasihat mereka. Saya bersyukur bahawa JAKS mempunyai Lembaga Pengarah yang mantap dengan visi, kepakaran dan pengalaman dalam menyediakan bimbingan dan strategi korporat yang bernas dalam menggerakkan Kumpulan terus maju ke hadapan.

Ucapan terima kasih ditujukan juga kepada semua pemegang saham, rakan-rakan perniagaan, para pembekal, pembiaya kewangan dan pihak berkuasa serta agensi-agensi kerajaan atas sokongan dan keyakinan berterusan yang diberikan kepada kami selama ini.

### Tan Sri Datuk Hussin Bin Haji Ismail Pengerusi



# CORPORATE GOVERNANCE STATEMENT

The Board of Directors supports high standards of corporate governance and assumes responsibility in ensuring that the Best Practices in Corporate Governance as develop in Part 1 and Part 2 of the Malaysian Code on Corporate Governance ("the Code") is being fully applied. The Group believes that good governance will helps to realize long-term shareholders value, whilst taking into account the interest of other stakeholders.

Set out herewith are the corporate governance principles and practices that were applied during the financial year ended 31 October 2012.

## A. THE BOARD OF DIRECTORS

### a. Duties of Board of Directors

The Board of Directors takes full responsibility for the performance of the Group. The Board provides stewardship to the Group's strategic direction and operations which will ultimately maximize shareholders' value. To fulfill this role, the Board provides advice to the Management in monitoring and achieving the Group's goals.

The Board's most important functions are as follows:

- ensuring that the Group's goals are clearly established, and strategies are in place to achieve them;
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build business through innovation, initiative, technology and the development of its business capital;
- monitoring the performance of Management;
- appointing the Chief Executive Officer (CEO) and setting the terms of his employment contract;
- deciding on steps which are deemed necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company's financial statements are true and fair and conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behavior; and
- ensuring that the Company has appropriate risk management/regulatory compliances policies in place.

In discharging its fiduciary duties, the Board has delegated specific tasks to 3 Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authorities as lay out in the terms of reference and report to the Board with the necessary recommendation.

### b. Board Composition and Balance

The Board of JAKS Resources Berhad has seven members comprising of the Managing Director/CEO, two Executive Directors and four Independent Non-Executive Directors.

The Board meetings are presided by the Independent Non-Executive Chairman, whose role is clearly separated from role of the CEO to ensure a balance of power and authority.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as managing the development and implementation of business and corporate strategies. The Non-Executive Directors are independent of Management and free from any business relationship which could materially interfere with their independent judgement. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated and thus provide a capable check and balance for the Executive Directors.

## c. Board Meetings

During the financial year ended 31 October 2012, six board meetings were held and the respective Directors' attendance record is as shown in the table below:

Directors	No. of meetings attended
Tan Sri Datuk Hussin Bin Haji Ismail	6/6
Ang Lam Poah	4/6
Ang Lam Aik	5/6
Dato' Razali Merican Bin Naina Merican	5/6
Dato' Azman Bin Mahmood	6/6
Liew Jee Min @ Chong Jee Min	6/6
Tan Sri Dato' Seri Law Hieng Ding ( <i>resigned on 22 March 2013</i> )	6/6

The Board meets at least five times a year and as and when it is necessary. Due notice of matters to be discussed are provided to the Board. The proceedings, deliberations and conclusions made by the Board were properly recorded in the minutes of meetings kept by the Company Secretaries and was confirmed by the Board and signed by the Chairman of the meeting.

## d. Supply of Information

The Board is provided with the agendas and board papers prior to Board Meetings with sufficient time to enable the Board to solicit further explanations and/or information, where necessary, to enable them to discharge their duties.

The board papers provided include inter alia, financial results, business plan and budget, status of major projects, minutes of meetings of Board/Committees, circulars from Bursa Malaysia Securities Berhad ("Bursa Securities"), announcements made to Bursa Securities, directors' resolution in writing that had been passed and other major operational and financial issues for the Board's information and/or approval.

All Directors have access to the advices and services of the Company Secretary and all information in relation to the Group whether as a full Board or in their individual capacity to assist them in discharging their duties. The Board or the individual Director may seek independent advice from independent professional advisers at the Group's expense, if necessary in accordance to the prescribed policy.

## e. Directors' Training

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. New directors appointed are required to attend the Mandatory Accreditation Programme pursuant to the Listing Requirements of Bursa Securities and will be briefed by Management on the operations and policies of the Company to familiarize themselves with the Company's business.

During the financial year ended 31 October 2012, the Directors attended two in-house training conducted on "Latest Amendments to Listing Requirements" and "Malaysian Code on Corporate Governance 2012". The following directors also attended the following training programs:-

Director	Mode of Training	Title of Training	Duration of Training
Ang Lam Poah	Lecture	i. MAICSA Annual Lecture 2011	Half Day
Ang Lam Aik	Lecture Courses	i. MAICSA Annual Lecture 2011 ii. Kursus Integriti Kontraktor-Malaysia Moving Boundaries	Half Day 1 Day
Liew Jee Min @ Chong Jee Min	Lecture Seminar  Seminar Training  Seminar  Seminar	i. MAICSA Annual Lecture 2011 ii. Securities Commission: Bursa Malaysia Corporate Governance Week 2011 iii. Competition Act, 2010 (Organised by Lion Group) iv. Key amendments to Listing Requirements 2011 & Key Recommendations from Malaysian Code of Corporate Governance v. Corporate Governance Blueprint and Malaysia Code of Corporate Governance 2012 vi. Governance, Risk Management and Compliance: What Directors Should Know	Half Day 1 Day  Half Day Half Day Half Day Half Day

## f. Appointments and Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board shall hold office only until the next annual general meeting after their appointment and shall then be eligible for re-election. The Articles also provide that at least one-third of the remaining Directors be subject to retirement by rotation at each annual general meeting provided always that all Directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

The Board has empowered the Nomination Committee to consider and make their recommendation to the Board for the continuation in service of those Directors who are due for retirement and recommendation of new Directors, if required to enhance the composition of the Board. The Nomination Committee will recommend candidates for all directorships to be filled to the Board and review the composition of the Board to ensure that the Board has the required mix of skills, expertise, attributes and core competencies to discharge their duties efficiently and effectively.

During the financial year under review, the Nomination Committee met once to review the mix of skills and experience of the Board and was satisfied that the core competencies of the Directors in various specialised fields was strategic and fundamental to the success of the Company. The Nomination Committee also assessed the effectiveness of the Board as a whole, the Board Committees and contribution of the directors.

## B. DIRECTORS' REMUNERATION

### a. Level and Make-up

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts are designed to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

### b. Procedure

The Remuneration Committee recommends for the Board's approval on all elements of remuneration and terms of employment for Executive Directors with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. The Remuneration Committee met once during the financial year 2012 to review the bonuses and increments of the Executive Directors.

Non-Executive Directors' fees are determined by the Board as a whole. The fees payable to Non-Executive Directors are subject to the approval of shareholders.

### c. Details of Remuneration

Details of the remuneration received by the Directors from the Group and Company for the financial year ended 31 October 2012 are set out on page 89 of the Audited Financial Statements.

The aggregate remuneration paid/payable to all Directors of the Company are further categorized into the following components.

	Fees (RM)	Salaries (RM)	EPF & SOCSO (RM)	Total (RM)
Executive Directors	-	1,333,000	152,219	1,485,219
Non-Executive Directors	168,000	-	-	168,000

The number of Directors whose remuneration falls under the following remuneration bands:

Remuneration Bands	Executive Directors	Non-Executive Directors
RM50,000 and below	-	4
RM350,000 – RM400,000	2	-
RM700,000 – RM750,000	1	-

## C. SHAREHOLDERS

The Company recognizes the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has maintained an effective communication policy that enables both the Board and Management communicate effectively with its stakeholders, investors and even the public.

The Company uses its annual general meeting as the main channel of communication with its shareholders where the Board of Directors and Auditors of the Company are present to answer any queries of shareholders.

## D. ACCOUNTABILITY AND AUDIT

### a. Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors has ensured that the financial statements represent a true and fair assessment of the Company and Group's financial position. The Responsibility Statement by the Directors pursuant to the Bursa Securities Listing Requirements is set out on page 29.

### b. Internal Control and Risk Management

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets and to provide assurance on the reliability of the financial statements.

While the internal control system is devised to cater for particular needs of the Group, such controls by their nature can only provide reasonable assurance but not absolute assurance against material misstatement or loss. A statement on internal control is set out on page 25 and 26.

### c. Relationship with Auditors

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

## E. ADDITIONAL COMPLIANCE INFORMATION

### 1. Share Buy-back

No share buy-back scheme was in place during the financial year 2012.

### 2. Options, Warrants or Convertible Securities Exercised in the Financial Year 2012

There were no options, warrants or convertible securities issued during the financial year 2012.

### 3. American Depository Receipt ("ADR")/Global Depository Receipt ("GDR")

During the financial year 2012, the Company did not sponsor any ADR or GDR programme.

### 4. Sanctions and/or Penalties Imposed on the Company & its Subsidiaries, Directors or Management by the Relevant Regulatory

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year 2012.

### 5. Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Company and its subsidiaries for the financial year 2012 amounting to RM4,500.00

### 6. Profit Guarantee

During the financial year 2012, there was no profit guarantee received by the Company.

### 7. Material Contract

There was no material contract entered into by the Company and/or its subsidiary companies which involves Directors' and Major Shareholders' interest during the financial year 2012.

### 8. Variation of Results

There was no material variation between the audited financial statements for the financial year ended 31 October 2012 and the unaudited results announced.

# BOARD COMMITTEES

## A. AUDIT COMMITTEE REPORT

### a. Members

The Audit Committee consists of the following members:

**Chairman**      **Dato' Azman Bin Mahmood**  
(Independent Non-Executive Director)

**Members**      **Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Director)  
**Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

### b. Functions and Responsibilities

The key functions and responsibilities of the Committee are:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of management where necessary).
- To review the External Auditors' management letter and management's response.
- To consider any related party transactions that may arise within the Company or Group.
- To consider the major findings of internal investigations and management's response.
- To do the following in relation to the internal audit function:
  - Identify the head of internal audit;
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit functions;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Inform the Company on the resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
  - To consider other topics as defined by the Board.

**c. Summary of Activities of Audit Committee for the financial year ended 31 October 2012**

The Audit Committee held five meetings during the financial year ended 31 October 2012.

The attendance record for the financial year ended 31 October 2012 of each member of the Audit Committee is shown in the table below:

Audit Committee Members	Meeting Attendance	
	No of meetings attended	Percentage of attendance
Tan Sri Datuk Hussin Bin Haji Ismail	5/5	100
Liew Jee Min @ Chong Jee Min	5/5	100
Dato' Azman Bin Mahmood	5/5	100

The minutes of each meeting held were distributed to each member of the Board at the subsequent Board Meeting. The Audit Committee Chairman reported on each of the meetings to members of the Board.

For the financial year ended 31 October 2012, the following activities were carried out by the Audit Committee:

- i. Review the quarterly results and Audited Financial Statements;
- ii. Review the internal audit report tabled by Internal Auditors;
- iii. Review and approve the Audit Plan;
- iv. Review the Audit Review Memorandum and discussed with External Auditors on their findings;
- v. Review the Statement on Internal Control and Audit Committee Report prior to the Board's approval for inclusion into the Annual Report; and
- vi. Made recommendations to the Board for re-appointment of External Auditors.

**d. Summary of Activities of the Internal Audit Division for the Financial Year ended 31 October 2012**

The Group outsourced its internal audit function to external consultant who assist in the setting up as well as manage a sound system of internal control to safeguard the shareholders' interest and the Group's assets.

The total cost incurred for the Group's internal audit function amounted to approximately RM80,000.00

The Group's Statement on Internal Control is set out on page 25 and 26 of this Annual Report.



### B. NOMINATION COMMITTEE

The Nomination Committee comprises exclusively of Non-Executive Directors. The Managing Director (MD) & Group Chief Executive Officer (CEO) and Senior Group General Manager, Finance attend the meeting on the invitation of the Committee.

**Chairman**     **Dato' Azman Bin Mahmood**  
(Independent Non-Executive Director)

**Members**     **Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)  
**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Director)

The Committee met once during the financial year ended 31 October 2012.

The Board, through the Nomination Committee implemented a process for annual assessment of the effectiveness of the Board as a whole, the committees of the Board and contribution of each director, including Independent Non-Executive Directors. The Nomination Committee also assists the Board in reviewing the board structure, size and composition of the Board. The Committee is responsible for making recommendations to the Board on new Board members and Board Committee appointment as well as the re-election of retiring directors.

### C. REMUNERATION COMMITTEE

The Remuneration Committee comprises of a majority of Non-Executive Directors.

**Chairman**     **Liew Jee Min @ Chong Jee Min**  
(Independent Non-Executive Director)

**Members**     **Ang Lam Poah**  
(MD & Group CEO)  
**Tan Sri Datuk Hussin Bin Haji Ismail**  
(Independent Non-Executive Director)

The Committee met once during the financial year ended 31 October 2012.

The Remuneration Committee shall ensure that the levels of remuneration are sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors, by linking their rewards to corporate and individual performance with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. In the case of non-executive directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned and is determined by the Board as a whole.

# STATEMENT ON INTERNAL CONTROL

## Introduction

The Board of Directors of JAKS Resources Berhad ("JAKS") is pleased to present a statement on the state of JAKS Group's internal controls for the financial year ended 31 October 2012 has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued in December 2000.

## Board Responsibility

The Board acknowledges its responsibility for maintaining a sound and effective system of internal controls including risk management practices and for reviewing the adequacy and integrity of the internal control system to ensure shareholders' interests and the Group's assets is safeguarded. These responsibilities have been delegated to the Audit Committee, which is empowered by its terms of reference to seek the assurance on the adequacy and effectiveness of the Group's internal controls system through independent reviews conducted by the internal audit function and the annual statutory audits conducted by the external auditors. The Audit Committee reports significant controls matters to the Board at their scheduled meetings.

However, as there are inherent limitations in any system of internal controls, such system can only manage rather than eliminate all possible risks that may impede the achievement of the Group's business objectives or goals. Therefore, the system can only provide reasonable and not absolute assurance against material misstatements or losses.

## Risk Management Framework

The respective Heads of Department and key management staffs are assigned with responsibilities to manage identified risks within defined parameters and standards. Periodic management meetings were held in which key risks and the appropriate mitigating controls were discussed and communicated to Senior Management. Significant risks are also brought to the attention of Board members at their scheduled meetings.

The above-mentioned risk management practices of the Group serves as the on-going process used to identify, evaluate and managed significant risks. The Board shall continue to evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements.

## Internal Audit Function

The Group's internal audit function is outsourced to external consultants to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal audit function reports directly to the Audit Committee.

During the financial year ended 31 October 2012, internal audits were carried out in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and recommendations for improvement were presented to the Audit Committee at their quarterly meetings. In addition, the outsourced internal auditors had followed up with reviews on previously reported audit issues to ensure that the Management has adequately addressed these issues. The reviews and results of improvements are periodically reported to the Audit Committee.

Total professional fees paid for outsourcing of internal audit function for the year ended 31 October 2012 was RM80,000.

# Statement On Internal Control (cont'd)

## Others Key Elements Of Internal Control

The other key elements of the Group's internal control systems are:

- An organizational structure with clearly defined lines responsibility, accountability, and proper segregation of duties;
- Written operational policies and procedures that are established and regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities as the Group's grows;
- Human resource policies encompassing areas of recruitment, training and development, health and safety, staff performance, appraisal and succession planning with the objective to enhance staff integrity and the development of professionalism and competency of employees in the Group;
- Quality management in the form of policies and objectives as outlined in the Quality Manual issued by the Managing Director. The Management Review Team periodically reviews this quality management process that is implemented throughout the financial year. Four subsidiaries within the Group are accredited with ISO9001:2000, the internationally accepted quality standard and with such a certification, audits are conducted by internal and external parties regularly to ensure compliance with the terms and conditions of the certification;
- Monitoring of results by the senior management team on a monthly basis where appropriate management action will be undertaken to address deviations. The Managing Director also reviews the management accounts covering financial performance, key business indicators and cash flow performance on a weekly and monthly basis; and
- Executive Directors are actively involved in the running of the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group.

The Board has been briefed at their meeting on 31 December 2012 of the requirements of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued on 31 December 2012 which is effective on or after financial year ended 31 December 2012. In light of this, the Board will evaluate the existing risk management and internal control systems and put in place appropriate action plans, where applicable and necessary, to further enhance the system of internal controls and risk management to meet with the Group's strategic, financial, business and operational requirements regarding the adequacy and effectiveness of the risk management and internal control systems for the financial year ending 31 October 2013 onwards.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group has consistently taken considerable effort in maintaining corporate social responsibility. As part of the corporate vision and mission, the Group is not only aiming at maximizing shareholders' return but at the same time emphasizing on the importance of environmental factors as well as protecting the health and safety of our employees and communities in which we operate.

To achieve these goals, the Group is committed to deploy and implement policies and guidelines that help to ensure the operations are conducted in compliance with applicable regulations and standards. It is always the Group's objectives to incorporate these environmental, health and safety standards into the business operations to reduce risks and work towards an accident-free workplace.

In this regards, the Group always believes that this will build public confidence and hence strengthen the stakeholders' relationship with all these social, economic, environmental and ethical responsibilities in place.

## Employees

Employees are always the greatest assets of the Group. Appropriate training on skills development, team building, motivation courses and internal recognition programmes are developed for employees. These employment development opportunities are structured to enhance the employees' skills. Leadership development and succession are also critical to the success of the business. Leadership courses are provided to develop and enhance the leadership qualities and managerial capabilities of the employees to meet our business needs. In addition, safety measures workshops were also conducted to ensure high level of awareness of safety requirements at all levels.

The Group is committed to practice fair opportunity to all existing and prospective employees without unlawful or unfair discrimination. In so doing, employees from all functional discipline and at all levels will have the opportunity to contribute and provide input on how our business is to be managed. Suggestion box is made available for staff to contribute constructive ideas to the Management.

In addition, activities organized by sports club such as trips, family days, badminton events, bowling competitions etc. also promote better team spirit among the employees and also improve the work-life balance of employees.

## Health and Safety

As part of recognizing our employees as the greatest asset, the Group aims to ensure a safe and healthy working environment for all our employees. The Group makes great effort to protect the well-being of its employees through the effective and stringent implementation of good Occupational Safety and Health practices in the business operations. Guidelines are developed, implemented and continuously improved to meet the current international best practices. Safety and Healthy committee meetings are held regularly to update and improve on the business operations practices.

The Group aims to comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. We also liaise with staff regarding our policies and practices so that we can continue to maintain a healthy, safe and enjoyable environment.

The Group is consistently providing updated information and encouraging self consciousness of importance of the healthy and safe working environment. The Group continuously provides first aid training, fire drills and also the cardiopulmonary resuscitation courses. As for the properties and equipments, the Group continues to ensure that equipment and building systems are functioning properly and are well maintained. All these will lead to a conducive and safe working environment to the employees.

## Environment

In today's world, environmental protection is a global necessity. In the course of our operations we seek to identify opportunities to reduce consumption of energy, water and other natural resources. All staffs are encouraged in the process to recycle papers, use electronic mail and also other energy saving practices to protect our surrounding environment.

It is anticipated that by adopting simple, environmentally friendly initiatives, the Group will raise awareness amongst stakeholders and the wider community.

The Group regularly reviews its environmental policy to ensure that it reflects changes in regulations and best practice. We aim to continually manage the impact of our operations and develop initiatives to improve our environmental footprint.

In addition, as part of the our support for a greener environment, we have established the environment management for proper disposal of toxic and hazardous waste as per the Environment Quality (Schedule Waste) Regulation 2005. These scheduled wastes are treated and disposed-off at facility approved by the authorities. Relevant budget has been allocated for environment protection expenditure. This includes environment monitoring for noise and dust, audiometric hearing test, filtering system, internal audit, awareness training and also personnel protective equipments. We undertake measures to minimize any adverse impact of our operations on the environment.

## Community

The Group actively participates in social and community event to help the less fortunate. As a mean of serving the community, the Group elevates the standards of living and the quality of life of communities by supporting worthy causes and sponsoring educational, welfare and sports events. The Group also assists in developing fresh young talent from local universities, where industrial trainings are provided for interested students.

Employees are also encouraged to volunteer their time and talent to assist in various societies and programmes. Staff members who volunteer regularly in these community service projects have demonstrated improved personal development and also better leadership qualities. The employees also responded to the donations from various organizations for those in need.

## Clients

The Group strongly believes that integrity is a key to success in building sustainable business relationship with our clients.

The Group aims at providing products and services which are value for money, coupled with consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, with processes and the skills of our staff, to take best advantage of technology advancement. This safeguards our operations in the future, ensuring that we continue to add value to our customers' businesses.

The Board always believes that a good corporate citizen should fulfill its responsibilities owing to its shareholders, employees, communities, environment and the clients and this will bring business success to a greater height. We at JAKS will continue to improve and execute policies set out regularly to address any new concerns or issues that may arise.

# DIRECTORS' RESPONSIBILITY STATEMENTS

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

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

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

# Financial Statements

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> OCTOBER 2012

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<b>107</b>	Statement By Directors
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<b>109</b>	Independent Auditors' Report

The directors hereby submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31st October 2012.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

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

## RESULTS

	Group RM	Company RM
Profit/(loss) for the financial year	2,015,338	(2,623,867)
Other comprehensive income	-	-
<b>Total comprehensive profit/(loss) for the financial year</b>	<b>2,015,338</b>	<b>(2,623,867)</b>
Profit/(loss) attributable to:		
Owners of the Parent	2,750,573	(2,623,867)
Non-controlling interests	(735,235)	-
	<b>2,015,338</b>	<b>(2,623,867)</b>
Total comprehensive profit/(loss) attributable to:		
Owners of the Parent	2,750,573	(2,623,867)
Non-controlling interests	(735,235)	-
	<b>2,015,338</b>	<b>(2,623,867)</b>

## DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st October 2012.

## RESERVES AND PROVISIONS

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



## **BAD AND DOUBTFUL DEBTS**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for impairment.

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

## **CURRENT ASSETS**

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

At the date of this report, the directors are not aware of any circumstances that 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 would render adherence to the existing methods 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 and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 30 to the financial statements.

In the opinion of the directors, no contingent liabilities or other liabilities 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, will or may substantially affect the ability of the Group and 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 that would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, 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.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any new shares or debentures.

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

At an extraordinary general meeting held on 28th April 2008, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company, to eligible Executive and Non-Executive Directors and employees of the Company and its subsidiaries. Bursa Malaysia Securities Berhad had approved in-principle the listing of the additional 10% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of the share options granted under the ESOS.

The salient terms of the ESOS are set out in Note 20 to the financial statements.

As at the reporting date, no ESOS was granted by the Company.

## DIRECTORS

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

Ang Lam Aik  
Ang Lam Poah  
Dato' Azman Bin Mahmood  
Dato' Razali Merican Bin Naina Merican  
Liew Jee Min @ Chong Jee Min  
Tan Sri Dato' Seri Law Hieng Ding  
Tan Sri Datuk Hussin Bin Haji Ismail

# Directors' Report (cont'd)

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company during the financial year ended 31st October 2012 are as follows:-

The Company	Number of ordinary shares of RM1/- each			At 31.10.2012
	At 1.11.2011	Bought	Sold	
<b>Direct</b>				
Ang Lam Aik	2,500,000	-	-	2,500,000
Ang Lam Poah	26,800,002	-	-	26,800,002
<b>Indirect</b>				
Dato' Razali Merican Bin Naina Merican	25,000,000	-	-	25,000,000

By virtue of their interests in shares of the Company, Ang Lam Aik, Ang Lam Poah and Dato' Razali Merican Bin Naina Merican are deemed to have interest in the shares of the subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any other interests in shares, warrants and options in the Company and its related corporations.

## DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was 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 other than as may arise from the directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS of the Company of which the entitlement is to be determined by the ESOS Committee.

## SIGNIFICANT EVENTS

Significant events that occurred during and after the financial year are disclosed in Note 35 to the financial statements.

## MATERIAL LITIGATION

Details of material litigation are disclosed in Note 34 to the financial statements.

## AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

.....  
DATO' RAZALI MERICAN BIN NAINA MERICAN  
Director

.....  
ANG LAM POAH  
Director

Kuala Lumpur

Date: 25th February 2013

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31ST OCTOBER 2012

	Note	2012 RM	Group 2011 RM	Company 2012 RM	2011 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	96,295,272	96,836,527	7,974,633	8,444,941
Investment properties	5	218,858	-	55,911,799	56,270,562
Investment in subsidiaries	6	-	-	237,367,143	237,367,143
Golf club memberships	8	544,736	552,630	-	-
Goodwill on consolidation	9	155,222,975	155,222,975	-	-
Development expenditure	10	93,385,578	77,746,281	60,455,526	53,875,345
Deferred tax assets	11	10,616,580	10,385,709	-	-
		356,283,999	340,744,122	361,709,101	355,957,991
<b>Current assets</b>					
Inventories	12	13,188,500	31,215,927	-	-
Property development costs	13	184,506,905	4,042,814	-	-
Amount due from customers for contract works	14	154,706,400	134,939,736	30,730,607	29,195,047
Trade receivables	15	44,873,724	41,872,228	17,614,947	3,744,332
Other receivables, deposits and prepayments	16	65,071,809	54,542,114	508,219	249,428
Tax recoverable		1,222,515	1,225,264	297,171	297,171
Amount due by subsidiaries	17	-	-	36,605,340	37,443,654
Deposits placed with licensed banks	18	17,838,681	11,846,598	11,194,227	7,426,359
Cash and bank balances	19	16,919,702	15,698,450	1,125,990	4,460,947
		498,328,236	295,383,131	98,076,501	82,816,938
<b>TOTAL ASSETS</b>		<b>854,612,235</b>	<b>636,127,253</b>	<b>459,785,602</b>	<b>438,774,929</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Parent</b>					
Share capital	20	438,361,072	438,361,072	438,361,072	438,361,072
Share premium		8,368,710	8,368,710	8,368,710	8,368,710
Accumulated losses		(8,611,639)	(11,362,212)	(101,493,316)	(98,869,449)
		438,118,143	435,367,570	345,236,466	347,860,333
Non-controlling interests		5,005,808	5,741,043	-	-
<b>Total Equity</b>		<b>443,123,951</b>	<b>441,108,613</b>	<b>345,236,466</b>	<b>347,860,333</b>

# Statements Of Financial Position (cont'd)

As At 31st October 2012

	Note	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
<b>Non-current liabilities</b>					
Borrowings	21	3,121,617	3,050,921	376,251	763,155
Deferred tax liabilities	11	788,985	1,317,283	635,296	1,020,439
		3,910,602	4,368,204	1,011,547	1,783,594
<b>Current liabilities</b>					
Trade payables	22	149,164,046	7,879,801	-	-
Other payables, deposits and accruals	23	74,707,956	8,800,821	10,083,260	3,080,831
Amount due to subsidiaries	17	-	-	36,827,588	19,443,029
Borrowings	21	180,291,289	170,714,482	66,626,741	66,607,142
Tax payable		3,414,391	3,255,332	-	-
		407,577,682	190,650,436	113,537,589	89,131,002
<b>Total liabilities</b>		411,488,284	195,018,640	114,549,136	90,914,596
<b>TOTAL EQUITY AND LIABILITIES</b>		854,612,235	636,127,253	459,785,602	438,774,929

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31ST OCTOBER 2012

	Note	2012 RM	Group 2011 RM	Company 2012 RM	2011 RM
Revenue	24	376,380,938	326,686,765	70,846,174	84,912,431
Cost of sales	25	(338,295,196)	(291,018,993)	(62,024,223)	(75,358,709)
<b>GROSS PROFIT</b>		38,085,742	35,667,772	8,821,951	9,553,722
Other income		1,717,869	101,094	-	74,000
Selling and distribution expenses		(1,063,195)	(1,151,402)	-	-
Administrative expenses		(20,122,899)	(18,092,652)	(7,466,418)	(6,447,524)
Impairment loss on:-					
- goodwill on consolidation		-	(25,867,882)	-	-
- investment in subsidiaries		-	-	-	(419,470)
<b>OPERATING PROFIT/(LOSS)</b>		18,617,517	(9,343,070)	1,355,533	2,760,728
Finance costs (net)	26	(10,394,194)	(9,895,447)	(4,086,107)	(3,461,253)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	27	8,223,323	(19,238,517)	(2,730,574)	(700,525)
Taxation	28	(6,207,985)	(3,874,891)	106,707	(270,890)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		2,015,338	(23,113,408)	(2,623,867)	(971,415)
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR</b>		2,015,338	(23,113,408)	(2,623,867)	(971,415)
<b>Profit/(loss) attributable to:</b>					
Owners of the Parent		2,750,573	(22,896,192)	(2,623,867)	(971,415)
Non-controlling interests		(735,235)	(217,216)	-	-
		2,015,338	(23,113,408)	(2,623,867)	(971,415)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Parent		2,750,573	(22,896,192)	(2,623,867)	(971,415)
Non-controlling interests		(735,235)	(217,216)	-	-
		2,015,338	(23,113,408)	(2,623,867)	(971,415)
<b>Earnings/(loss) per ordinary share attributable to owners of the Parent (sen)</b>					
- Basic earnings/(loss) per share	29(a)	0.63	(5.22)		
- Fully diluted earnings/(loss) per share	29(b)	0.63	(5.22)		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31ST OCTOBER 2012

	← Attributable to Owners of the Parent →					Non- Controlling Interests RM	Total Equity RM
	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits/ (Accumulated Losses) RM	Total RM	Total RM		
<b>Group</b>							
Balance as at							
1st November 2010	438,361,072	8,368,710	11,533,980	458,263,762	5,909,749	464,173,511	
Acquisition of a subsidiary	-	-	-	-	(490)	(490)	
Disposal of a subsidiary	-	-	-	-	49,000	49,000	
Total comprehensive loss for the financial year	-	-	(22,896,192)	(22,896,192)	(217,216)	(23,113,408)	
Balance as at 31st October 2011	438,361,072	8,368,710	(11,362,212)	435,367,570	5,741,043	441,108,613	
Total comprehensive income/(loss) for the financial year	-	-	2,750,573	2,750,573	(735,235)	2,015,338	
Balance as at 31st October 2012	438,361,072	8,368,710	(8,611,639)	438,118,143	5,005,808	443,123,951	

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



# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31ST OCTOBER 2012

	← Attributable to Owners of the Parent →			Total RM
	Share Capital RM	Non- Distributable Share Premium RM	Distributable Accumulated Losses RM	
<b>Company</b>				
Balance as at 1st November 2010	438,361,072	8,368,710	(97,898,034)	348,831,748
Total comprehensive loss for the financial year	-	-	(971,415)	(971,415)
Balance as at 31st October 2011	438,361,072	8,368,710	(98,869,449)	347,860,333
Total comprehensive loss for the financial year	-	-	(2,623,867)	(2,623,867)
Balance as at 31st October 2012	438,361,072	8,368,710	(101,493,316)	345,236,466

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31ST OCTOBER 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	8,223,323	(19,238,517)	(2,730,574)	(700,525)
Adjustments for:-				
Amortisation of corporate golf club membership	7,894	7,896	-	-
Depreciation:-				
- property, plant and equipment	4,173,595	3,723,292	470,308	427,072
- investment properties	4,560	-	358,763	358,764
Dividend income	(19,312)	-	-	-
Gain on disposal of property, plant and equipment	(1,343,208)	(99,733)	-	(74,000)
Impairment loss on:-				
- investment in subsidiary	-	-	-	419,470
- goodwill on consolidation	-	25,867,882	-	-
Interest expenses	11,453,614	10,131,636	4,950,150	4,517,921
Interest income	(1,059,420)	(236,189)	(864,043)	(1,056,668)
Reversal of impairment loss on receivables no longer required	(554,906)	-	-	-
	20,886,140	20,156,267	2,184,604	3,892,034
Changes In Working Capital:-				
Inventories	18,027,427	11,299,094	-	-
Amount due from customers for contract works	(19,766,664)	(36,193,403)	(1,535,560)	(25,714,814)
Receivables	(13,199,703)	7,178,961	(14,129,406)	(3,708,881)
Payables	20,733,521	2,046,283	7,002,429	(1,123,406)
Property development costs	(2,840,144)	(3,454,734)	-	-
	23,840,577	1,032,468	(6,477,933)	(26,655,067)
Interest paid	(10,742,632)	(9,431,388)	(4,508,862)	(4,184,812)
Tax paid	(6,805,346)	(6,343,137)	(278,436)	(218,805)
Net Operating Cash Flows	6,292,599	(14,742,057)	(11,265,231)	(31,058,684)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition in development expenditure	(6,805,385)	(11,381,756)	(6,580,181)	(11,337,186)
Dividend received	19,312	-	-	-
Proceeds from disposal of property, plant and equipment	1,347,071	229,500	-	74,000
Interest received	1,059,420	236,189	229,173	129,129
Additional investment in subsidiary	-	-	-	(51,000)
Net cash outflows from acquisition of interest in subsidiaries (Note A)	-	(490)	-	-
Net cash inflows from disposal of interest in subsidiaries (Note B)	-	49,000	-	-
Purchase of property, plant and equipment (Note C)	(1,055,600)	(951,144)	-	(90,954)
Net Investing Cash Flows	(5,435,182)	(11,818,701)	(6,351,008)	(11,276,011)

# Statements Of Cash Flows (cont'd)

For The Financial Year Ended 31st October 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances from subsidiaries	-	-	18,857,743	14,735,210
Placement of deposits held as security value	(5,992,083)	(3,777,038)	(3,767,868)	(3,511,599)
Interest paid	(710,982)	(700,248)	(441,288)	(333,109)
Net movement on bill payables	8,240,095	(22,222,407)	-	-
Net movement on factoring loan	(5,776,036)	9,313,946	-	-
Drawdown of revolving credit	-	4,000,000	-	4,000,000
Repayments of hire purchase liabilities	(1,784,521)	(977,230)	(394,680)	(329,219)
Net movement on term loans	(1,144)	4,612,278	(1,144)	4,997,664
Net Financing Cash Flows	(6,024,671)	(9,750,699)	14,252,763	19,558,947
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,167,254)</b>	<b>(36,311,457)</b>	<b>(3,363,476)</b>	<b>(22,775,748)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>(16,139,577)</b>	<b>20,171,880</b>	<b>(21,753,851)</b>	<b>1,021,897</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>(21,306,831)</b>	<b>(16,139,577)</b>	<b>(25,117,327)</b>	<b>(21,753,851)</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:-</b>				
Deposits placed with licensed banks	17,838,681	11,846,598	11,194,227	7,426,359
Cash and bank balances	16,919,702	15,698,450	1,125,990	4,460,947
Bank overdrafts - secured	(38,226,533)	(31,838,027)	(26,243,317)	(26,214,798)
	(3,468,150)	(4,292,979)	(13,923,100)	(14,327,492)
Less: Deposits held as security values	(17,838,681)	(11,846,598)	(11,194,227)	(7,426,359)
	(21,306,831)	(16,139,577)	(25,117,327)	(21,753,851)

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

# Statements Of Cash Flows (cont'd)

For The Financial Year Ended 31st October 2012

## A. SUMMARY OF EFFECT ON ACQUISITION OF INTEREST IN SUBSIDIARIES

### 2011

In the previous financial year, the Company had acquired subsidiaries with a total cash consideration of RM490/-.

From the date of acquisition, the subsidiaries acquired have contributed a total loss of RM20,379/- to the Group's loss for the financial year.

## B. SUMMARY OF EFFECT ON DISPOSAL OF INTEREST IN SUBSIDIARIES

### 2011

In the previous financial year, the Company had disposed of 49% interest in JAKS Offshore Sdn. Bhd. with a sale proceeds of RM49,000/-.

## C. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments for the purchase of property, plant and equipment:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Purchase of property, plant and equipment	3,636,203	4,214,144	-	800,954
Financed by hire purchase liabilities	(2,580,603)	(3,263,000)	-	(710,000)
Cash payments on purchase of property, plant and equipment	1,055,600	951,144	-	90,954

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The principal activities of the Company are that of investment holding and general contractor. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

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

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

The registered office of the Company is located at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 526, Persiaran Subang Permai, Sungai Penaga Industrial Park, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25th February 2013.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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

At the beginning of current financial year, the Group and the Company adopted amendments/improvements to FRSs, new IC Interpretations ("IC Int") and amendments to IC Int, which are mandatory for the current financial year as described fully in Note 2.2(a) to the financial statements.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their 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 to the financial statements.

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board (“MASB”) Approved Accounting Standards, Malaysian Financial Reporting Standards (“MFRSs”)

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

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

##### Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 9	Financial Instruments
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement

##### New IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments

##### Amendments to IC Int

IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The main effects of the adoption of the above amendments/improvements to FRSs, New IC Int and amendments to IC Int are summarised below:-

##### Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

##### IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Cont'd)

#### (b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

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

		<b>Effective for financial periods beginning on or after</b>
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012 and 1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
FRS 112	Income Taxes	1 January 2012
FRS 116	Property, Plant and Equipment	1 January 2013
FRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
FRS 134	Interim Financial Reporting	1 January 2013
<u>New IC Int</u>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

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

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Cont'd)

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

##### FRS 9 Financial Instruments

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

##### FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures 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 FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 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.

##### FRS 12 Disclosure of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The disclosure requirements in this FRS 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.

##### FRS 13 Fair Value Measurement

FRS 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.



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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Cont'd)

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

##### *Amendments to FRS 112 Income Taxes*

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

#### (c) MASB Approved Accounting Standards, MFRSs

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

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

Accordingly, the Group and the Company which are not Transitioning Entities have chosen to defer the adoption of the MFRS framework for an additional 3 years. The Group and the Company will prepare its first MFRSs financial statements using the MFRSs framework for the financial year ending 31st October 2015.

As at 31st October 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2(b) to the financial statements. The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

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

### 2.2 New and Revised FRs, Amendments/Improvements to FRs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Cont'd)

#### (c) MASB Approved Accounting Standards, MFRSs (Cont'd)

##### Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

##### MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group and the Company does not expect any impact on the financial statements arising from the adoption of this standard.

##### IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group and the Company does not expect any impact on the financial statements arising from the adoption of this interpretation.

### 2.3 Significant Accounting Policies

#### (a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (a) Basis of Consolidation (Cont'd)

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in the Note 2.3(d) to the financial statement. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

#### *Transactions with non-controlling interest*

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

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

#### (b) Subsidiaries

Subsidiaries are entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiaries which is eliminated on consolidation is stated in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m) to the financial statements. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

#### (c) Jointly controlled operations

A jointly controlled operation is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

Investment in jointly controlled operation is accounted for in the consolidated financial statements using the proportionate consolidation method of accounting.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (d) Goodwill on Consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1st January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.3(r).

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

#### (e) Development Expenditure

Development expenditure is stated at cost less accumulated amortisation and impairment loss. Development costs are amortised from the commencement of the income recognition.

Development expenditures are expenditure incurred for development of Coal Fired Power Plant. Development expenditures are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Other development expenditures which do not meet these criteria are expensed when incurred.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m) to the financial statements. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to profit or loss as incurred.

Freehold land is not depreciated as it has indefinite useful life. All property, plant and equipment are depreciated on the straight line basis to write off the cost over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:-

Freehold buildings	2%
Leasehold buildings and factory buildings	2%
Plant and machineries	2% – 10%
Motor vehicles	10% – 20%
Furniture, fittings, office equipment and renovation	10% – 33.3%

The residual values and useful lives of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

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 arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

#### (g) Investment Properties

Investment properties are freehold land and buildings which are held either to earn rental income or capital appreciation or for both and are not substantially occupied by the Group. Such properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m) to the financial statements.

No depreciation is provided on the freehold land as it has indefinite useful life.

Depreciation of investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties. The annual rate used to depreciate the buildings is 2%.

Investment properties are derecognised when they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains and losses on the retirement or disposal of investment properties are recognised in the profit or loss in the year in which they arise.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (h) Golf Club Memberships

Golf club memberships are stated at cost less accumulated amortisation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m) to the financial statements.

On disposal of the golf club memberships, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

#### (i) Construction Contract

Construction works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contract sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to the profit or loss as and when incurred.

When the outcome of a construction contract can be reliably estimated, contract revenue is recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Irrespective of whether the outcome of a construction contracts can be estimated reliably, when it is probable that total contracts costs will exceed total contract revenue, the expected loss is recognised in profit or loss immediately. Provision is made for all anticipated losses on construction work. Provision for warranties is made for expected/estimated repair costs for making good certain defects and damages during the warranty periods.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract works.

#### (j) Inventories

Inventories comprise raw materials, work-in-progress, finished goods and building materials that are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

The costs of raw material consist of cost of purchase and costs incurred in bringing the inventories to their present location and condition. Costs for work-in-progress and finished goods include cost of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (k) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company becomes a party to the contract provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:-

#### (i) *Financial Assets*

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statement of comprehensive income.

##### *Loans and receivables*

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

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

##### *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

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

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (k) Financial Instruments (Cont'd)

##### (i) Financial Assets (Cont'd)

###### Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for 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.

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

##### (ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

##### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.



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

### 2.3 Significant Accounting Policies (Cont'd)

#### (k) Financial Instruments (Cont'd)

##### (iv) Regular way purchase or sale of financial assets (Cont'd)

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:-

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) Derecognition

A financial asset is derecognised when 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 asset. On derecognition of a financial asset, 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.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

#### (l) Property Development Activities

##### *Property development costs*

Property development costs comprise costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the costs of land under development, construction costs and other related development costs common to the whole project including administrative overheads and borrowing costs.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that property development costs incurred bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Property development costs not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

Where revenue recognised in the profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under receivables (within current assets). Where the billings to purchasers exceed revenue recognised in the profit or loss, the balance is shown as progress billings under payables (within current liabilities).

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (m) Impairment of Assets

##### (i) *Impairment of Financial Assets*

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

##### (ii) *Impairment of Non-financial Assets*

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

For goodwill that has an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (m) Impairment of Assets (Cont'd)

##### (ii) Impairment of Non-financial Assets (Cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU's") fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

#### (n) Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits and other short term and highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts, deposits pledged to banks and bill payables which are repayable on demand.

#### (o) Revenue Recognition

##### (i) Construction Contract

Revenue from construction contracts is recognised based on the stage of completion method as described in Note 2.3 (i) to the financial statements.

##### (ii) Sale of Finished Goods

Revenue from sale of finished goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

##### (iii) Management Fee

Management fee is recognised upon services rendered.

##### (iv) Rental Income

Rental income from investment properties are recognised on an accrual basis based on the agreed upon rental rates.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (o) Revenue Recognition (Cont'd)

##### (v) Interest Income

Interest income is recognised on an accrual basis.

##### (vi) Dividend Income

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

#### (p) Taxation

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial year.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (q) Employee Benefits

##### (i) Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions and non-monetary benefits are recognised as expenses in the financial year in which the associated services are rendered by employees. 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 sick leave, maternity and paternity leave are recognised when absences occur.

##### (ii) Post-Employment Benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (q) Employee Benefits (Cont'd)

##### (iii) Share-based Compensation

The Company's Employees' Share Option Scheme ("ESOS"), when it becomes operative, is an equity-settled, share-based compensation plan for employees of the Group which allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on the vesting date.

At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to the share premium account, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### (r) Foreign Currencies

##### (i) Functional and presentation currency

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

##### (ii) Foreign currency transactions and translations

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the statement of financial position are translated into Ringgit Malaysia at the rates ruling at the reporting date. All exchange differences are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (s) Operating Segments

In the previous years, a segment was distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8 Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### (f) Leases

##### (i) Finance Leases

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

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowings rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(f) to the financial statements

##### (ii) Operating Leases

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

### 2.3 Significant Accounting Policies (Cont'd)

#### (u) Share Capital

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### (v) Borrowing Costs

Borrowing costs incurred on property development projects are capitalised and included as part of property development costs. The capitalisation of borrowing costs commences when expenditure for the property development projects and borrowing costs are being incurred and the activities that are necessary to prepare the property development projects for its intended sale are in progress. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the property development projects for its intended sale are completed.

Borrowing costs incurred in financing the construction-in-progress are capitalised as part of the cost of the assets. Capitalisation will cease when the relevant assets are ready for their intended use.

All other borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

### (a) Judgements Made in Applying Accounting Policies

There were no significant judgements made by the management in the process of applying the Group's accounting policies which have material effect on the amounts recognised in the financial statements.

### (b) Key sources of estimation and uncertainty

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

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

### (b) Key sources of estimation and uncertainty (Cont'd)

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

The Group estimates the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

#### (ii) *Impairment of investment in subsidiaries*

The Company carried out the impairment test based on a variety estimation of including the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The management determined the recoverable amount of the investment in subsidiaries based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

In view of the above, the management are in the opinion that no further impairment, other than disclosed in Note 6, is required for the investment in subsidiaries as at statement of financial position date.

#### (iii) *Impairment of property, plant and equipment*

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

Where there is objective evidence, impairment losses are recognised in profit or loss. As at reporting date, the directors of the Company are at of the opinion that there is no impact resulting from the impairment review.



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

### (b) Key sources of estimation and uncertainty (Cont'd)

#### (iv) Impairment of Investment Properties

The Group assesses at each reporting date whether there is any objective evidence that the investment properties are impaired to determine whether there is objective of impairment. The Group considers internal and external factors such as market price of properties within the same vicinity and nature.

The Group assessed the market price of the investment properties based on information available through internal research and directors' best estimates.

Where there is objective evidence, impairment losses are recognised in profit or loss. As at reporting date, the directors of the Company are of the opinion that there is no impact resulting from the impairment review.

#### (v) Impairment of development expenditure

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceed its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

#### (vi) Net realisable values of inventories

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Changes in these estimates may result in revisions to the valuation of inventories.

#### (vii) Allowance for impairment of receivables

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

#### (viii) Taxation

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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

### (b) Key sources of estimation and uncertainty (Cont'd)

#### (ix) *Deferred tax assets*

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying values of unrecognised deferred tax asset of the Group were RM12,309,702/- (2011 : RM10,238,556/-).

#### (x) *Impairment of goodwill on consolidation*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31st October 2012 was RM155,222,975/- (2011 : RM155,222,975/-).

#### (xi) *Revenue recognition on property development projects*

The Group recognises property development projects in profit or loss by using the percentage of completion method, which is the standard for similar industries.

The percentage of completion is determined by the proportion that property development and contract costs incurred for work performed to date over to the estimated total property development and contract costs. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Estimation is required in determining the percentage of completion, the extent of the property development projects incurred, the estimated total property development and contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

#### (xii) *Construction contracts*

The Group recognises construction revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

#### (xiii) *Contingent liabilities*

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency.

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Leasehold land RM	Leasehold buildings RM	Factory buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
<b>2012</b>									
<b>Cost</b>									
At 1st November	49,108,899	23,351,183	1,108,760	71,562	3,331,654	76,761,361	7,636,034	2,260,257	163,629,710
Additions	-	-	-	-	-	2,414,456	383,124	838,623	3,636,203
Disposals/write-off	-	-	-	-	-	(43,399,703)	(544,607)	-	(43,944,310)
At 31st October	49,108,899	23,351,183	1,108,760	71,562	3,331,654	35,776,114	7,474,551	3,098,880	123,321,603
<b>Accumulated Depreciation</b>									
At 1st November	-	2,771,084	125,523	15,508	848,367	58,209,709	2,863,903	1,959,089	66,793,183
Depreciation for the financial year	-	401,125	20,920	1,431	66,633	2,356,227	1,169,119	158,140	4,173,595
Disposals/write-off	-	-	-	-	-	(43,395,841)	(544,606)	-	(43,940,447)
At 31st October	-	3,172,209	146,443	16,939	915,000	17,170,095	3,488,416	2,117,229	27,026,331
<b>Carrying amount At 31st October</b>	49,108,899	20,178,974	962,317	54,623	2,416,654	18,606,019	3,986,135	981,651	96,295,272

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

Group	Freehold land RM	Freehold buildings RM	Leasehold land RM	Leasehold buildings RM	Factory buildings RM	Plant and machineries RM	Capital work-in-progress RM	Motor vehicles RM	Furniture, fittings, office equipment and renovation RM	Total RM
<b>2011</b>										
<b>Cost</b>										
At 1st November	49,108,899	23,060,583	1,108,760	71,562	3,331,654	69,339,858	5,895,091	6,343,083	2,242,964	160,502,454
Reclassification	-	-	-	-	-	5,895,091	(5,895,091)	-	-	-
Additions	-	290,600	-	-	-	1,526,412	-	2,379,839	17,293	4,214,144
Disposals/write-off	-	-	-	-	-	-	-	(1,086,888)	-	(1,086,888)
At 31st October	49,108,899	23,351,183	1,108,760	71,562	3,331,654	76,761,361	-	7,636,034	2,260,257	163,629,710
<b>Accumulated Depreciation</b>										
At 1st November	-	2,369,959	104,603	14,076	781,734	56,078,434	-	2,818,732	1,859,474	64,027,012
Depreciation for the financial year	-	401,125	20,920	1,432	66,633	2,131,275	-	1,002,292	99,615	3,723,292
Disposals/write-off	-	-	-	-	-	-	-	(957,121)	-	(957,121)
At 31st October	-	2,771,084	125,523	15,508	848,367	58,209,709	-	2,863,903	1,959,089	66,793,183
<b>Carrying amount</b>										
At 31st October	49,108,899	20,580,099	983,237	56,054	2,483,287	18,551,652	-	4,772,131	301,168	96,836,527

# Notes To The Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold Land RM	Freehold Building RM	Motor Vehicles RM	Office Equipment RM	Total RM
<b>Company</b>					
<b>2012</b>					
<b>Cost</b>					
At 1st November	5,434,400	2,118,118	2,133,873	80,657	9,767,048
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31st October	5,434,400	2,118,118	2,133,873	80,657	9,767,048
<b>Accumulated Depreciation</b>					
At 1st November	-	310,657	936,761	74,689	1,322,107
Depreciation for the financial year	-	42,362	426,775	1,171	470,308
Disposals	-	-	-	-	-
At 31st October	-	353,019	1,363,536	75,860	1,792,415
<b>Carrying amount At 31st October</b>	5,434,400	1,765,099	770,337	4,797	7,974,633
<b>2011</b>					
<b>Cost</b>					
At 1st November	5,434,400	2,118,118	1,625,329	80,657	9,258,504
Additions	-	-	800,954	-	800,954
Disposals	-	-	(292,410)	-	(292,410)
At 31st October	5,434,400	2,118,118	2,133,873	80,657	9,767,048
<b>Accumulated Depreciation</b>					
At 1st November	-	268,295	847,167	71,983	1,187,445
Depreciation for the financial year	-	42,362	382,004	2,706	427,072
Disposals	-	-	(292,410)	-	(292,410)
At 31st October	-	310,657	936,761	74,689	1,322,107
<b>Carrying amount At 31st October</b>	5,434,400	1,807,461	1,197,112	5,968	8,444,941

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (i) Carrying amounts for property, plant and equipment of the Group and of the Company that have been pledged to licensed banks to secure the credit facilities granted to the Group and Company as disclosed in Note 21 to financial statements are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Freehold land	5,434,400	5,434,400	5,434,400	5,434,400
Freehold building	1,765,099	1,807,461	1,765,099	1,807,461
Leasehold land	962,317	983,237	-	-
Factory buildings	2,416,654	2,483,287	-	-
Plant and machinery	784,572	1,352,855	-	-
	11,363,042	12,061,240	7,199,499	7,241,861

- (ii) Motor vehicles of the Group and of the Company with total carrying amount of RM3,642,826/- (2011 : RM4,484,876/-) and RM770,337/- (2011 : RM1,197,112/-) respectively were acquired under hire purchase instalment plans.

## 5. INVESTMENT PROPERTIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Cost</b>				
At 1st November	-	-	58,730,991	58,730,991
Addition for the financial year	223,418	-	-	-
Disposals	-	-	-	-
At 31st October	223,418	-	58,730,991	58,730,991
<b>Accumulated Depreciation</b>				
At 1st November	-	-	2,460,429	2,101,665
Depreciation for the financial year	4,560	-	358,763	358,764
Disposals	-	-	-	-
At 31st October	4,560	-	2,819,192	2,460,429
<b>Carrying amount</b>				
<b>At 31st October</b>	218,858	-	55,911,799	56,270,562

### Group

The fair value of the investment property approximates its carrying value in the financial statements.

### Company

- (i) All investment properties are pledged to a licensed bank to secure the credit facilities granted to the Company as disclosed in Note 21 to the financial statements.
- (ii) The fair values of the investment properties were estimated at RM110,000,000/- (2011 : RM110,000,000/-) at directors' valuation which were made based on current prices in an active market for the said properties.

# Notes To The Financial Statements (cont'd)

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2012 RM	2011 RM
<b>At cost</b>		
Unquoted shares	237,367,143	237,735,613
Add: Acquisition of subsidiaries	-	51,000
Less: Impairment loss	-	(419,470)
	237,367,143	237,367,143

Details of the subsidiaries are as follows:-

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
<b>Direct subsidiaries</b>				
JAKS Sdn. Bhd. *	Malaysia	100	100	General contractor and supplier of building materials
Pipe Technology System Sdn. Bhd. *	Malaysia	70	70	Pipe manufacturer
JAKS Steel Industries Sdn. Bhd.	Malaysia	98.05	98.05	Manufacturing and trading of steel pipes, steel hollow sections and trading of other steel related products
Surge System Sdn. Bhd.#	Malaysia	100	100	General trading and construction
Empire Deluxe Sdn. Bhd.*#	Malaysia	100	100	Manufacturing of ductile steel pipes and investment holding
Gain World Trading Limited ^	British Virgin Islands	100	100	Investment holding
Golden Keen Holdings Limited ^	British Virgin Islands	100	100	Investment holding
JAKS Power Holding Limited ^	British Virgin Islands	100	100	Investment holding
JAKS Offshore Sdn. Bhd.*	Malaysia	51	51	Offshore, drilling, oil, gas and general trading

# Notes To The Financial Statements (cont'd)

## 6. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:-

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
<b>Indirect subsidiaries held through JAKS Sdn. Bhd.</b>				
JAKS-KDEB Consortium Sdn. Bhd.#	Malaysia	70	70	Investment holding and supply of products for water supply industry
JAKS Marketing Sdn. Bhd. *	Malaysia	100	100	General trading of steel and construction related products
JAKS Power Sdn. Bhd. #∞	Malaysia	100	100	Investment holding
JAKS Island Circle Sdn.Bhd.	Malaysia	51	51	Property development
<b>Indirect subsidiary held through JAKS-KDEB Consortium Sdn. Bhd.</b>				
Integrated Pipe Industries Sdn. Bhd.#	Malaysia	70	70	Pipes manufacturer
<b>Indirect subsidiary held through Empire Deluxe Sdn. Bhd.</b>				
Wing Tiek Ductile Iron Pipe Sdn. Bhd.*#	Malaysia	100	100	Manufacturing and trading of butt welding pipe fitting products and steel elbow joints.
<b>Indirect subsidiary held through JAKS Power Holding Limited</b>				
JAKS Pacific Power Limited ^	Hong Kong	100	100	Investment holding
<b>Indirect subsidiary held through JAKS Pacific Power Limited</b>				
JAKS Hai Duong Power Limited ^	Vietnam	100	100	Undertake investment, implementation and operation of Vietnam Project



## 6. INVESTMENT IN SUBSIDIARIES (Cont'd)

### 2011

- (i) On 8th November 2010, a wholly owned subsidiary of the Company, JAKS Power Holding Limited ("JPH"), had incorporated a wholly-owned subsidiary, JAKS Pacific Power Limited ("JPP") in Hong Kong with a total issued and paid-up capital of HK\$100/-, representing a wholly owned subsidiary of JPH.
- (ii) On 30th June 2011, a wholly-owned subsidiary of the JPH, JPP, had incorporated a wholly-owned subsidiary, JAKS Hai Duong Power Limited ("JHDP") under the laws of Vietnam pursuant to the issuance of the Investment Certificate.

The formation of JHDP is to undertake the investment, implementation and operation of the Project as disclosed in Note 10 to the financial statements.

- (iii) On 12th July 2011, the Company acquired 2 ordinary shares of RM1/- each in JAKS Offshore Sdn. Bhd. ("JOSB") for a consideration of RM2/- and subscribed for additional 50,998 ordinary share of RM1/- each at par, representing in total 51% equity interest.
- (iv) On 19th October 2011, a wholly owned subsidiary of the Company, JAKS Sdn. Bhd. had increased its shareholdings in JAKS Power Sdn. Bhd. ("JPSB") from 51% to 100% by purchasing an additional 490 ordinary shares of RM1/- each from Zenwish City Sdn. Bhd.

\* Subsidiaries not audited by Baker Tilly Monteiro Heng

^ The audited financial statements and auditors' report of these subsidiaries are not available for consolidation. These subsidiaries are currently dormant or inactive.

# The audited reports of these subsidiaries contain an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of their financial statements.

∞ The auditors' report of this subsidiary contain an emphasis of matter to draw attention to the matter as disclosed in Note 10 to the financial statements which explains the circumstances and consideration the directors have taken into account in preparing the financial statements.

## 7. JOINTLY CONTROLLED OPERATION

The details of the jointly controlled operation are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
IJM – JAKS Joint Venture *	Malaysia	40	40	Construction

\* The audited financial statements is not available and the management's financial statements were used in the preparation of the consolidated financial statements.

# Notes To The Financial Statements (cont'd)

## 7. JOINTLY CONTROLLED OPERATION (Cont'd)

The Group's share of assets and liabilities of the jointly controlled operation is as follows:-

	2012 RM	Group 2011 RM
Non-current assets	112,618	-
Current assets	12,289,959	-
Current liabilities	(7,098,971)	-
Net assets	5,303,606	-

The Group's share of the revenue and expenses of the jointly controlled operation is as follows:-

	2012 RM	Group 2011 RM
Revenue	72,794,060	-
Expenses including taxation	(67,490,454)	-
Net profit for the financial year	5,303,606	-

## 8. GOLF CLUB MEMBERSHIPS

	2012 RM	Group 2011 RM
<b>At cost</b>		
1st November/31st October	600,000	600,000
Less: <b>Accumulated amortisation</b>		
At 1st November	47,370	39,474
Amortisation for the financial year	7,894	7,896
At 31st October	55,264	47,370
<b>Carrying amount</b>		
<b>At 31st October</b>	544,736	552,630

The golf club membership is amortised over the period of 80 years which expires on 31st December 2082.

# Notes To The Financial Statements (cont'd)

## 9. GOODWILL ON CONSOLIDATION

	2012 RM	Group 2011 RM
<b>At cost</b>		
At 1st November/31st October	155,222,975	181,090,857
Less: <b>Impairment loss</b>		
At 1st November	-	-
Impairment during the financial year	-	(25,867,882)
At 31st October	-	(25,867,882)
<b>Carrying amount</b>		
<b>At 31st October</b>	155,222,975	155,222,975

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:-

- Cash flows were projected based on past experience, actual operating results and potential projects to be awarded within the 5-year. Management believes that this 5-year forecast period was justified due to the long-term nature of the construction business.
- The anticipated annual revenue growth included in the cash flow projections was based on the management's estimation of the number of project to be awarded within the 5-years, and also the completion period of the potential projects. Management plans to achieve annual revenue of approximately RM493,096,000/- in the first year of business, and by the fifth year, the accumulated revenue will be at approximately RM3,443,050,000/-.
- Budgeted gross margins are based on average values achieved in the preceding projects completed which is estimated at 8% to 10%.
- The 7% discount rate was estimated based on the average of the Group's weighted average cost of borrowing.

The above estimates are particularly sensitive in an increase of 1% in the discount rate used would have increased the impairment loss by approximately RM4,996,000/-.

## 10. DEVELOPMENT EXPENDITURE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1st November	77,746,281	66,364,525	53,875,345	54,727,677
Addition	15,639,297	11,381,756	12,681,392	11,337,186
Transfer	-	-	(6,101,211)	(12,189,518)
At 31st October	93,385,578	77,746,281	60,455,526	53,875,345

The development expenditure represents expenditure and incidental costs incurred for the development of the 2 units of 600 MW Coal Fired Thermal Power Plant at Phuc Thanh Commune, Kinh Mon District in Hai Duong Province, Vietnam. The construction of the 2 units of the 600 MW Coal Fired Thermal Power Plant will take 5 years.

On 13th May 2009, a Memorandum of Understanding was signed between the Ministry of Industry and Trade ("MOIT") and the Company for the construction of the Power Plant on a "Build, Operate and Transfer" ("BOT") basis. The Principles of the Project Agreement which sets out the common principles for all project agreements was completed and signed on 10th July 2009.

On 8th April 2010, the relevant authorities and Government agencies in Vietnam entered into various Memorandum of Agreements ("MOA") with the Company to confirm the terms and conditions of the documents as follows:-

- (i) MOA with Ministry of Industry and Trade of Vietnam ("MOIT"), in relation to the BOT Contract, where the parties confirmed their agreement on all terms of the BOT Contract.
- (ii) MOA with Electricity of Vietnam ("EVN"), in relation to the Power Purchase Agreement ("PPA") where the parties confirmed their agreement to the terms and conditions to the PPA subject to the finalisation of the BOT Contract, including without limitation the tariff stated therein.
- (iii) MOA with Vietnam National Coal-Mineral Industries Group ("VINACOMIN") in relation to the Coal Supply Agreement ("CSA") where the parties confirmed their agreement to the terms and conditions to the CSA, including without limitation the coal price as stated therein.
- (iv) MOA with the Department of Natural Resources and Environment of Hai Duong People's Committee, in relation to the Land Lease Agreement ("LLA") where the parties confirmed their agreement to the terms and conditions for the lease of the project site land.

On 24th November 2010, the application for Investment Certificate was submitted to the Ministry of Planning and Investment of Vietnam ("MPI") and was subsequently granted by MPI on 30th June 2011. A Vietnam registered company, JAKS Hai Duong Power Limited ("JHDP") was incorporated to undertake the Project.

## 10. DEVELOPMENT EXPENDITURE (Cont'd)

On 26th August 2011, JHDP entered into various Project Agreements for the Projects, the details of which are as follows:-

- (i) BOT Contract with MOIT and the Government Guarantee and Undertakings Agreement with the Government of the Socialist Republic of Vietnam;
- (ii) Power Purchase Agreement with EVN;
- (iii) Coal Supply Agreement with VINACOMIN; and
- (iv) Land Lease Agreements with Department of Natural Resources and Environment of Hai Duong People's Committee

On 21st October 2011, JHDP entered into an Engineering Procurement and Construction ("EPC") Contract with a consortium consisting of China National Technical Import & Export Corporation ("CNTIC") and Tianjin Electric Power Construction Company ("TEPC"), both of which are established under the laws of People's Republic of China, as the Contractor of the Project. In addition to the above agreement, the Company has also on the same date entered into various supplementary agreements and letters to facilitate the Project.

(a) *During the financial year*

On 6th January 2012, JAKS Power Holding Limited ("JPH") had entered into several agreements to formalise the entry of Meiya Power (HD) Limited ("Meiya Power") and Island Circle Investment Holding Limited ("Island Circle") as equity partner in the Proposed Joint Venture ("Proposed Joint Venture").

On 30th October 2012, JHDP had received approval from the MOIT for an extension of 12 months from 30th October 2012 on the financial close of the Project. The approval for extension is subject to the loan agreements for the financing of the project being signed within 8 months.

However, subsequent to the financial year end, as a result of non-fulfilment of certain conditions stipulated in the Joint Venture Agreements, the Group had terminated the Proposed Joint Venture on 11th December 2012. Together with the Joint Venture Agreements, the Group had also terminated the following agreements:-

- (i) the Sale and Purchase Agreement entered between JPH and Meiya Power,
- (ii) the Shareholders Agreement entered between JPH, Meiya Power and JAKS-MPC (HD) Limited ("JMHD"),
- (iii) the Shareholders Agreement entered between JPH, JMHD and Island Circle related to JAKS Pacific Power Limited ("JPP"),
- (iv) various supplementary agreements relating to the Proposed Joint Venture and
- (v) the Engineering Procurement and Construction ("EPC") Contract with a consortium consisting of China National Technical Import & Export Corporation ("CNTIC") and Tianjin Electric Power Construction Company ("TEPC") entered by JHDP.

## 10. DEVELOPMENT EXPENDITURE (Cont'd)

### (b) Subsequent to financial year end

Following to the terminations on 11th December 2012, the Group entered into the following conditional agreements on 12th December 2012:-

- (i) subscription agreement between JPP, a wholly-owned subsidiary of JPH which in turn is a wholly owned subsidiary of JAKS Resources Berhad ("JRB"), and Wuhan Kaidi Electric Power Engineering Co. Ltd ("Kaidi") to subscribe for 80 ordinary shares of HKD1/- each in JPP ("JPP Share") at the subscription price of HKD1/- per JPP Share ("Kaidi Subscription Agreement");
- (ii) subscription agreement between JPP and Sanjung Merpati Sdn. Bhd. ("SMSB") to subscribe for 20 JPP Shares at the subscription price of HKD1/- per JPP Share ("SMSB Subscription Agreement");
- (iii) shareholders agreement between JPH, SMSB, Kaidi and JPP to regulate their proposed relationship as shareholders of JPP as well as certain other matters relating to the management of JPP and also to govern their relationship in respect of matters related to JAKS Hai Duong Power Limited ("JHDP") ("JPP SHA"); and
- (iv) engineering, procurement and construction ("EPC") contract between JHDP, a wholly-owned subsidiary of JPP, and Kaidi ("EPC Contract") to set out the terms and conditions in respect of the services and work to be provided by Kaidi (also known as the "EPC Contractor") to JHDP in relation to the project involving the design, engineering, procurement and construction of the 2 x 600 megawatt ("MW") Coal Fired Thermal Power Plant at Phuc Thanh Commune, Kinh Mon District in Hai Duong Province, Vietnam ("Project").

The above agreements were entered into to facilitate the entry of Kaidi as equity partner cum EPC Contractor and SMSB as equity partners in the new Proposed Joint Venture and is subject to the approval of the shareholders.

The directors will seek shareholders' approval for the new Joint Venture proposal. In addition, the directors will also seek to secure financing to meet the financial close of the project during financial year ending 31st October 2013. Therefore, the directors of the Company are of the opinion that no impairment is required as the project will enhance the future profitability and improve the financial position of the Group.

# Notes To The Financial Statements (cont'd)

## 11. DEFERRED TAX ASSETS/ (LIABILITIES)

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

### (a) Deferred Tax Assets

	2012 RM	Group 2011 RM
At 1st November	10,385,709	10,385,709
Recognition in profit and loss (Note 28)		
- current year	230,871	-
At 31st October	10,616,580	10,385,709

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

	2012 RM	Group 2011 RM
Unabsorbed tax losses	86,701,080	77,840,352
Deductible temporary differences	5,004,050	4,656,706
	91,705,130	82,497,058
Gross deferred tax assets at 25% (2011 : 25%)	22,926,282	20,624,265
Less: Deferred tax assets recognised	(10,616,580)	(10,385,709)
Potential deferred tax assets not recognised	12,309,702	10,238,556

### (b) Deferred Tax Liabilities

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1st November	(1,317,283)	(1,362,665)	(1,020,439)	(928,525)
Recognition in profit and loss (Note 28)				
- current year	493,432	(171,109)	386,210	(188,186)
- under accrual in prior years	34,866	216,491	(1,067)	96,272
	528,298	45,382	385,143	(91,914)
At 31st October	(788,985)	(1,317,283)	(635,296)	(1,020,439)

# Notes To The Financial Statements (cont'd)

## 12. INVENTORIES

	Group	
	2012 RM	2011 RM
<b>At cost</b>		
Raw materials	7,344,169	14,032,520
Work-in-progress	2,630,514	5,525,425
Finished goods	1,554,195	11,186,970
Building materials	1,659,622	471,012
	13,188,500	31,215,927

## 13. PROPERTY DEVELOPMENT COSTS

	Leasehold Land and Conversion Premium RM	Development Expenditures RM	Total RM
<b>Group 2012</b>			
<b>At cost</b>			
At 1st November	-	4,042,814	4,042,814
Add: Incurred during the financial year	177,839,350	3,505,724	181,345,074
At 31st October	177,839,350	7,548,538	185,387,888
<b>Accumulative Development Expenditures Recognised In Profit or Loss</b>			
At 1st November	-	-	-
Less: Development expenditures recognised during the financial year	215,403	665,580	880,983
At 31st October	215,403	665,580	880,983
<b>Carrying Amount At 31st October</b>	177,623,947	6,882,958	184,506,905
<b>2011</b>			
<b>At cost</b>			
At 1st November	-	-	-
Add:			
- Transfer from land held for property development	-	588,080	588,080
- Incurred during the financial year	-	3,454,734	3,454,734
At 31st October	-	4,042,814	4,042,814
<b>Carrying Amount At 31st October</b>	-	4,042,814	4,042,814



# Notes To The Financial Statements (cont'd)

## 13. PROPERTY DEVELOPMENT COSTS (Cont'd)

On 3rd March 2010, the Company and Star Publication (M) Bhd ("The Star") entered into a Joint Development Agreement ("JDA"), whereby The Star appointed the Company to develop a 99 year leasehold land ("The Land") which is located at No. HS (D) 259880 No. Lot PT 16 Seksyen 13, Bandar Petaling Jaya, into a mixed residential and commercial development.

Subsequently, on 19th August 2011, the Company and The Star further entered into a Land Sale and Purchase Agreement ("Land SPA") to purchase the Land with a purchase consideration of RM135,000,000/-.

The purchase consideration is to be satisfied within 3 years by the completion, delivery and transfer of legal title with vacant possession and Certificate of Completion and Compliance, free from all encumbrances of Tower A of the mixed residential and commercial development of the Group. An amount of RM135,000,000/- is included in the Group's trade payable as disclosed in Note 22 to the financial statements.

Together with the execution of the Land SPA, both parties had entered into a transition agreement to suspend the parties' rights and obligations under the JDA.

The property development costs of the Group represent expenditures incurred in relation to the mixed residential and commercial development.

## 14. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2012 RM	Group 2011 RM	Company 2012 RM	2011 RM
Aggregate costs incurred to date	972,728,451	600,291,547	160,088,507	98,064,284
Attributable profits	300,735,333	57,213,622	10,226,045	6,264,095
	1,273,463,784	657,505,169	170,314,552	104,328,379
Less: Progress billings	(1,118,757,384)	(522,565,433)	(139,583,945)	(75,133,332)
Amount due from customers for contract works	154,706,400	134,939,736	30,730,607	29,195,047
Construction contract revenue recognised as contract revenue during the financial year	345,648,881	230,563,784	65,986,174	80,172,431
Construction contract costs recognised as contract expense during the financial year	303,676,878	204,105,843	62,024,223	75,358,709

## 15. TRADE RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables	46,211,194	43,764,604	17,614,947	3,744,332
Less: Allowance for impairment	(1,337,470)	(1,892,376)	-	-
	44,873,724	41,872,228	17,614,947	3,744,332

- (i) The Group's normal trade credit terms range from 60 to 120 (2011 : 60 to 120) days from the date of invoice. Other credit terms are assessed and approved on a case-to-case basis.
- (ii) The currency exposure profile of trade receivables is as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	44,743,290	41,482,057	17,614,947	3,744,332
Singapore Dollar	-	390,171	-	-
United State Dollar	130,434	-	-	-
	44,873,724	41,872,228	17,614,947	3,744,332

- (iii) Ageing analysis on trade receivables

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Neither past due nor impaired	32,476,382	11,121,568	17,614,947	3,744,332
<b>Past due but not impaired</b>				
Past due 1 - 30 days	1,141,922	10,898,729	-	-
Past due 31 - 60 days	1,442,331	1,045,298	-	-
Past due 61 - 90 days	962,991	670,836	-	-
Past due more than 90 days	8,850,098	18,135,797	-	-
Impaired	12,397,342	30,750,660	-	-
	1,337,470	1,892,376	-	-
	46,211,194	43,764,604	17,614,947	3,744,332

### (a) Receivables that are neither past due nor impaired

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

## 15. TRADE RECEIVABLES (Cont'd)

(iii) Ageing analysis on trade receivables (Cont'd)

### (b) Receivables that are past due but not impaired

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Group will not be able to collect the amounts due.

The directors are of the opinion that no impairment is required based on past experience and the likelihood of recoverability of these receivables.

### (c) Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment are as follows:-

	2012 RM	Group 2011 RM
<b>Individually impaired</b>		
Trade receivables		
- nominal amounts	1,337,470	1,892,376
Less : Allowance for impairment	(1,337,470)	(1,892,376)
	-	-

Receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

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

	2012 RM	Group 2011 RM
At 1st November	1,892,376	1,892,376
Add : Charge for the financial year	-	-
Less : Reversal of impairment no longer required	(554,906)	-
At 31st October	1,337,470	1,892,376

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	20,342,258	15,344,140	43,000	-
Deposits	42,172,698	38,186,224	141,790	141,790
Prepayments	2,556,853	1,011,750	323,429	107,638
	65,071,809	54,542,114	508,219	249,428

- (i) Included in deposits of the Group is an amount of RM17,207,652/- and RM500,000/- (2011: RM19,079,937/- and RM Nil) which represents deposit paid for the purchase of raw materials and deposit paid to The Star for the acquisition of leasehold land as disclosed in Note 13 to the financial statements.
- (ii) Included in other receivables, deposits and prepayment are amount RM30,211,576/- (2011: RM27,396,139/-) due from five single receivables. The directors are of the opinion that no impairment is required based on past experience and that likelihood of recoverability of these receivables.

## 17. AMOUNT DUE BY/(TO) SUBSIDIARIES

### Company

The amount due by subsidiaries is trade in nature, unsecured and is repayable on demand. The amount due by subsidiaries bears interest at 6% (2011: 6%).

The amount due (to) subsidiaries is trade in nature, unsecured, interest free, and is repayable on demand.

## 18. DEPOSITS PLACED WITH LICENSED BANKS

### Group and Company

Deposits placed with licensed banks represent amounts pledged to the banks to secure credit facilities granted to the subsidiaries as disclosed in Note 21 to the financial statements.

## 19. CASH AND BANK BALANCES

The currency exposure profiles of cash and bank balances are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	16,790,246	15,307,913	1,125,990	4,460,947
United States Dollar	120,814	212,764	-	-
Singapore Dollar	8,642	177,773	-	-
	16,919,702	15,698,450	1,125,990	4,460,947

# Notes To The Financial Statements (cont'd)

## 20. SHARE CAPITAL

	Group and Company			
	2012	2011		
	Number of Shares Unit	RM	Number of Shares Unit	RM
Ordinary shares of RM1/- each				
Authorised:-				
At 1st November/31st October	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:-				
At 1st November/31st October	438,361,072	438,361,072	438,361,072	438,361,072

### Employees' Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 28th April 2008, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company, to eligible Executive and Non-Executive Directors and employees of the Company and its subsidiaries. Bursa Malaysia Securities Berhad ("Bursa Securities") had approved in-principle the listing of the additional 10% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of the share options granted under the ESOS.

The salient terms of the ESOS are as follows:-

- (a) Eligible employees, Non-Executive and Executive Directors must be at least eighteen years of age and must have been confirmed on that date of offer.
- (b) The Eligible employees must be on full time employment basis with at least one year of period of employment, save for the non-executive Directors of the Company.
- (c) The exercise price shall be discounted by not more than 10% from the weighted average of the market price of the Shares as shown in the daily official list issued by Bursa Securities for the five trading days immediately preceding the date of offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is the higher.
- (d) The new shares to be allotted and issued upon any exercise of the options shall rank pari passu in respect with the existing shares of the Company except that the new shares will not be entitled to any dividends, rights, allotments and other distributions in which entitlement date precedes the date of allotment of the said shares.
- (e) The option granted may be exercised at any time within a period of five years from the effective date provided. The Board of Directors shall have the discretion to extend the tenure of the ESOS for another five years immediately or such shorter period as it deems fit from the expiry of the first five years.

Other provisions are stipulated in the ESOS By-Law. As at the reporting date, no ESOS was granted by the Company.

# Notes To The Financial Statements (cont'd)

## 21. BORROWINGS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Current liabilities</b>				
<b>Secured:-</b>				
Hire purchase liabilities	2,107,164	1,381,778	386,904	394,680
Term loans	4,996,520	4,997,664	4,996,520	4,997,664
Bill payables	96,423,162	88,183,067	-	-
Factoring loan	3,537,910	9,313,946	-	-
Revolving credits	35,000,000	35,000,000	35,000,000	35,000,000
Bank overdrafts	38,226,533	31,838,027	26,243,317	26,214,798
	180,291,289	170,714,482	66,626,741	66,607,142
<b>Non-current liabilities</b>				
<b>Secured:-</b>				
Hire purchase liabilities	3,121,617	3,050,921	376,251	763,155
<b>Total borrowings</b>				
Hire purchase liabilities	5,228,781	4,432,699	763,155	1,157,835
Term loans	4,996,520	4,997,664	4,996,520	4,997,664
Bill payables	96,423,162	88,183,067	-	-
Factoring loan	3,537,910	9,313,946	-	-
Revolving credits	35,000,000	35,000,000	35,000,000	35,000,000
Bank overdrafts	38,226,533	31,838,027	26,243,317	26,214,798
	183,412,906	173,765,403	67,002,992	67,370,297
<b>Hire purchase liabilities</b>				
	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Future minimum hire purchase payments				
- not later than one year	2,379,523	1,603,161	415,082	443,856
- later than one year and not later than five years	3,328,213	3,261,954	397,247	812,329
- later than five years	-	-	-	-
	5,707,736	4,865,115	812,329	1,256,185
Less: Future interest charges	(478,955)	(432,416)	(49,174)	(98,350)
Present value of hire purchase liabilities	5,228,781	4,432,699	763,155	1,157,835

# Notes To The Financial Statements (cont'd)

## 21. BORROWINGS (Cont'd)

### Hire purchase liabilities (Cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Represented by:-				
<i>Current</i>				
- not later than one year	2,107,164	1,381,778	386,904	394,680
<i>Non-current</i>				
- later than one year and not later than five years	3,121,617	3,050,921	376,251	763,155
- later than five years	-	-	-	-
	3,121,617	3,050,921	376,251	763,155
	5,228,781	4,432,699	763,155	1,157,835

### Group and Company

The effective interest rate is at 4.00% to 6.60% (2011 : 4.00% to 6.14%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements.

The hire purchase liabilities are effectively secured on the rights of the assets under finance lease.

### Term loans

### Group and Company

The long term loans of the Group and Company bear interest rates at 7.85% (2011 : 7.55% to 7.85%) per annum.

### Short term borrowings

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Bill payables	96,423,162	88,183,067	-	-
Factoring loan	3,537,910	9,313,946	-	-
Revolving credits	35,000,000	35,000,000	35,000,000	35,000,000
Bank overdraft	38,226,533	31,838,027	26,243,317	26,214,798
	173,187,605	164,335,040	61,243,317	61,214,798

## 21. BORROWINGS (Cont'd)

### Short term borrowings (Cont'd)

(i) *Bill payables*

The effective interest rate as at reporting date ranges from 3.99% to 7.85% (2011 : 3.64% to 7.85%) per annum.

(ii) *Factoring loan*

The factoring loan is obtained from licensed bank and bears interest rate of 7.10% (2011: 7.10%) per annum.

(iii) *Revolving credits*

The effective interest rate as at reporting date ranges from 7.18% to 7.60% (2011 : 6.83% to 7.60%) per annum.

(iv) *Bank overdrafts*

The effective interest rate as at reporting date ranges from 7.60% to 8.60% (2011 : 6.65% to 8.60%) per annum.

The term loans, bill payables, factoring loan, revolving credits and bank overdrafts of the Group are secured over the followings:-

- (i) a registered debenture for RM6,040,000/- (2011 : RM6,040,000/-) over the leasehold land and all fixed and floating charge over the present and future assets of a subsidiary; (Note 4)
- (ii) Deposits placed with licensed bank of the Group of RM17,838,681/- (2011: RM11,846,598/-) (Note 18);
- (iii) a corporate guarantee by the Company for banking facilities granted by financial institutions to its subsidiaries; (Note 30)
- (iv) assignment over proceeds under the contract via irrevocable Letter of Instruction;
- (v) legal charge over the investment properties as disclosed in Note 5 to the financial statements.

## 22. TRADE PAYABLES

	2012 RM	Group 2011 RM
Trade payables	14,164,046	7,879,801
Amount due to land vendor (Note 13)	135,000,000	-
	149,164,046	7,879,801

### Group

The normal trade credit terms granted to the Group range from 30 to 90 (2011 : 30 to 90) days from date of invoice.



# Notes To The Financial Statements (cont'd)

## 23. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	57,575,398	5,158,265	40,895	129,704
Deposits	6,197,142	45,000	45,000	405,000
Accruals	10,935,416	3,597,556	9,997,365	2,546,127
	74,707,956	8,800,821	10,083,260	3,080,831

Included in accruals of the Company is an amount of RM8,833,912/- (2011 : RM1,342,346/-) which represents amount payable to consultants of the Vietnam Coal Fired Thermal Power Plant Project as disclosed in Note 10. The amount due is trade in nature, unsecured, interest free, and is repayable on demand.

## 24. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Revenue from construction contract works and property development activities	346,668,592	230,563,784	65,986,174	80,172,431
Sale of finished goods	29,472,346	95,882,981	-	-
Management fees	-	-	2,880,000	1,980,000
Rental income	240,000	240,000	1,980,000	2,760,000
	376,380,938	326,686,765	70,846,174	84,912,431

## 25. COST OF SALES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of construction contract works and property development activities	304,557,861	204,105,843	62,024,223	75,358,709
Cost of finished goods	33,737,335	86,913,150	-	-
	338,295,196	291,018,993	62,024,223	75,358,709

# Notes To The Financial Statements (cont'd)

## 26. FINANCE COSTS (NET)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income				
- subsidiaries	-	-	634,870	927,539
- deposits placed with licensed bank	1,059,420	236,189	229,173	129,129
	1,059,420	236,189	864,043	1,056,668
Less :				
Interest expenses				
- bank overdrafts	(3,039,190)	(1,544,583)	(1,973,545)	(604,786)
- bill payables	(6,897,642)	(7,660,043)	(2,535,317)	(2,562,689)
- factoring loan	(773,106)	(227,282)	-	-
- hire purchase	(318,869)	(175,770)	(49,175)	(56,538)
- subsidiaries	-	-	-	(1,017,336)
- term loans	(392,113)	(284,607)	(392,113)	(276,572)
- bank guarantee	(32,694)	(239,351)	-	-
	(11,453,614)	(10,131,636)	(4,950,150)	(4,517,921)
	(10,394,194)	(9,895,447)	(4,086,107)	(3,461,253)

## 27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging:-				
Amortisation of golf club memberships	7,894	7,896	-	-
Audit fee				
- current year	204,000	179,000	60,000	50,000
- underaccrual in prior year	12,870	23,200	10,000	7,000
Depreciation				
- property, plant and equipment	4,173,595	3,723,292	470,308	427,072
- investment properties	4,560	-	358,763	358,764
Directors' remuneration				
- fees	308,000	297,500	168,000	157,500
- salaries, allowances and bonuses	1,429,988	1,552,600	1,333,000	1,018,500
- Employees' Provident Fund	163,322	155,784	150,360	115,020
- others	2,922	3,365	1,859	1,859
Impairment loss on				
- goodwill on consolidation	-	25,867,882	-	-
- investment in a subsidiary	-	-	-	419,470
Rental expenses	55,000	56,750	-	-
Staff costs				
- salaries, allowances and bonuses	13,090,401	11,071,071	1,653,878	1,433,967
- Employees' Provident Fund	1,103,050	1,153,539	185,386	140,841
- other staff related costs	219,570	301,447	12,882	8,737

# Notes To The Financial Statements (cont'd)

## 27. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

Profit/(loss) before taxation has been arrived at:- (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
And crediting:-				
Dividend income	19,312	-	-	-
Gain on disposal of property, plant and equipment	1,343,208	99,733	-	74,000
Impairment of receivables no longer required	554,906	-	-	-
Management fee	-	-	2,880,000	1,980,000
Rental income	240,000	240,000	1,980,000	2,760,000

## 28. TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Income tax				
- current year	(5,691,774)	(3,403,495)	-	-
- under accrual in prior years	(1,275,380)	(516,778)	(278,436)	(178,976)
	(6,967,154)	(3,920,273)	(278,436)	(178,976)
Deferred tax (Note 11)				
- current year	724,303	(171,109)	386,210	(188,186)
- over/(under) accrual in prior years	34,866	216,491	(1,067)	96,272
	759,169	45,382	385,143	(91,914)
	(6,207,985)	(3,874,891)	106,707	(270,890)

The income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the financial year.

The reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

## 28. TAXATION (Cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(loss) before taxation	8,223,823	(19,238,517)	(2,730,574)	(700,525)
Taxation at applicable tax rate of 25% (2011 : 25%)	(2,055,956)	4,809,629	682,643	175,131
Tax effects arising from				
- non-taxable income	520,849	729	-	224
- non-deductible expenses	(1,130,348)	(7,206,893)	(296,434)	(363,541)
- deferred tax assets recognised during the year	(230,871)	-	-	-
- origination of deferred tax assets not recognised in the financial statements	(2,071,146)	(1,178,069)	-	-
- under provision in prior years	(1,240,513)	(300,287)	(279,502)	(82,704)
<b>Tax expense for the financial year</b>	<b>(6,207,985)</b>	<b>(3,874,891)</b>	<b>106,707</b>	<b>(270,890)</b>

## 29. EARNINGS/(LOSS) PER SHARE

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the net earnings/(loss) for the financial year attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012 RM	2011 RM
Profit/(loss) for the financial year attributable to owners of the Parent	2,750,573	(22,896,192)
Weighted average number of ordinary shares in issue	438,361,072	438,361,072
<b>Basic earnings/(loss) per ordinary share (sen)</b>	<b>0.63</b>	<b>(5.22)</b>

### (b) Diluted

For diluted earnings/(loss) per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares.

The Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the earnings/(loss) per share of the Group.

# Notes To The Financial Statements (cont'd)

## 30. CONTINGENT LIABILITIES

As at 31st October 2012, the Group and the Company is contingently liable for the following:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Unsecured</b>				
Bank guarantees issued for				
- execution of contracts of the subsidiary	38,794,601	45,399,209	-	-
- others	71,769,621	71,769,621	71,769,621	71,769,621
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiaries	-	-	150,642,888	142,013,963
	110,564,222	117,168,830	222,412,509	213,783,584

The Group's bank guarantees are secured over certain properties and deposits placed with licensed bank of the Group.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Identities of Related Parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Company and the party are subject to common control significant influence. Related parties may be individuals or other entities.

Related party of the Company include its subsidiaries as disclosed in Note 31(b) to the financial statements.

### (b) Significant Related Party Transactions

In the normal course of business, the Company undertakes transactions with certain of its related parties. Set out below are the significant related party transactions for the financial year. The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

### (b) Significant Related Party Transactions (Cont'd)

	Company	
	2012 RM	2011 RM
Management fees received/receivable from subsidiaries		
- JAKS Sdn. Bhd.	1,800,000	600,000
- JAKS-KDEB Consortium Sdn. Bhd.	240,000	240,000
- JAKS Marketing Sdn. Bhd.	180,000	180,000
- Integrated Pipe Industries Sdn. Bhd.	120,000	120,000
- Pipe Technology System Sdn. Bhd.	180,000	180,000
- JAKS Steel Industries Sdn. Bhd.	300,000	600,000
- Surge System Sdn. Bhd.	60,000	60,000
Interest income received/receivable from subsidiaries		
- JAKS-KDEB Consortium Sdn. Bhd.	70,928	89,741
- Integrated Pipe Industries Sdn. Bhd.	516,380	444,879
- JAKS Steel Industries Sdn. Bhd.	-	261,403
- Pipe Technology System Sdn. Bhd.	6,370	36,642
- JAKS Marketing Sdn. Bhd.	3,415	1,753
- Surge System Sdn. Bhd.	37,778	93,122
Rental income received/receivable from subsidiaries		
- JAKS Steel Industries Sdn. Bhd.	780,000	1,560,000
- Integrated Pipe Industries Sdn. Bhd.	960,000	960,000
Construction costs charged by a subsidiary		
- JAKS Sdn. Bhd.	62,024,223	75,358,709
Interest expense charged by a subsidiary		
- JAKS Sdn. Bhd.	-	1,017,336

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms are no less favourable than those arranged with third parties.

### (c) Key Management Personnel Compensation

The remuneration of key management personnel, which includes the directors' remuneration, is disclosed as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short term employees benefits	3,225,001	3,237,740	2,291,750	2,054,800
Defined contribution plans	275,221	256,725	227,056	203,737

# Notes To The Financial Statements (cont'd)

## 32. CAPITAL COMMITMENT

	2012 RM	Group 2011 RM
Capital expenditure contracted but not provided for in respect of consulting services for a project as disclosed in Note 10 to the financial statements	4,688,390,000	4,688,544,000

## 33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their nature of businesses, and has four reportable operating segments as follows:-

- Manufacturing : Comprise mainly manufacturing of pipes, ductile steel pipes and steel hollow section.
- Trading : Comprise mainly trading in sheet piles, steel bars, mild steel and special pipes, other steel related products, building materials and supply of products for water supply industry.
- Construction and Property Development : Comprise mainly provision of sub-contracting activities, general contractor, supplier of building materials and also construction and development of residential and commercial properties.
- Investment : Investment holding

# Notes To The Financial Statements (cont'd)

## 33. SEGMENT INFORMATION (Cont'd)

2012	Manufacturing RM	Trading RM	Construction and Property Development RM	Investment RM	Elimination RM	Total RM
<b>REVENUE</b>						
External revenue	25,125,834	4,346,512	346,668,592	240,000	-	376,380,938
Inter-company	59,279,430	-	62,024,223	4,620,000	(125,923,653)	-
	84,405,264	4,346,512	408,692,815	4,860,000	(125,923,653)	376,380,938
<b>RESULTS</b>						
Segment results	(9,271,236)	(365,655)	25,909,984	626,555	-	16,899,648
Other income	1,622,931	-	94,417	521	-	1,717,869
Finance costs - (net)	(1,207,356)	271,416	(5,372,147)	(4,086,107)	-	(10,394,194)
(Loss)/profit before taxation	(8,855,661)	(94,239)	20,632,254	(3,459,031)	-	8,223,323
Taxation	345,676	(343,434)	(6,316,934)	106,707	-	(6,207,985)
(Loss)/profit for the financial year	(8,509,985)	(437,673)	14,315,320	(3,352,324)	-	2,015,338
Attributable to:						
Owners of the Parent	(8,228,354)	(308,327)	14,639,578	(3,352,324)	-	2,750,573
Non-controlling Interests	(281,631)	(129,346)	(324,258)	-	-	(735,235)
	(8,509,985)	(437,673)	14,315,320	(3,352,324)	-	2,015,338
<b>OTHER INFORMATION</b>						
Segment assets	57,499,363	11,883,651	392,387,508	381,002,618	-	842,773,140
Total assets	68,977,712	11,947,227	392,387,508	381,299,788	-	854,612,235
Segment liabilities	62,042,366	3,276,447	262,305,962	79,660,133	-	407,284,908
Total liabilities	62,042,366	3,322,447	265,828,043	80,295,428	-	411,488,284
Capital Expenditure	224,378	-	183,973,492	15,642,230	-	199,840,100
Depreciation and amortisation	1,723,039	23,023	1,110,048	1,329,939	-	4,186,049



# Notes To The Financial Statements (cont'd)

## 33. SEGMENT INFORMATION (Cont'd)

2011	Manufacturing RM	Trading RM	Construction and Property Development RM	Investment RM	Elimination RM	Total RM
<b>REVENUE</b>						
External revenue	87,342,187	8,540,794	230,563,784	240,000	-	326,686,765
Inter-company	38,634,105	-	75,358,710	4,500,000	(118,492,815)	-
	125,976,292	8,540,794	305,922,494	4,740,000	(118,492,815)	326,686,765
<b>RESULTS</b>						
Segment results	(1,229,688)	407,763	15,227,815	2,017,828	-	16,423,718
Other income	757	-	26,337	74,000	-	101,094
Other operating expenses	-	-	-	(25,867,882)	-	(25,867,882)
Finance costs - (net)	(1,973,322)	(316,867)	(4,144,005)	(3,461,253)	-	(9,895,447)
(Loss)/profit before taxation	(3,202,253)	90,896	11,110,147	(27,237,307)	-	(19,238,517)
Taxation	261,478	(259,388)	(3,606,091)	(270,890)	-	(3,874,891)
(Loss)/profit for the financial year	(2,940,775)	(168,492)	7,504,056	(27,508,197)	-	(23,113,408)
Attributable to:						
Owners of the Parent	(2,929,903)	35,338	7,506,570	(27,508,197)	-	(22,896,192)
Non-controlling Interests	(10,872)	(203,830)	(2,514)	-	-	(217,216)
	(2,940,775)	(168,492)	7,504,056	(27,508,197)	-	(23,113,408)
<b>OTHER INFORMATION</b>						
Segment assets	99,921,999	18,792,415	155,354,665	350,447,201	-	624,516,280
Total assets	111,139,369	18,888,847	155,354,665	350,744,372	-	636,127,253
Segment liabilities	65,098,216	2,073,018	50,617,462	72,657,329	-	190,446,025
Total liabilities	65,217,661	2,184,288	53,938,923	73,677,768	-	195,018,640
Capital Expenditure	344,217	-	6,504,613	12,200,005	-	19,048,835
Depreciation and amortisation	1,790,028	24,787	628,479	1,287,894	-	3,731,188

No geographical segment information is presented as the Group operates principally in Malaysia.

## 34. MATERIAL LITIGATION

On 19th October 2006, the Company announced that its subsidiary company, JAKS-KDEB Consortium Sdn. Bhd. ("JKDEB") had on 6th October 2006 filed a civil suit against Perbadanan Urus Air Selangor Berhad ("PUAS"), Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") and the Government of the State of Selangor Darul Ehsan ("Selangor Government") (collectively referred as the "Defendants") for the breach of the Supply Agreement dated 25th October 2001 ("Supply Agreement") awarded by the Selangor Government to supply pipes and fittings in the whole State of Selangor Darul Ehsan including the Federal Territory of Kuala Lumpur and Putrajaya.

JKDEB claimed for declarations, damages and injunctions to restrain PUAS and SYABAS from purchasing pipes and fittings on all water projects being carried out in Selangor, Federal Territory of Kuala Lumpur and Putrajaya except from JKDEB and the specific performance of the Supply Agreement.

The case management in respect of the legal suit commenced on 29th May 2008 is still ongoing and the final Case Management was held on 12th October 2010 to ensure all issues to be tried and statement of agreed facts are resolved. The trial date has been fixed on 16th December 2010, 17th December 2010, 20th January 2011 and 21st January 2011. The oral submissions will be heard on 24th January 2011 and 26th January 2011. After the Case Management on 16th December 2010 and 17th December 2010, the Kuala Lumpur High Court has fixed trial dates to begin on 28th March 2011, 29th March 2011, 5th May 2011, 6th May 2011, 8th June 2011, 9th June 2011 and 10th June 2011.

After all the trials, the matter which was previously fixed for decision on 12th September 2011, has been postponed to 5th October 2011. As of that date, the High Court dismissed the action taken by the Company against the three defendants with costs. However, the Company had served the Notice of Appeal against the Kuala Lumpur High Court decision on 3rd November 2011. The Record of Appeal was filed and served on 17th February 2012. As of to date, the appeal has not been fixed for case management nor hearing.

## 35. SIGNIFICANT EVENTS

### (a) Significant event during the financial year

During the financial year, JAKS Steel Industries Sdn. Bhd. ("JSI"), a 98.05% owned subsidiary, had ceased its steel manufacturing operation and focus on trading business. On 3rd February 2012, JSI had entered into a sale and purchase agreement with Anshin Steel Processor Sdn. Bhd. to dispose off its plant, machineries and inventories at a selling price of RM6,000,000/-.

## 35. SIGNIFICANT EVENTS (Cont'd)

### (b) Significant event after the financial year

As disclosed in Note 10 to the financial statements, subject to the approval of all relevant parties, JAKS Power Holding Limited ("JPH") had on 12th December 2012 entered into the following agreements to reflect the Proposed Joint Venture between JPH, Wuhan Kaidi Electric Power Engineering Co. Ltd. ("Kaidi") and Sanjung Merpati Sdn. Bhd. ("SMSB") to invest in a 2 X 600 Megawatt Coal-Fired Thermal Power Plant in Vietnam ("Proposed Joint Venture"):-

- (i) subscription agreement between JAKS Pacific Power Limited ("JPP"), a wholly-owned subsidiary of JPH which in turn is a wholly owned subsidiary of JAKS Resources Berhad ("JRB"), and Kaidi to subscribe for 80 ordinary shares of HKD1/- each in JPP ("JPP Share") at the subscription price of HKD1/- per JPP Share ("Kaidi Subscription Agreement");
- (ii) subscription agreement between JPP and SMSB to subscribe for 20 JPP Shares at the subscription price of HKD1/- per JPP Share ("SMSB Subscription Agreement");
- (iii) shareholders agreement between JPH, SMSB, Kaidi and JPP to regulate their proposed relationship inter se as shareholders of JPP as well as certain other matters relating to the management of JPP and also to govern their relationship inter se in respect of matter related to JAKS Hai Duong Power Limited ("JHDP") ("JPP SHA"); and
- (iv) engineering, procurement and construction ("EPC") contract between JHDP, a wholly-owned subsidiary of JPP, and Kaidi ("EPC Contract") to set out the terms and conditions in respect of the services and work to be provided by Kaidi (also known as the "EPC Contractor") to JHDP in relation to the project involving the design, engineering, procurement and construction of the 2 x 600 megawatt ("MW") Coal Fired Thermal Power Plant at Phuc Thanh Commune, Kinh Mon District in Hai Duong Province, Vietnam ("Project").

The above agreement were entered into to facilitate the entry of Kaidi as equity partner cum EPC Contractor and SMSB as equity partners in the new Proposed Joint Venture and is subject to the approval of the shareholders.

Upon completion of the Proposed Joint Venture, the effective equity interest of JPH, Kaidi and SMSB in JPP is 50%, 40% and 10% respectively.

Pursuant to the JPP SHA, the subscription consideration payable by Kaidi and SMSB for the equity interest of 40% and 10% respectively in JPP are HKD80/- and HKD20/- respectively.

All additional cost, expenses and investment to be incurred by JPP and JHDP up to the date of signing of the principal loan, credit, guarantee, security and other agreements/ documents and all conditions precedent to the initial loan drawdown in relation to the Project will be financed proportionately by JPH, Kaidi and SMSB.

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	<u>Note</u>
<b>Financial assets</b>	
Amount due from customers for contract works	14
Trade receivables	15
Other receivables, deposits and prepayments	16
Amount due by subsidiaries	17
Deposits placed with licensed banks	18
Cash and bank balances	19
<b>Financial liabilities</b>	
Borrowings	21
Trade payables	22
Other payables, deposits and accruals	23
Amount due to subsidiaries	17

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

- (b) *Fair value hierarchy*

As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

## 37. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management and Objectives

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

#### (i) Credit Risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises primarily from loan, advances and financial guarantees to subsidiaries.

The management has a credit policy in place to monitor and minimise the exposure of default. The management has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

##### a. *Exposure to credit risk*

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 15 to the financial statements.

## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (i) Credit Risk (Cont'd)

##### b. *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The Group's trade receivables credit risk is concentrated in Malaysia.

The Group has no significant concentration of credit risk except as disclosed in Note 15(b) to the financial statements. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position.

##### c. *Financial assets that are neither past due nor impaired*

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 15 to the financial statements.

Deposits placed with licensed banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

##### d. *Financial assets that are either past due or impaired*

Information regarding financial assets that are past due or impaired is disclosed in Note 15 to the financial statements.

##### e. *Intercompany balances*

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

As at end of the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

##### f. *Financial guarantee*

The Company provides unsecured financial guarantees to financial institution in respect of bank facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### (ii) Liquidity Risk

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

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

# Notes To The Financial Statements (cont'd)

## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (ii) Liquidity Risk (Cont'd)

##### *Maturity analysis*

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:-

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Group</b>				
<b>2012</b>				
<b>Financial liabilities</b>				
Trade payables	149,164,046	-	-	149,164,046
Other payables, deposits and accruals	74,707,956	-	-	74,707,956
Borrowings	180,291,289	3,121,617	-	183,412,906
Tax payable	3,414,391	-	-	3,414,391
	407,577,682	3,121,617	-	410,699,299
<b>2011</b>				
Trade payables	7,879,801	-	-	7,879,801
Other payables, deposits and accruals	8,800,821	-	-	8,800,821
Borrowings	170,714,482	3,050,921	-	173,765,403
Tax payable	3,255,332	-	-	3,255,332
	190,650,436	3,050,921	-	193,701,357

## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (ii) Liquidity Risk (Cont'd)

*Maturity analysis (Cont'd)*

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>Company</b>				
<b>2012</b>				
<b>Financial liabilities</b>				
Other payables, deposits and accruals	10,083,260	-	-	10,083,260
Amount due to subsidiaries	36,827,588	-	-	36,827,588
Borrowings	66,626,741	376,251	-	67,002,992
	113,537,589	376,251	-	113,913,840
<b>2011</b>				
Other payables, deposits and accruals	3,080,831	-	-	3,080,831
Amount due to subsidiaries	19,443,029	-	-	19,443,029
Borrowings	66,607,142	763,155	-	67,370,297
	89,131,002	763,155	-	89,894,157

#### (iii) Foreign Currency Risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD") and Singapore Dollar ("SGD").

## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (iii) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:-

	<b>Trade Receivables RM</b>	<b>Cash and Bank Balances RM</b>
<b>Group 2012</b>		
Denominated in:-		
United States Dollar	130,434	120,814
Singapore Dollar	-	8,642
	130,434	129,456
<b>2011</b>		
Denominated in:-		
United States Dollar	-	212,764
Singapore Dollar	390,171	177,773
	390,171	390,537

#### *Sensitivity analysis for foreign currency risk*

A 5% strengthening of the RM against following currencies at the end of reporting period would increased/(decreased) profit or loss before tax as per below. This analysis assumes that all other variables remain unchanged.

	<b>Profit/(loss) before tax Increase/(Decrease)</b>	<b>Cash and Bank Balances RM</b>
	<b>Trade Receivables RM</b>	
<b>Group 2012</b>		
United States Dollar	6,522	6,040
Singapore Dollar	-	432
	6,522	6,472
<b>2011</b>		
United States Dollar	-	10,638
Singapore Dollar	19,509	8,889
	19,509	19,527

A 5% weakening of the RM against above currencies at the end of the reporting period would have had an equal but opposite effect on the above currency to the amounts shown above on the basis that all other variable remain constant.



## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (iv) 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 manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period was:-

	2012 RM	Group 2011 RM
<i>Fixed rate instruments</i>		
<b>Financial assets</b>		
Deposits placed with licensed bank	17,838,681	11,846,598
<b>Financial liability</b>		
Hire purchase liabilities	5,228,781	4,432,699
<i>Floating rate instruments</i>		
<b>Financial liabilities</b>		
Bank overdrafts - secured	38,226,533	31,838,027
Bills payables	96,423,162	88,183,067
Factoring loan	3,537,910	9,313,946
Revolving credits	35,000,000	35,000,000
Term loans	4,996,520	4,997,664

#### *Sensitivity analysis for interest rate risk*

- Sensitivity analysis for fixed rate instruments

Sensitivity analysis does not account for any fixed rate financial liabilities and therefore a change in interest rates at the end of the reporting period would not affect the profit or loss.

## 37. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Financial Risk Management and Objectives (Cont'd)

#### (iv) Interest Rate Risk (Cont'd)

*Sensitivity analysis for interest rate risk (Cont'd)*

- Sensitivity analysis for floating rate instruments (Cont'd)

A change of 1% in interest rates at the end of reporting period would have increased/ (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	<b>Profit/(loss) before tax</b>	
	<b>Increase 1%</b>	<b>Decrease 1%</b>
	<b>RM</b>	<b>RM</b>
<i>Floating rate instruments</i>		
Financial liabilities	(1,781,841)	1,781,841

## 38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratio as at 31st October 2012 was as follows:-

	<b>2012</b>	<b>Group</b>
	<b>RM</b>	<b>2011</b>
		<b>RM</b>
Total borrowings	183,412,906	173,765,403
Equity attributable to owners of the Parent	438,118,143	435,367,570
Debt-to-equity ratio	0.42	0.40

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and/or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31st October 2012 are as follows:-

	Group RM	2012 Company RM
The accumulated losses of the Group and of the Company		
- Realised	(18,439,234)	(100,858,020)
- Unrealised	9,827,595	(635,296)
	(8,611,639)	(101,493,316)

The determination of realised and unrealised profits or losses is based on Guidance of 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*, issued by the Malaysian Institute of Accountants on 20th December 2010.

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 Securities Berhad and should not be applied for any other purposes.

# STATEMENT BY DIRECTORS

We, **DATO' RAZALI MERICAN BIN NAINA MERICAN** and **ANG LAM POAH** being two of the directors of JAKS Resources Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st October 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The supplementary information set out on page 106 has been compiled in accordance with the Guidance of 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, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

.....  
DATO' RAZALI MERICAN BIN NAINA MERICAN  
Director

.....  
ANG LAM POAH  
Director

Kuala Lumpur

Date: 25th February 2013

# STATUTORY DECLARATION

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I, **CHEE SEONG HENG**, being the officer primarily responsible for the financial management of JAKS Resources Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements and the supplementary information set out on page 106 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....  
CHEE SEONG HENG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25th February 2013.

Before me,

.....  
Commissioner for Oaths  
ARSHAD BIN ABDULLAH  
No. W550

## Report on the Financial Statements

We have audited the financial statements of JAKS Resources Berhad, which comprise the statements of financial position as at 31st October 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 105.

### *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 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 31st October 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 10 to the financial statements which discloses the current status of the Vietnam Power Plant Project (the "Project").

On 6th January 2012, JAKS Power Holding Limited ("JPH") had entered into several agreements to formalise various Project Agreements and supplementary agreements to facilitate the Project, the details of which are disclosed in Note 10(a) to the financial statements. However, due to the nonfulfillment of certain conditions in the said agreements, the Group had terminated all the said agreements with the various parties on 11th December 2012.

On 30th October 2012, JAKS Hai Duong Power Limited ("JHDP") had received approval from the Ministry of Industry and Trade of Vietnam ("MOIT") for an extension of 12 months from 30th October 2012 on the financial close of the Project. The approval for extension is subject to the loan agreements for the financing of the project being signed within 8 months.

On 12th December 2012, the Group entered into several new agreements as detailed in Note 10(b) to the financial statements to facilitate the execution of the Project, all of which are subject to the approval of the shareholders.

The directors will seek shareholders' approval for the new Joint Venture proposal. In addition, the directors will also seek to secure financing to meet the financial close of the project during financial year ending 31st October 2013. Therefore, the directors of the Company are of the opinion that no impairment is required as the project will enhance the future profitability and improve the financial position of the Group.

## 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 provision of the Companies Act, 1965 in Malaysia.
- (b) Other than those subsidiaries without the financial statements and the auditors' reports as disclosed in Note 6 to the financial statements, we have considered the financial statements and the auditors' reports of all the remaining subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) Other than those subsidiaries without the financial statements as disclosed in Note 6 to the financial statements, we are satisfied that the financial statements of the remaining subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Other than those subsidiaries with emphasis of matter paragraphs in the auditors' reports and those subsidiaries without the auditors' reports as disclosed in Note 6 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries did not contain any qualification or any adverse comments made under Section 174(3) of the Companies Act, 1965 in Malaysia.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 106 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 Monteiro Heng  
No. AF 0117  
Chartered Accountants

M.J. Monteiro  
No. 828/05/14 (J/PH)  
Chartered Accountant

Kuala Lumpur

Date : 25th February 2013

# PROPERTIES OF THE GROUP

AS AT 31st OCTOBER 2012

Location	Tenure	Area	Age of Building Approximate Years	Existing Use	Net Book Value RM'000	Date Of Company Acquisition
<b>JAKS RESOURCES BERHAD</b>						
PT 21884 Mukim of Kapar District of Klang Selangor Darul Ehsan	Freehold land	Land area: 93,128 sq. metres Gross building area: 15,734 sq. metres	16 Years	Factory	18,943	17/5/2004
Lot No. 62506 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 23,463 sq. metres Gross building area: 17,667 sq. metres	21 Years	Factory	15,608	17/5/2004
Lot No. 527 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross building area: 6,540 sq. metres	26 Years	Factory	7,643	17/5/2004
Lot No. 528 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross building area: 6,270 sq. metres	26 Years	Factory	7,531	17/5/2004
Lot No. 526 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross building area: Warehouse 2,191 sq. metres Office floor area: 3,039 sq. metres	22 Years	Office warehouse & factory building	7,199	17/5/2004
Lot No. 541 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross building area: 6,023 sq. metres	18 Years	Factory	6,187	17/5/2004
<b>JAKS SDN BHD</b>						
No. 924/1F, Storey No. 1st Floor, Building No. Block: Front Unit Type 3, Taman Desa Cheras, Kuala Lumpur	Freehold 1st Floor of 3 Storey Shophouse	Building area : 64.82 sq. metres (697.72 sq. feet)	10 Years	Vacant	55	23/12/2003



# Properties Of The Group (cont'd)

As At 31st October 2012

Location	Tenure	Area	Age of Building Approximate Years	Existing Use	Net Book Value RM'000	Date Of Company Acquisition
<b>PIPE TECHNOLOGY SYSTEM SDN BHD</b>						
P.T. No. 12186 H.S.(D) 11480 Mukim and District of Bentong, State of Pahang Darul Makmur	Leasehold Land (Industrial) (Duration - 66 Years) (Exp - date 5/10/2059)	Land area: 25,657 sq. metres Gross Building area: 5,806 sq. metres	17 Years	Office cum factory	3,378	23/12/2003
PN 30824, Lot. No. 18503, Mukim of Rawang, District of Gombak, State of Selangor	Leasehold Land (Duration - 99 Years) (Exp - date 11/7/2060)	Land area: 1,496 sq. feet Built up area : 1,280 sq. feet	1 year	Shoplot for investment	219	27/03/2012
<b>EMPIRE DELUXE SDN BHD</b>						
Lot No. 767 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Freehold land	Land area: 12,140 sq. metres Gross Building area: 9,863 sq. metres	20 Years	Office cum factory	5,886	5/4/2007
<b>JAKS STEEL INDUSTRIES SDN BHD</b>						
H S (D) 224763 Lot No. PTD 42125 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-Storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	10 Years	Vacant	105	5/11/2003
H S (D) 224752 Lot No. PTD 42114 Mukim Senai, Kulai Daerah Johor Bahru Johor Darul Takzim	Freehold Single-Storey Terrace House	Land area: 133.96 sq. metres (1,442 sq. feet)	10 Years	Vacant	110	5/11/2003
B-17-09 Villa Kejora Type A Rilau Penang	Freehold Apartment	700 Sq feet	14 Years	Vacant	76	12/3/1999

# ANALYSIS OF SHAREHOLDINGS

## AS AT 1ST MARCH 2013

Authorised Share Capital	:	RM1,000,000,000.00
Issued and Paid-up Capital	:	RM438,361,072.00
Class of Share	:	Ordinary Shares of RM1.00 each
Voting Right	:	One Vote per Ordinary Share held

### ANALYSIS OF SHAREHOLDINGS

as at 1 March 2013

Size of Holdings	No. of Shareholders	(%)	No. of Shares	(%)
1 – 99	894	5.15	34,149	0.01
100 – 1,000	7,253	41.76	2,214,449	0.50
1,001 – 10,000	5,354	30.83	31,113,700	7.10
10,001 – 100,000	3,368	19.39	113,034,162	25.79
100,001 – 21,918,052 (*)	497	2.86	243,174,612	55.47
21,918,053 and above (**)	2	0.01	48,790,000	11.13
	17,368	100.00	438,361,072	100.00

NOTES: \* Less than 5% of the issued and paid-up share capital  
 \*\* 5% and above of the issued and paid-up share capital

### 30 LARGEST SHAREHOLDERS

as at 1 March 2013

Names	No. of Shares	(%)
1. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account - AmBank (M) Berhad for Ang Lam Poah	26,790,000	6.11
2. AMMB Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Original Invention Sdn Bhd	22,000,000	5.02
3. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum	6,481,400	1.48
4. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities account for Lim Chai Beng	6,348,700	1.45
5. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Market Value Fund	6,197,900	1.41
6. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Lee Ching Leng	6,000,000	1.37
7. Tan Yee Huat	5,400,000	1.23
8. Kenanga Nominees (Tempatan) Sdn Bhd Kenanga Capital Sdn Bhd for Jamian Bin Mohamad @ Md. Semaal	5,205,000	1.19
9. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Jamian Bin Mohamad @ Md. Semaal	5,000,000	1.14
10. AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account - AmBank (M) Berhad for Ang Ken Seng	5,000,000	1.14

# Analysis Of Shareholdings (Cont'd)

As At 1st March 2013

	<b>Names</b>	<b>No. of Shares</b>	<b>(%)</b>
11.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities account for Chen Cheong Fat	4,450,500	1.02
12.	Ang Ken Seng	4,329,559	0.99
13.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Upper Prestige Sdn Bhd	4,250,000	0.97
14.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Gan Cheng See	4,000,000	0.91
15.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Jamian Bin Mohamad @ Md. Semaal	3,500,000	0.80
16.	Ang Lily	3,500,000	0.80
17.	Tan Eng	3,500,000	0.80
18.	MERCSEC Nominees (Tempatan) Sdn Bhd Pledged Securities account for Siow Wong Yen @ Siow Kwang Hwa	3,280,000	0.75
19.	HSBC Nominees (Asing) Sdn Bhd Exempt An for the Bank of New York Mellon	3,000,000	0.68
20.	Mohd Fazil Bin Shafie	3,000,000	0.68
21.	Scotia Nominees (Tempatan) Sdn Bhd The Bank of Nova Scotia Bhd	2,570,094	0.59
22.	Ang Lam Aik	2,500,000	0.57
23.	Ang Sek Kiow	2,474,100	0.56
24.	Beh Eng Par	2,303,200	0.53
25.	Yap Ah Fatt	2,000,000	0.46
26.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities account for Mak Ngia Ngia @ Mak Yoke Lum	1,964,100	0.45
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	1,842,000	0.42
28.	Lim Peck Hoon	1,790,000	0.41
29.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	1,588,600	0.36
30.	Goh Theow Hiang	1,546,308	0.35

## DIRECTORS' SHAREHOLDING

as at 1 March 2013

Names of Directors	Direct Interest		Indirect Interest	
	No. of Shares	(%)	No. of Shares	(%)
Ang Lam Poah	^ 26,800,002	6.11	-	-
Ang Lam Aik	2,500,000	0.57	-	-
Dato' Razali Merican Bin Naina Merican	-	-	*25,000,000	5.70
Dato' Azman Bin Mahmood	-	-	-	-
Liew Jee Min @ Chong Jee Min	-	-	-	-
Tan Sri Dato' Seri Law Hieng Ding	-	-	-	-
Tan Sri Datuk Hussin Bin Haji Ismail	-	-	-	-

### NOTES:

^ 26,790,000 shares held through AMSEC Nominees (Tempatan) Sdn Bhd

\* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

## SHARES IN RELATED CORPORATION

None of the above Directors has any direct interest in shares in the related corporation as at 1 March 2013.

## SUBSTANTIAL SHAREHOLDERS

as at 1 March 2013

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	(%)	No. of Shares	(%)
1. Ang Lam Poah	^ 26,800,002	6.11	-	-
2. Original Invention Sdn Bhd	25,000,000	5.70	-	-
3. Dato' Razali Merican Bin Naina Merican	-	-	*25,000,000	5.70

### NOTES:

^ 26,790,000 shares held through AMSEC Nominees (Tempatan) Sdn Bhd

\* Deemed interest by virtue of his shareholdings in Original Invention Sdn Bhd

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Royal Ballroom, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 April 2013 at 10.30 a.m. for the purpose of considering the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 October 2012 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who are retiring pursuant to Article 101 of the Company's Articles of Association:
  - (i) Ang Lam Aik Resolution 1
  - (ii) Liew Jee Min @ Chong Jee Min Resolution 2
3. To approve the payment of Directors' Fees. Resolution 3
4. To appoint the Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 4

A Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 from a member of the Company has been received for the nomination of Messrs Ecovis AHL for appointment as Auditors of the Company and the member has proposed the following Ordinary Resolution:

"THAT, Messrs Ecovis AHL, be and are hereby appointed Auditors of the Company in place of the retiring auditors, Messrs Baker Tilly Monterio Heng, to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and Auditors."

As Special Business:

To consider and if thought fit, pass the following resolutions:

5. **ORDINARY RESOLUTION NO. 1** Resolution 5  
**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
6. **ORDINARY RESOLUTION NO. 2** Resolution 6  
**Continuation in office as Independent Non-Executive Director**

"THAT approval be and is hereby given to Mr. Liew Jee Min @ Chong Jee Min who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company AND THAT the Board of Directors be authorized henceforth to determine on a year to year basis the continuation in office of Mr. Liew Jee Min @ Chong Jee Min as an Independent Non-Executive Director of the Company until such authority is revoked at a general meeting."

# Notice Of Eleventh Annual General Meeting (Cont'd)

7. **ORDINARY RESOLUTION NO. 3**  
**Continuation in office as Independent Non-Executive Director**

Resolution 7

"THAT approval be and is hereby given to Dato' Azman Bin Mahmood who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company AND THAT the Board of Directors be authorized henceforth to determine on a year to year basis the continuation in office of Dato' Azman Bin Mahmood as an Independent Non-Executive Director of the Company until such authority is revoked at a general meeting."

**LEONG OI WAH (MAICSA 7023802)**

**Company Secretary**

Petaling Jaya  
5 April 2013

**Notes:**

1. *A member of the company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead. The proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *When a member appoints two or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing proxy shall be in writing under the hands of the appointed or of his attorney duly authorised in writing or, if such be executed appointed is a corporation under its common seal, or the hand of its attorney.*
4. *The instrument appointing a proxy together with the power of attorney (as the case may be) must be deposited at the Share Registrar of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting or adjourned meeting.*
5. *Depositors who appear in the Record of Depositors as at 22 April 2013 shall be regarded as Member of the Company entitled to attend the Eleventh Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

## NOTES ON SPECIAL BUSINESS

### Resolution 5:

The proposed Resolution 5 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 17 April 2012. The Company did not utilize the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

### Resolution 6 and 7:

The Board has assessed the independence of Mr. Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood, who served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue to act as an Independent Non-Executive Directors of the Company based on the following justifications:

- a) They bring an element of objectivity to the Board of Directors
- b) They understand the main drivers of the business in a detailed manner
- c) They consistently challenged management in an effective and constructive manner
- d) They actively participated in board discussion and provided an independent voice on the Board

The proposed Resolution 6 and 7, if passed will enable Mr Liew Jee Min @ Chong Jee Min and Dato' Azman Bin Mahmood to continue to serve as Independent Non-Executive Directors of the Company and will give powers to the Board of Directors to determine in the subsequent years, the continuation of such office until such time the authority is revoked.



## AMMB Nominees (Tempatan) Sdn. Bhd.

*(Formerly known as Arab-Malaysian Nominees (Tempatan) Sdn Bhd) (51181-W)  
A member of the AmBank Group*

Date : 26 March 2013

The Board of Directors  
**JAKS Resources Berhad**  
Lot 526, Persiaran Subang Permai,  
Sungai Penaga Industrial Park,  
USJ 1, 47600, Subang Jaya,  
Selangor Darul Ehsan,

Dear Sirs,

### NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, AMMB Nominees (Tempatan) Sdn Bhd, being the registered shareholder in respect of the Pledged Account for Original Invention Sdn Bhd for 22,000,000 shares of JAKS RESOURCES BERHAD hereby give notice of Original Invention Sdn Bhd's intention to nominate Messrs. Ecovis AHL for appointment as new auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting:

“THAT Messrs. Ecovis AHL be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Baker Tilly Monterio Heng to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors.”

Yours faithfully,

-----  
Duly Authorised Representative of AMMB Nominees (Tempatan) Sdn Bhd

  
22nd Floor, Bangunan AmBank Group,  
55 Jalan Raja Chulan,  
P.O. Box 10233,  
50200 Kuala Lumpur, Malaysia.  
Tel: (603)-2036 2633  
Fax: (603)-2031 1002  
ambg.com.my



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**JAKS RESOURCES BERHAD**  
585648-T

**PROXY FORM**

Number of Shares Held

\*I/We \_\_\_\_\_ (Full Name in Block Letters) of  
\_\_\_\_\_ (Address) being a

member / members of JAKS Resources Berhad hereby appoint \*Mr/Ms \_\_\_\_\_  
of \_\_\_\_\_

(the next name and address should be completed where it is desired to appoint two/more proxies)

or \*Mr/Ms \_\_\_\_\_ of \_\_\_\_\_

or failing \*him/\*her/\*them, the Chairman of the Meeting as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf, and if necessary, to demand a poll, at the Eleventh Annual General Meeting of the Company to be held at Royal Ballroom, Kelab Golf Sultan Abdul Aziz Shah, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 April 2013 at 10.30 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarized below, \*my/our \*proxy/proxies may vote or abstain from voting at his/her discretion.

No.	Resolutions	For#	Against#
1.	Re-election of Mr Ang Lam Aik as Director		
2.	Re-election of Mr Liew Jee Min @ Chong Jee Min as Director		
3.	Payment of Directors' Fees		
4.	Appointment of Auditors		
5.	Approval to issue shares pursuant to Section 132D of the Companies Act, 1965		
6.	Continuation in office as Independent Non-Executive Director - Mr. Liew Jee Min & Chong Jee Min.		
7.	Continuation in office as Independent Non-Executive Director - Dato' Azman Bin Mahmood.		

# Please indicate your vote "For" or "Against" with an "X" within the box provided.

\* Delete if not applicable

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

\_\_\_\_\_  
Signature/Common Seal of Shareholder(s)

**Notes: -**

1. A member of the company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead. The proxy need not be a member of the Company and Section 149(1) (b) of the Companies Act, 1965 shall not apply.
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**JAKS RESOURCES BERHAD** (585648-T)  
c/o TRICOR INVESTOR SERVICES SDN BHD  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

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**JAKS RESOURCES BERHAD**

585648-T

Lot 526 Persiaran Subang Permai,  
Sungai Penaga Industrial Park, USJ 1,  
47600 Subang Jaya,  
Selangor Darul Ehsan,  
Malaysia.

Tel: 603 - 5633 1988

Fax: 603 - 5633 3571

<http://www.jaks.com.my>