
SPRITZER®

**SPRITZER BHD**

必 勝 有 限 公 司

(265348-V)

# Superior

## Malaysia's No.1 Natural Mineral Water

Spritzer Natural Mineral Water is indeed the gift of nature. It is sourced from 400ft under the ground from natural unspoilt surroundings. Rich in natural minerals, Spritzer is hygienically filtered and bottled to international standards - duly certified by ABWA (Asia Middle East Bottled Water Association) and certified against ISO 9001:2008 and HACCP (MS 1480:2007 and Codex Alimentarius) by SIRIM QAS International & SGS respectively.

# CONTENTS

# Products


- SPRITZER NATURAL MINERAL WATER
- SPRITZER DISTILLED DRINKING WATER
- SPRITZER LOVE
- SPRITZER SPARKLING
- SPRITZER TINGE
- SPRITZER POP
- SPRITZER+ FIBRE


# NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighteenth (18th) Annual General Meeting ("**AGM**") of Spritzer Bhd ("**Spritzer**" or "**Company**") will be held at Crystal 2, Impiana Hotel Ipoh, 18 Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Thursday, 24 November 2011 at 11.00 a.m. for the transaction of the following business:-

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 May 2011 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To declare a first and final dividend of 2.5 sen per share, tax-exempt in respect of the financial year ended 31 May 2011. **Resolution 2**

3. To approve the payment of Directors' fees in respect of the financial year ended 31 May 2011. **Resolution 3**

4. To re-elect the following Directors who retire by rotation in accordance with Article 85 of the Company's Articles of Association and, being eligible, offer themselves for re-election:-

   (i) Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP **Resolution 4**

   (ii) Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP **Resolution 5**

   (iii) Dr. Chuah Chaw Teo **Resolution 6**

5. To appoint Auditors of the Company and to authorise the Directors to fix their remuneration.

   Notice of Nomination of Auditors pursuant to Section 172(11) of the Companies Act, 1965 ("**Act**"), a copy of which had been reproduced and attached to the Notice to Shareholders, has been received by the Company for the nomination of Messrs. Deloitte KassimChan, who have given their consent to act, for appointment as Auditors of the Company and to propose the following ordinary resolution:-

   "THAT Messrs. Deloitte KassimChan be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. LLTC, to hold office until the conclusion of the next AGM at a remuneration to be determined by the Directors." **Resolution 7**

# NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**SPECIAL BUSINESS**

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

6. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Act, the Articles of Association of the Company and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten per cent (10%) of the total issued share capital of the Company for the time being, and that such authority shall continue to be in force until the conclusion of the next AGM of the Company." **Resolution 8**

7. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of a Revenue or Trading Nature (**"Proposed Shareholders' Mandate"**)

   "THAT approval be and is hereby given to the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations as set out in Section 2.4 of Part A of the Circular to Shareholders dated 2 November 2011 subject to the followings:-

   (i) the transactions are carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

   (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year with a breakdown of the aggregate value of the recurrent transactions based on the following information:-

      (a) the type of the recurrent transactions made; and

      (b) the names of the related parties involved in each type of the recurrent transactions and their relationship with the Company.

   AND THAT such approval shall continue to be in force until:-

   (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed by the shareholders of the Company in a general meeting, the authority is renewed;

   (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

   (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

   whichever is the earlier.

   AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may deemed necessary or expedient to give full effect to the Proposed Shareholders' Mandate." **Resolution 9**

8. Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd

   "THAT, subject always to the Act, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**"Listing Requirements"**) and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad (**"Bursa Securities"**) upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

   (i) The aggregate number of shares bought-back and/or held does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at any point of time;

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

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

      (a) cancel the shares so purchased;

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

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

      and the treasury shares may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Securities and/or subsequently cancelled or any combination of the three.

Extracted from sources located over 400 feet underground, unpolluted and naturally rich in minerals after being filtered through various kinds of natural rock stratum.

# Research & Development

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

(i) the conclusion of the next AGM of the Company following the AGM at which such resolution was passed at which time it will lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid buy-back with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements and all other relevant governmental and/or regulatory authorities." **Resolution 10**

9. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Articles of Association.



# Innovation

The full range of Spritzer bottled water encompasses natural mineral water, sparkling natural mineral water, distilled drinking water, carbonated fruit flavoured drinks, non-carbonated fruit flavoured drinks and functional water. Spritzer advocates, "Not all bottled waters are the same." For the protection of our customers and in line with the Malaysian Food Act and Regulation, Spritzer bottled waters are clearly distinguished by their caps - white for drinking water and assorted colors for natural mineral water.

# NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** a first and final dividend of 2.5 sen per share, tax-exempt in respect of the financial year ended 31 May 2011, subject to the approval of the shareholders at the 18th AGM will be paid on 22 December 2011 to Depositors whose names appear in the Record of Depositors at the close of business on 8 December 2011.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 8 December 2011 in respect of transfers; and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

**SOW YENG CHONG (MIA 4122)**
**TAN BOON TING (MAICSA 7056136)**
Company Secretaries

Ipoh, Perak Darul Ridzuan
2 November 2011


# NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**Notes:-**

**1. Appointment of Proxy**

(i) A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company.

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an attorney.

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

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting.

**2. Explanatory Notes on Special Business**

(i) The proposed Resolution 8, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, the authority to allot and issue ordinary shares of the Company up to an amount not exceeding ten per cent (10%) of the Company's total issued share capital for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.
As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 23 November 2010 which will lapse at the conclusion of the forthcoming AGM.

(ii) The proposed Resolution 9, if passed, will authorise the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business.

(iii) The proposed Resolution 10, if passed, will empower the Company to purchase its own shares up to ten per cent (10%) of the issued and paid-up share capital of the Company at any given point in time through Bursa Securities.

Please refer to the Circular to Shareholders in relation to the Proposed Shareholders' Mandate and Proposed Share Buy-Back dated 2 November 2011 for further information on Resolutions 9 and 10.

# STATEMENT ACCOMPANYING NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

## Details of individuals who are standing for election as Directors

No individual is seeking new election as a Director at the forthcoming 18th AGM of the Company.

# NOTICE TO SHAREHOLDERS AND NOMINATION OF AUDITORS

**SPRITZER BHD (265348-V)**
(Incorporated in Malaysia)

**Registered Office:**
Lot 85, Jalan Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan

2 November 2011

**To : The Shareholders of Spritzer Bhd**

Dear Sir/Madam,

**NOTICE TO SHAREHOLDERS**

We wish to inform you that we have received a notice from a shareholder of the Company, Mr. Lim Kok Boon, that he wishes to nominate Messrs. Deloitte KassimChan as the new auditors in place of the present auditors, Messrs. LLTC, at the forthcoming Eighteenth Annual General Meeting of the Company to be held on 24 November 2011.

A copy of the said letter is reproduced below.

Yours faithfully,
For and on behalf of the Board
**SPRITZER BHD**

**DR. CHUAH CHAW TEO**
Executive Director

---

Lim Kok Boon
35, Jalan Istana Larut
34000 Taiping
Perak Darul Ridzuan

Date : 7 October 2011

The Board of Directors
**Spritzer Bhd**
Lot 85, Jalan Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan

Dear Sirs,

**NOTICE OF NOMINATION OF AUDITORS**

I, Lim Kok Boon, being a shareholder of Spritzer Bhd ("Company"), hereby give notice pursuant to Section 172(11) of the Companies Act, 1965, of my intention to nominate Messrs. Deloitte KassimChan of 87, Jalan Sultan Abdul Jalil, 30450 Ipoh, Perak Darul Ridzuan for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. LLTC at the forthcoming Eighteenth Annual General Meeting of the Company.

Thank you.

Yours faithfully,

**LIM KOK BOON**
Shareholder

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Non-Independent Non-Executive Chairman*
Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP

*Managing Director*
Lim Kok Boon

*Executive Directors*
Dr. Chuah Chaw Teo
Lam Sang

*Non-Independent Non-Executive Director*
Chok Hooa @ Chok Yin Fatt, PMP

*Independent Non-Executive Directors*
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP
Y.B. Mohd Adhan bin Kechik, SMK
Kuan Khian Leng

## AUDIT COMMITTEE

*Chairman*
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP

*Members*
Chok Hooa @ Chok Yin Fatt, PMP
Y.B. Mohd Adhan bin Kechik, SMK
Kuan Khian Leng

## NOMINATION COMMITTEE

*Chairman*
Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP

*Members*
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP
Kuan Khian Leng

## REMUNERATION COMMITTEE

*Chairman*
Chok Hooa @ Chok Yin Fatt, PMP

*Members*
Y.B. Mohd Adhan bin Kechik, SMK
Kuan Khian Leng

## COMPANY SECRETARIES

Sow Yeng Chong (MIA 4122)
Tan Boon Ting (MAICSA 7056136)

## STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Stock Code : 7103
Stock Name : SPRITZR

## REGISTERED OFFICE

Lot 85, Jalan Portland,
Tasek Industrial Estate,
31400 Ipoh, Perak Darul Ridzuan.
Tel. no : 05-2911055, 05-2912055
Fax no : 05-2919962, 05-2910862
E-mail : info@spritzer.com.my
Website : www.spritzer.com.my

## SHARE REGISTRARS

**Tricor Investor Services Sdn Bhd**
(118401-V)
41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh, Perak Darul Ridzuan.
Tel. no : 05-5451222
Fax no : 05-5459222

## AUDITORS

**LLTC (AF 1114)**
**Chartered Accountants**
No. 37, Lintasan Perajurit 6, Taman Perak,
31400 Ipoh, Perak Darul Ridzuan.
Tel. no : 05-5453935
Fax no : 05-5453936

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
CIMB Bank Berhad
RHB Bank Berhad
Bank Muamalat Malaysia Berhad
Hong Leong Bank Berhad

Technologically Advanced

# CORPORATE STRUCTURE

100%
ANGENET SDN BHD

100%
CHUAN SIN SDN BHD

100%
CHUAN SIN CACTUS SDN BHD

SPRITZER®

100%
GOLDEN PET INDUSTRIES SDN BHD

100%
HIDRO DINAMIK SDN BHD

100%
PET MASTER SDN BHD

Equipped with the latest state-of-the-art bottling technologies and manned by highly qualified professionals

- (✓) Untouched by hand from source to bottle
- (✓) Fully automated production lines to prevent contamination of products
- (✓) Complies with Good Manufacturing & Strict hygiene Practices

# CHAIRMAN'S STATEMENT


## ECONOMIC OVERVIEW

The year 2010 started off on a positive note. The Malaysian economy has emerged well as the global economy was recovering from the 2008/2009 financial crisis. However, as the year 2010 progressed, the positive improvement was affected by the factors like the European sovereign debts, the sluggish US economy and the overheating economies of some major Asian nations. The global economic environment is now in a state of great uncertainty.

However, during the financial year under review, the domestic consumer spending has been resilient. Demand for our bottled water products has remained strong throughout the financial year under review. We achieved another year of double digit growth in our sales and recorded a new high in our group's revenue of RM148 million.

## FINANCIAL REVIEW

The Group's revenue for the year amounted to RM148 million, an increase of 12% over last year's revenue of RM132 million. However, the Group's profit before tax declined by 29% to RM10.2 million from RM14.3 million previously. The profit attributable to shareholders has eased by 35% to RM8.1 million from RM12.5 million recorded in 2010. The earnings per share stood at 6.2 sen as compared to 9.6 sen previously.

The strong demand for the Group's bottled water products was mainly attributed to our continuing efforts in nurturing our Spritzer brand and our strong commitment on our product quality. With the commissioning of our bottled water plant in Shah Alam in 2010, we were able to offer a more comprehensive range of bottled water products to our customers and consumers, thus boosting further our revenue. However, the overall margin of our bottled water products has declined mainly due to the volatility of our key raw material prices, higher advertising and promotional expenses and the higher overhead cost attributed to our expansion plan. The margin of our bottled water products was also affected by the change in sales mix where the increase in revenue was significantly contributed by the lower-margin drinking water products.

Despite the lower profit recorded during the year, our Group's financial position has remained healthy and sound. In line with the expansion plan, the Group has incurred high capital expenditure which was mainly financed by bank borrowings. Our net gearing as at 31 May 2011 stood at 0.59X as compared with the 0.48X a year ago. As at 31 May 2011, our total shareholders' equity stood at RM142.1 with total group assets of RM264.9 and the net assets per share has increased to 109 sen.




SPRITZER,
Malaysia's best selling
natural mineral water

has won numerous awards locally
and internationally

# CHAIRMAN'S STATEMENT

## DIVIDEND

Despite the lower profit recorded, the Board of Directors recommends a first and final dividend of 2.5 sen (2010: 2.5 sen, tax-exempt) per share, tax-exempt for the year ended 31 May 2011. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 22 December 2011 to shareholders whose names appear in the Record of Depositors on 8 December 2011.

## ROYAL VISIT BY HRH THE SULTAN OF PERAK

On 14 July 2011, His Royal Highness, the Sultan of Perak has graciously launched the "Spritzer's World Class Eco-Friendly Manufacturing Plant" in Taiping. The plant, set in a sprawling 300 acre site of lush greenery within the valley of Bukit Larut, is the largest bottled water facility of its kind in Malaysia. Installed with fully automated and energy-efficient machines, the plant produces natural mineral water, sparkling mineral water, distilled drinking water, carbonated fruit-flavoured drinks, non-carbonated fruit-flavoured drinks and functional drinks. With the commissioning of a new fully automated PET Combi line in early 2011, the Group's enhanced capacity will be able to cater to the export market besides supplying to the Malaysian bottled water market. The visit to and launch of the plant by HRH, the Sultan of Perak marks a significant corporate milestone of Spritzer Bhd.

## CORPORATE PROPOSALS

On 30 September 2011, the Company has announced the following corporate proposals:

(a) Proposed Bonus Issue of up to 32,664,667 Warrants in Spritzer on the basis of one (1) free warrant for every four (4) existing ordinary shares of RM0.50 each in Spritzer held on an entitlement date to be determined later ("Proposed Bonus Issue of Warrants"); and

(b) Proposed establishment of an Employees' Share Option Scheme (ESOS) of up to 15% of the issued and paid-up share capital of Spritzer at any point in time after the Proposed Bonus Issue of Warrants ("Proposed ESOS").

Applications in respect of the proposals have been submitted to Bursa Malaysia Securities Berhad and the Controller of Foreign Exchange on 18 October 2011. The proposals are now pending the approvals of Bursa Malaysia Securities Berhad, Controller of Foreign Exchange and the Shareholders of the Company.

The Proposed Bonus Issue of Warrants is aimed at rewarding our loyal shareholders for their support by enabling them to participate in a derivative of the Company without incurring any cost and at the same time helps to strengthen the capital base and market capitalisation of the Company as and when the warrants are exercised during the tenure of the warrants.

The Proposed ESOS is to recognize the contributions of the employees and directors whose services are considered vital to the continued growth of the Company, to motivate employees and directors towards improved performance and to retain key personnel to continue to serve the Group.

## OUTLOOK AND PROSPECTS

Against a highly uncertain global economy, the domestic economy has remained positive due mainly to the fairly resilient domestic demand. The domestic consumer spending for food and beverage products is expected to sustain and we anticipate demand for our bottled water products to remain healthy. With our continuous efforts to promote our various brands and coupled with the enhancement of our production capacity, we are confident that the volumes of our bottled water products will continue to grow. While we expect a competitive environment as some of the bigger water bottlers try to garner a bigger market share, we remain confident that we will be able to defend our leading position in the Malaysian bottled water industry.

The increased volatility of our key raw materials prices and the treat of domestic inflation will also pose significant challenges to our Group. We will continue to focus on our operational efficiency to remain competitive. To capitalize on our enhanced production capability, we will gradually increase our range of bottled water products to cater to the needs of various market segments. While in the shorter term our results may be affected by the volatility of raw material prices and the steeper financial and marketing expenses relating to our expansion plan, our prospects for the longer term will remain positive.

# CHAIRMAN'S STATEMENT

Barring any unforeseen circumstances, the directors expect the Group to perform satisfactorily in the year ending 31 May 2012.

### AWARDS AND ACCOLADES

In March 2011, we were awarded a Certificate of Brand Excellence (Merchandise) in the Ministry of International Trade and Industry's Industry Excellence Award 2010. The award is another testimony of our brand's success and an endorsement of our brand's value, strength and character.

In October 2011, Spritzer has been awarded the 2011 Asia Pacific Frost & Sullivan Bottled Water Company of the Year. The award is indeed significant as this is the second year consecutively that we are honoured as Asia Pacific Bottled Water Company of the Year by Frost & Sullivan. The Award is presented to a company that has a leading role in the provision of bottled water for both domestic and/or commercial applications, through deployment of advanced treatment methodologies, and meeting demands and standards of bottled water locally and/or international. This Award confirms the Company's continuous commitment in introducing and improving its bottled water products for end-users.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank the management and staff at all levels for the strong commitment and contribution towards the continued success of the Group. I also would like to thank our shareholders, customers, business associates, consumers, bankers and financiers and the various government authorities for their continued support.

**Dato' Lim A Heng @ Lim Kok Cheong**
Chairman

19 October 2011

# CORPORATE SOCIAL RESPONSIBILITY

*Spritzer Bhd ("Spritzer") views Corporate Social Responsibility ("CSR") as an integral part of its businesses. Spritzer strives to maintain a proper balance between the Group's economic, social, environmental responsibilities and the interests of the Group's various stakeholders. Spritzer's CSR activities and initiatives can be broadly grouped into the following categories:*

**ENVIRONMENT**

Spritzer's Eco-Friendly mineral water plant in Taiping is surrounded by lush greenery, away from pollution. Spritzer has taken the tropical forest surrounding the water manufacturing facility as a protected area so as to ensure the sustainability and purity of its water sources. To further improve its carbon footprint, Spritzer has planted more than 5,000 trees in the vicinity of its plant. We strive for efficient production processes which emphasize on energy efficiency and minimizing water wastage. Recycling plays a prominent role in protecting the environment. Hence, lower weight bottles are innovated and used. Additionally, the Spritzer bottle is designed in such a way that it can be twisted or compressed for ease of recycling.

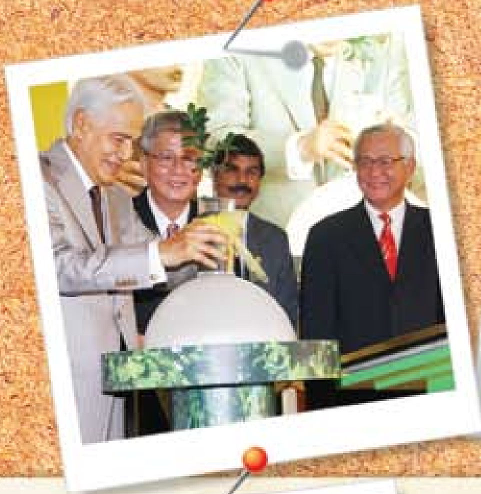
**COMMUNITY**

Spritzer acknowledges the importance of sharing with the community as a whole. We make regular contributions to organizations such as orphanage homes, old folk homes, schools and other charitable organizations. We also extend our contributions to the earthquake and flood victims as well as sponsorship of sports, entertainment and cultural events. Spritzer collaborates and works closely with the local authorities to decorate and beautify Taiping as a heritage town and thus promoting tourism for the Perak State and our Country.

**MARKET PLACE**

Spritzer provides its customers and consumers with quality and innovative products. From source to bottle, our whole manufacturing process is untouched by hand. Our natural mineral water plant is ABWA, ISO and HACCP certified. We welcome plant visits by suppliers, customers, school children and other interest groups. A dedicated website, www.osa.com.my is available to share with all on the benefits of orthosilicic acid ("OSA"). To further enhance our services, our customer service hotline is always available to assist our customers and consumers. Spritzer has been awarded the Asia Pacific Bottled Water Company of the Year for two consecutive years, i.e. 2010 and 2011 by Frost & Sullivan. The award confirms Spritzer's continuous commitment in introducing and improving its bottled water products for end-users. The award also recognizes Spritzer as one of the most important market participants that provide exemplary and quality water and continuous effort in research and development.

# CORPORATE SOCIAL RESPONSIBILITY





### WORK PLACE

Spritzer recognizes its employees as valuable assets in building and achieving its vision together. Therefore, Spritzer believes in human resource development by partaking in in-house and external training programmes and seminars for employees to enhance their knowledge and skills. Spritzer provides a safe, clean and hygienic environment to its employees, contractors and visitors. Spritzer believes physical activities promote health and vitality. Accordingly, Spritzer organizes regular sporting events and recreational activities for its employees. Furthermore, subject to the approvals of the relevant parties, Spritzer has proposed to undertake an Employees' Share Option Scheme ("ESOS") for its eligible employees and directors as a way of appreciating and recognizing their past and continuing contributions to the growth and success of Spritzer.


# Environmental Sustainability

# DIRECTORS' PROFILE

**Dato' Lim A Heng @**
**Lim Kok Cheong, JSM, DPMP, JP**
*Non-Independent*
*Non-Executive Chairman*

Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP aged 66, a Malaysian and was appointed to the Board on 22 June 2000.

He has more than 42 years of experience in the trading and manufacturing of edible oils and consumer products industry.

He is the President of Perak Chinese Chamber of Commerce and Industry; and Perak Basketball Association, Deputy President of the Associated Chinese Chambers of Commerce and Industry of Malaysia, Honorary President of Malaysian Basketball Association and Chairman of Poi Lam High School (Suwa). He is also the Honorary President of Perak Hock Kean Association and Malaysia-China Chamber of Commerce, Perak Branch.

He is the Deputy Chairman and Group Managing Director of Yee Lee Corporation Bhd, a public company listed on Bursa Malaysia Securities Berhad. His directorship in other non-listed public companies includes Yee Lee Organization Bhd. He is also the Chairman of the Nomination Committee of the Company.

He is the brother of Lim Kok Boon. He is also the spouse of Datin Chua Shok Tim @ Chua Siok Hoon, a director and major shareholder of Yee Lee Corporation Bhd and Yee Lee Holdings Sdn Bhd, all of whom are the major shareholders of the Company.

**Lim Kok Boon**
*Managing Director*

Lim Kok Boon, aged 56, a Malaysian and was appointed to the Board on 22 June 2000. He is the Past President/ Consultant of the Asia Middle East Bottled Water Association (ABWA).

He has been involved in the sales and distribution of biscuits, confectionery and bottled drinks since 1979. He was instrumental in the growth of Chuan Sin Sdn Bhd, a wholly-owned subsidiary of the Company, when it successfully switched to the production of bottled water in 1988. Since then, he has been overseeing the entire day-to-day operations of Spritzer Bhd Group.

He is the spouse of Lai Yin Leng. He is also the brother of Dato' Lim A Heng @ Lim Kok Cheong and the brother-in-law of Datin Chua Shok Tim @ Chua Siok Hoon, both are major shareholders of the Company.

**Dr. Chuah Chaw Teo**
*Executive Director*

Chuah Chaw Teo, aged 60, a Malaysian and was appointed to the Board on 16 May 1994. He graduated with a Bachelor of Science (Honours) Degree in 1975 and Doctorate in Applied Organic Chemistry in 1979 from University of Otago, New Zealand.

He worked as a teaching assistant in Polymer Laboratory, State University of New York from 1980 to 1982 and as a Research Associate in University of Malaya in 1982. From 1983 to June 1997, he worked for Yee Lee Corporation Bhd in various capacities as Chief Chemist, Research and Development Manager and later as General Manager of Research and Development Department. He joined Chuan Sin Sdn Bhd as its General Manager in July 1997 and responsible for the product development, quality control and improvement of Chuan Sin Sdn Bhd's products.

He is a member of the Committee set up by the Standards and Industrial Research Institute of Malaysia (SIRIM) in 1991 to produce a draft on Malaysian Standards Specification on Natural Mineral Water. Presently, he is the Chairman of the Federation of Malaysian Manufacturers Bottled Water Group and also the Chairman of the Environmental and Technical Committee of the Asia Middle East Bottled Water Association (ABWA). He is the Directors of Carotech Berhad and Hovid Berhad.

# DIRECTORS' PROFILE

**Lam Sang**
*Executive Director*

Lam Sang, aged 61, a Malaysian and was appointed to the Board on 28 December 2001. He has more than 30 years of experience in the manufacturing and marketing of plastic products and toothbrush. He is the Vice President of Malaysia-China Chamber of Commerce, Perak Branch and Perak Hock Kean Association.

Prior to joining Golden PET Industries Sdn Bhd, a wholly-owned subsidiary of the Company, he was the Sales Manager of United Plastic Sdn Bhd, a plastic manufacturing company from 1973 to 1980.

**Chok Hooa @ Chok Yin Fatt, PMP**
*Non-Independent*
*Non-Executive Director*

Chok Yin Fatt, aged 64, a Malaysian and was appointed to the Board on 28 December 2001. He graduated with a Bachelor Degree in Business Studies from Curtin University of Technology, Australia and Master in Business Administration from University of Strathclyde, United Kingdom. He is a Chartered Accountant of the Malaysian Institute of Accountants, fellow members of CPA Australia and Malaysian Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Certified Public Accountants.

He has extensive experience in the field of financial management, accounting and corporate secretarial functions. He was attached to UAC Berhad from 1974 to 1982. In 1982, he joined Yee Lee Corporation Bhd as Chief Accountant and was promoted to the Board as an Executive Director in 1990.

He is a Director of OKA Corporation Bhd and Yee Lee Corporation Bhd, both of which are listed on Bursa Malaysia Securities Berhad. He is also a Director of Yee Lee Organization Bhd and MSHK Corporation Bhd, both of which are non-listed public limited companies. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

# DIRECTORS' PROFILE

**Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP**
*Independent Non-Executive Director*

Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, aged 60, a Malaysian and was appointed to the Board on 14 July 1997. He obtained a Degree of Bachelor of Science (Civil Engineering) from University of Glasgow, United Kingdom in 1975. He holds the memberships in the following professional bodies, namely the Board of Engineers Malaysia, Institution of Engineers Malaysia, Institution of Highways and Transportation United Kingdom, Chartered Professional Engineers Australia and Association of Consulting Engineers Malaysia. He advises the Board members on all matters relating to civil and structural aspect of the Group's buildings.

He is a consultant engineer and the Managing Director of Nik Jai Associates Sdn Bhd, a company of civil and structural engineering consultants. He started his career as a civil engineer with Jabatan Kerja Raya (JKR) in 1975 and was promoted to the post of Senior Executive Engineer in 1980. He left JKR in 1983 and joined an engineering consulting firm. In 1985, he set up his own partnership firm, Nik Jai Associates. In 1990, he incorporated his company, Nik Jai Associates Sdn Bhd which specialises in multi-storey buildings, highways, bridges and water resources.

He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Company.

**Y.B. Mohd Adhan bin Kechik, SMK**
*Independent Non-Executive Director*

Y.B. Mohd Adhan bin Kechik, aged 56, a Malaysian and was appointed to the Board on 16 May 1994. He graduated with a Bachelor of Laws (Honours) Degree and Master of Laws Degree from University of Malaya.

He is a lawyer by profession. Currently, he is practising as a partner at Messrs. Adhan & Yap. Prior to setting up his own private practice in Kota Bharu, Kelantan in 1984, he was attached to the Legal and Judicial Department for five years serving in the Magistrate Court, High Court, Public Trustee's office and Attorney General's office before being appointed the Legal Adviser to the Ministry of Transport in 1983. He also served the State Government of Kelantan for four years as Menteri Besar's political secretary from 1986 to 1990. He is an elected State Assemblyman of Kelantan for Kemahang from 1995 to 1999 and Bukit Bunga since 2004.

He is a Director of Yee Lee Corporation Bhd, a member of the Audit Committee and Remuneration Committee of the Company.

**Kuan Khian Leng**
*Independent Non-Executive Director*

Kuan Khian Leng, aged 35, a Malaysian, was appointed to the Board on 25 January 2007. He graduated with a Bachelor in Civil Engineering (First Class Honours) and Master in Management Science & Operational Research from University of Warwick, United Kingdom.

He started his career as a Civil and Structural Engineer in Sepakat Setia Perunding Sdn Bhd in year 2000. In March 2002, he joined Citibank Berhad as Assistant Manager and subsequently held several managerial positions in the Marketing, Project Management and Risk Management departments. In July 2006, he held the position of Business Intelligence Head in Kuwait Finance House (Malaysia) Berhad.

Currently, he is an Executive Director of Mexter Technology Berhad, a company listed on the ACE Market. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

***Note:-***
*Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of the Company and have not been convicted for any offence within the past ten years. Other than the permitted recurrent related party transactions and share buy-back authority as disclosed in the Circular to Shareholders, none of the Directors have any conflict of interest with the Company.*

# AUDIT COMMITTEE REPORT

## COMPOSITION

In line with the Malaysian Code on Corporate Governance, all members of the Audit Committee are Non-Executive Directors with majority of them being Independent Directors. They are as follows:-

**Chairman**
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha
*Independent Non-Executive Director*

**Members**
Chok Hooa @ Chok Yin Fatt
*Non-Independent Non-Executive Director*

Y.B. Mohd Adhan bin Kechik
Kuan Khian Leng
*Independent Non-Executive Directors*

## TERMS OF REFERENCE

### Membership

The Audit Committee shall be appointed by the Board of Directors ("**Board**") from amongst their members and shall compose of no fewer than three members. At least one member of the Audit Committee:-

(i) must be a member of the Malaysian Institute of Accountants; or
(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and
  (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
  (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
(iii) fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Mr. Chok Hooa @ Chok Yin Fatt is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities.

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

All members of the Audit Committee including the Chairman will hold office only as long as they serve as directors of the Company. Should any member of the Audit Committee cease to be a director of the Company, his membership in the Audit Committee would cease forthwith.

The members of the Audit Committee shall elect a Chairman from amongst their number who is an independent director.

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three years, to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

If a member of the Audit Committee ceases to be a member resulting in the number being reduced to less than three, the Board shall within three months of that event, appoint such new members to make up the minimum number.

# AUDIT COMMITTEE REPORT

**Duties and Responsibilities**

All the Audit Committee members are able to effectively discharge their functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee and to support the Board for ensuring Corporate Governance of the Group which include the followings:-

(i) Financial Reporting
Review and recommend the quarterly results and annual financial statements, prior to the approval by the Board, focusing particularly on:-
- changes in or implementation of major accounting policies and practices;
- significant and unusual events;
- compliance with accounting standards and other legal requirements; and
- the going concern assumption.

(ii) Internal Auditor
- review the adequacy of the scope, functions, competency and resources of the internal audit functions; and
- review the internal audit plan, audit reports and follow up on the recommendations contained in such reports.

(iii) External Auditors
- review the external auditors' audit plan, scope of their audits and audit reports;
- review with the external auditors, their evaluation of the system of internal controls; and
- review the performance of the external auditors and make recommendation to the Board on their appointment and remuneration.

(iv) Related Party Transactions
- review any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises a question of management integrity within the Group.

(v) Other Matters
- assessing processes and procedures for the purpose of compliance with all laws, regulations and rules, directives and guidelines established by the relevant regulatory bodies; and
- perform any other functions as the Audit Committee considers appropriate or as authorised by the Board.

**Authority**

The Audit Committee shall have the authority to:-

(i) obtain the necessary resources required to perform its duties.

(ii) have full and unrestricted access to any information and documents relevant to its activities. All employees of the Group are required to comply and co-operate with any request made by the Audit Committee.

(iii) convene meetings with the external auditors, the internal auditors or both without the presence of Executive Director, Management or other employees of the Group, unless specifically invited by the Audit Committee. Meetings with the external auditors are held as and when necessary, and at least twice a year.

(iv) seek independent professional advice as it considers necessary.

# AUDIT COMMITTEE REPORT

### Meetings

The Audit Committee shall meet at least four times annually and additional meetings may be called at any time at the Chairman's discretion. An agenda shall be sent to all members of the Audit Committee and any persons that may be invited to attend. The External and Internal Auditors and other members of senior management will be invited to attend these meetings upon invitation by the Chairman of the Audit Committee. The Company Secretary shall record, prepare and circulate the minutes of meetings and ensure that the minutes are properly kept.

The Audit Committee held four meetings during the financial year ended 31 May 2011. The attendance of the Audit Committee members is as follows:-

| Audit Committee Members | Attendance |
|---|---|
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha | 4/4 |
| Chok Hooa @ Chok Yin Fatt | 4/4 |
| Y.B. Mohd Adhan bin Kechik | 4/4 |
| Kuan Khian Leng | 4/4 |

### SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee carried out the following activities:-

(i) reviewed and approved the Internal Audit Plan, strategy and scope of work.

(ii) reviewed the internal and external auditors' reports and considered the major findings by the auditors and management responses thereto.

(iii) reviewed the Audit Planning Memorandum of the external auditors prior to the commencement of their audit engagement.

(iv) reviewed the unaudited quarterly financial results and audited financial statements of the Company and of the Group prior to the submission to the Board for approval.

(v) reviewed the recurrent related party transactions entered into by the Company and the Group to ascertain that the transactions are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Group does not have an internal audit department of its own and had therefore engaged the services of a related party to carry out such tasks. The costs incurred for the internal audit function in respect of the financial year ended 31 May 2011 is RM54,000.00.

# AUDIT COMMITTEE REPORT

**SUMMARY OF ACTIVITIES UNDERTAKEN BY A RELATED PARTY ENGAGED TO CARRY OUT INTERNAL AUDIT FUNCTION**

The Company has engaged a related party, Yee Lee Edible Oils Sdn Bhd, to perform internal audit function for the Group. Its internal auditors are engaged to perform routine audit on all operating units within the Group, with emphasis on principal risk areas. The planning and conduct of audits basing on the risk profile of the business units of the Group is in line with the approach adopted in the Enterprise Risk Management of the Group. Their audit scopes include regular independent assessments and systematic review of the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors also undertake to conduct special audits from time to time as requested by the senior management.

Audit assignments were performed during the year on subsidiary companies of the Group covering assets management, cash collections and credit control, inventory, purchasing and sales, operations and compliance to ISO 9001:2000 quality management system. Audit reports incorporating the findings and recommendations for corrective actions on the systems and control weaknesses are presented to the Management concerned and thereafter to the Audit Committee for appraisal and review. The Management will ensure all remedial actions have been taken to resolve the audit issues highlighted in the audit reports within a reasonable time frame. Significant issues will be highlighted by the Audit Committee to the Board on quarterly basis.

# STATEMENT ON CORPORATE GOVERNANCE

Spritzer Bhd adheres to high standards of corporate governance practices under the leadership of the Board of Directors ("**Board**"), as guided by the Malaysian Code on Corporate Governance ("**Code**"). It is being fully applied as a fundamental part of discharging the directors' responsibilities to protect and enhance shareholders' value.

Set out below are the corporate governance principles and practices that were applied during the financial year ended 31 May 2011.

## THE BOARD OF DIRECTORS

### Composition

The Board presently has eight members comprising of the following:-

- Chairman
- Managing Director
- Two Executive Directors
- A Non-Independent Non-Executive Director
- Three Independent Non-Executive Directors

The profile of each Director is presented on pages 18 to 20 of the Annual Report.

The Directors are equally accountable under the law for the proper handling of the Group's affairs. All Directors are from diverse professional background with a range of knowledge and experience vital towards the effective leadership and continued success of the Group.

### Board Balance

The Board meetings are presided by the Chairman. There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has the overall responsibilities over organisational effectiveness and the implementation of Board policies and decisions.

The Executive Directors are generally responsible for making and implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Independent Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with their independent judgment. Their presence ensure that issues of strategies, performance and resources proposed by the management are objectively evaluated with their judgment.

The Board is satisfied with the existing number and composition of the Directors which fairly reflects the investment of minority shareholders in the Company.

### Board Meetings

The Board has committed to meet at least four times a year, usually before the announcement of quarterly results to Bursa Malaysia Securities Berhad ("**Bursa Securities**"), with additional meetings convened when necessary.

### Board Meetings (Cont'd)

During the financial year ended 31 May 2011 four Board Meetings were held and the attendance is as follows:-

| Directors | Attendance |
|---|---|
| Dato' Lim A Heng @ Lim Kok Cheong | 4/4 |
| Lim Kok Boon | 4/4 |
| Dr. Chuah Chaw Teo | 4/4 |
| Lam Sang | 4/4 |
| Chok Hooa @ Chok Yin Fatt | 4/4 |
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha | 4/4 |
| Y.B. Mohd Adhan bin Kechik | 4/4 |
| Kuan Khian Leng | 4/4 |

### Supply of Information

The Board is provided with an agenda, reports and other relevant information prior to Board Meetings, covering various aspects of the Group's operations. This is issued on a timely manner to enable the Board to participate actively in the overall management of the Company and to effectively discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretaries to assist them in carrying out their duties.

### Directors' Training

The Board acknowledges that continuous education is vital in keeping them abreast with developments in the market place and with new statutory and regulatory requirements, besides enhancing professionalism and knowledge in enabling them to discharge their roles in an effective manner.

Relevant training programmes were arranged to facilitate knowledge building for Directors. The Directors may also attend additional training courses according to their individual needs, to equip themselves for the discharge of their responsibilities as directors of a public listed company and in the Board Committees on which they serve.

All directors have attended training programs during the year. The trainings attended by the Directors, collectively or individually were as follows:-

- Governance and Ethical Practices in the Boardroom
- Improving the Budgeting Process for Effective High Performance
- Membrane Water Treatment – Fundamentals
- Social Media Masterclass
- Sharpening the Corporate Planning Roadmap & Structuring Fraud Prevention and Detection Framework
- Malaysia's Competitive Strength and Resilience
- Sustainability Programme for consumer products, finance, technology and closed end funds sectors
- Protecting your Letter of Credit (LC) Payment

### Re-election and Appointments of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors are subject to re-election by shareholders at the first annual general meeting after their appointments. The Articles also provide that one third of the remaining Directors be subject to re-election by rotation at each annual general meeting provided always that all Directors including Managing Director shall retire from office once at least in each three years but shall be eligible for re-election.

**Re-election and Appointments of Directors (Cont'd)**

The Board has empowered the Nomination Committee to consider and make recommendations 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.

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that Directors undergo an orientation programme to familiarise themselves with the Group's businesses, which include visits to the Group's various offices and factory premises and meetings with senior management. This is to facilitate their understanding of the Group's activities and to assist them in effectively discharging their duties.

## DIRECTORS' REMUNERATION

The details of the remuneration for the Directors of the Company paid or payable by the Company and its subsidiary companies for the financial year under review are as follows:-

| | Salaries (RM'000) | Bonus (RM'000) | Fees (RM'000) | Others (RM'000) | Total (RM'000) |
|---|---|---|---|---|---|
| Executive Directors | 692 | 202 | 65 | 28 | 987 |
| Non-Executive Directors | - | - | 84 | 144 | 228 |

Directors' remuneration are broadly categorised into the following bands:-

| | Number of Directors | |
|---|---|---|
| **Range of remuneration** | **Executive Directors** | **Non-Executive Directors** |
| RM1 to RM50,000 | - | 3 |
| RM50,001 to RM100,000 | - | 2 |
| RM250,001 to RM300,000 | 1 | - |
| RM300,001 to RM350,000 | 1 | - |
| RM500,001 to RM550,000 | 1 | - |

Directors' fees are subject to the approval by shareholders at the forthcoming 18th Annual General Meeting of the Company.

## BOARD COMMITTEES

The following Committees have been established to assist the Board in discharging its responsibilities:-

**(i) Audit Committee**

The Audit Committee consists of four members, comprising all Non-Executive Directors. Its composition and terms of reference are set out in the Audit Committee Report on pages 21 to 24 of this Annual Report.

**(ii) Nomination Committee**

The Nomination Committee has three members comprising a Non-Independent Non-Executive Chairman and two Independent Non-Executive Directors.

The Nomination Committee is responsible for assessing the performance of the existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors. It assists the Board in reviewing the required mix of skills and experience of the Directors.

Meetings of the Nomination Committee are held as and when required.

**(iii) Remuneration Committee**

The Remuneration Committee has three members comprising two Independent Non-Executive Directors and a Non-Independent Non-Executive Director.

The Remuneration Committee is responsible for setting the policy framework and makes recommendation to the Board on all elements of remuneration and terms of employment of Executive Directors and senior management. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Members met once in the financial year ended 31 May 2011.

## SHAREHOLDERS

### Dialogue between the Company and Investors

Shareholders are kept well informed of the development and performance of the Group through annual reports, press release, Company's website, quarterly results and other announcements to Bursa Securities. The Annual Report contains all the necessary disclosures in addition to facts and figures about the Group.

The Company values dialogues with its shareholders, potential investors, institutional investors and analyst and is willing to meet up with anyone to explain or clarify any information disclosed in its Annual Report or announcements released to Bursa Securities. The Board has identified Y. B. Mohd Adhan bin Kechik, SMK, an Independent Non-Executive Director, to whom any concern may be conveyed. Shareholders may also contact the Company Secretaries for information at all times.

### General Meetings

Notices of Annual and Extraordinary General Meetings of the Company are distributed to shareholders within a reasonable and sufficient time frame. Adequate time is given during the general meetings to allow shareholders to seek clarifications or ask questions on pertinent and relevant matters.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's and the Group's financial performance and position and its future prospects through the issuance of Annual Audited Financial Statements, quarterly results and corporate announcements on significant development.

This assessment is primarily provided in the Annual Report through the Chairman's Statement disclosed in the Annual Report. The Directors' Responsibility Statement for the Audited Financial Statements of the Company and the Group is set out on page 29 of the Annual Report. The quarterly results announcements also reflect the Board's commitment to give regular updated assessments on the Company's and the Group's performance.

# STATEMENT ON CORPORATE GOVERNANCE

**Internal Control**

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments. Details of the Group's internal control system are set out in the Statement on Internal Control on pages 31 and 32 of the Annual Report.

**Relationship with Auditors**

The Company maintains a professional and transparent relationship with the internal auditors in seeking their professional advice on the Group's system of internal controls and with the external auditors in ensuring compliance with the accounting standards. The Audit Committee has explicit authority to communicate directly with internal and external auditors.

Further details on the Audit Committee in relation to the external auditors are set out in the Audit Committee Report on pages 21 to 24 of the Annual Report.

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company has complied with the best practices of the Code throughout the financial year ended 31 May 2011 and implemented the enterprise risk management system at various subsidiary companies. For the financial year under review, the Board is satisfied that any risks arising from its business operations have been adequately addressed with its existing system of internal control in place. The Board will continuously assess the adequacy of the Group's system of internal control and make improvement and enhancement to the system as and when necessary.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 ("**Act**") to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows for that year. The Directors consider that in preparing the financial statements for the financial year ended 31 May 2011, the Group has adopted applicable approved Financial Reporting Standards in Malaysia, which are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Company and of the Group to enable them to ensure that the financial statements are drawn up in accordance with the provisions of the Act. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in Appendix 9C thereto.

**1. Utilisation of Proceeds Raised from Corporate Proposals**

The Company did not raise any funds from any corporate proposals during the financial year.

**2. Share Buy-Back**

The information on share buy-backs for the financial year is presented in the Directors' Report.

**3. Options, Warrants or Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the financial year.

**4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**

The Company did not sponsor any ADR or GDR Programme during the financial year.

**5. Sanctions and/or Penalties**

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the relevant regulatory bodies during the financial year.

**6. Non-Audit Fees**

The details of the statutory audit and non-audit fees paid/payable in year 2011 to the external auditors are disclosed in Note 25 to the Financial Statements on page 84.

**7. Variation in Results**

There was no variance between the financial results in the Audited Financial Statements 2011 and the unaudited financial results for the year ended 31 May 2011.

**8. Profit Guarantee**

There was no profit guarantee given by the Company during the financial year.

**9. Material Contracts**

There was no material contract which has been entered into by the Group, involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

**10. Revaluation Policy on Landed Properties**

The Group has carried out a revaluation on its investment properties in 2010 to determine the fair value of these assets as required by FRS 117.

The Group has also carried out a revaluation on its land and buildings in 2010 to comply with its revaluation policy. The Group has a Policy of valuing its land and buildings once in every five (5) years. The revaluation results revealed that the market value of the revalued properties did not differ materially from the carrying amount. Hence, no revision had been made on the carrying amount of the land and buildings stated in these financial statements.

# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of Spritzer Bhd ("Board") is pleased to provide the following Statement on Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The Board is committed towards fulfilling its responsibility on the Group's compliance with the Principles and Best Practices provisions in relation to internal controls as stipulated in the Malaysian Code on Corporate Governance.

## BOARD RESPONSIBILITIES

The Board acknowledges the importance in maintaining sound internal controls and effective risk management practices to ensure good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The Board is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Group's operations.

The Board also recognizes that a sound system of internal control can only provide reasonable, but not absolute assurance against material loss or failure. The internal control system is thus designed to manage and minimize rather than to completely eliminate the risk of failure in achieving the Group's business objectives. This denotes that the internal control system has been applied to manage risks within cost levels appropriate to the significance of the risks.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group recognizes that effective Risk Management is an integral part of Corporate Governance and continuously strives for excellence to ensure the effective and systematic protection of its personnel, assets and stakeholders. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis. The Group's Enterprise Risk Management ("ERM") Framework provides for regular review and reporting. The reports include an assessment of the degree of risk, and an evaluation of the effectiveness of the risk mitigating and treatment measures. Such reports are compiled by the Risk Assessor.

The Risk Management Advisory Committee will provide direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group's risk management processes and support system. In addition, it will review and approve actions developed to mitigate key risks and advising the Board on risk related issues.

A summary of significant risks is submitted to the Audit Committee for its attention. The Audit Committee will review and monitor the effectiveness of the Group's risk management system, and advises the Board accordingly.

The risk management program has served the Group with a structured, consistent approaches and methodologies in responding to the uncertainties in its operating environment. This warrants the strategic and rapid response by the management to impede the impact of its key risks in order to achieve the Group's business objectives.

# STATEMENT ON INTERNAL CONTROL

### INTERNAL AUDIT FUNCTION

The Group engages an independent Internal Audit Team to conduct scheduled internal audit visits to business units, and carries out its functions in monitoring the effective application of policies, procedures and activities related to internal controls, risk management and governance processes. There is an audit charter in place that defines the organization status, functions and responsibilities of the Internal Audit.

The independent Internal Audit Team reports to the Audit Committee on the findings of the audit, risk and control matters of significance that could adversely affect the Group's financial position or reputation. The internal audit function will provide the Board with an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system in anticipating potential risk exposures over key business processes and in controlling the proper conduct of business within the Group.

### MANAGEMENT MEETINGS

The Group's management team carries out periodic meetings with agendas on matters for discussions and communicates regularly to monitor operational and financial performance as well as formulate action plans to address areas of concern. The Board is kept up-to-date on significant changes in the business and the external environment in which the Group operates, on a quarterly basis.

### REVIEW OF EFFECTIVENESS

The Board remains committed towards improving the system of internal control and risk management process to meet its corporate objectives and to support all types of businesses and operations within the Group. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This Statement on Internal Control has been reviewed and affirmed by the External Auditors for inclusion in the Annual Report of the Group for the financial year ended 31 May 2011 in accordance with the Recommended Practice Guide 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad .

### CONCLUSION

After due and careful assessment and based on the information and assurance provided, the Board is satisfied that there were no material or significant losses incurred during the financial year as a result of deficiencies in internal control that would require separate disclosure in this Annual Report.

Nevertheless, the Board will continue to ensure that the Group's system of internal control is able to constantly adapt and prevail in its changing and challenging business environment.


# Financial Statements

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2011.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

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

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 8,098 | 3,512 |

## DIVIDENDS

A first and final dividend of 2.5 sen per share, tax-exempt, proposed in respect of ordinary shares in the previous financial year and dealt with the previous directors' report was paid by the Company during the current financial year.

The directors have proposed a first and final dividend of 2.5 sen per share, tax-exempt, in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

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

## TREASURY SHARES

There was no repurchase of its own shares from the open market by the Company during the financial year. As at 31 May 2011, the Company held a total of 24,000 of its 130,658,666 issued ordinary share capital as treasury shares. Such treasury shares are being held at a carrying amount of RM13,832 and further relevant details are disclosed in Note 15 (b) to the financial statements.

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the income statements, the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

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

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

(iii) 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.

(d) In the opinion of the Directors:

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

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

### (III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances, not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## DIRECTORS

The Directors who have held office since the date of the last report are:-

Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP
Mr. Lim Kok Boon
Dr. Chuah Chaw Teo
Mr. Lam Sang
Mr. Chok Hooa @ Chok Yin Fatt, PMP
Y. Bhg. Dato' Ir. Nik Mohamad Pena Bin Nik Mustapha, DIMP
Y.B. Mohd. Adhan Bin Kechik, SMK
Mr. Kuan Khian Leng

In accordance with Article 85 of the Company's Articles of Association, Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, Dr. Chuah Chaw Teo and Y. Bhg. Dato' Ir. Nik Mohamad Pena Bin Nik Mustapha, DIMP retire by rotation and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:-

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| | **Balance as at 1.6.2010** | **Bought** | **Sold** | **Balance as at 31.5.2011** |
| **Registered in the name of directors** | | | | |
| Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP | 6,328,766 | - | - | 6,328,766 |
| Mr. Lim Kok Boon | 5,100,000 | - | - | 5,100,000 |
| Dr. Chuah Chaw Teo | 138,666 | - | - | 138,666 |
| Mr. Lam Sang | 3,178,666 | - | (759,800) | 2,418,866 |
| Mr. Chok Hooa @ Chok Yin Fatt, PMP | 151,000 | 20,000 | (25,000) | 146,000 |
| Y. Bhg. Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP | 1,350,000 | - | - | 1,350,000 |
| Y.B. Mohd Adhan bin Kechik, SMK | 3,851,332 | - | (190,000) | 3,661,332 |

### DIRECTORS' INTERESTS (CONT'D)

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| | Balance as at 1.6.2010 | Bought | Sold | Balance as at 31.5.2011 |
| **Deemed interest by virtue of shares held by companies in which the directors have interests** | | | | |
| Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP | 65,968,176 | 5,500,000 | (5,500,000) | 65,968,176 |
| Mr. Lim Kok Boon | 4,664,000 | - | - | 4,664,000 |
| Mr. Kuan Khian Leng | 4,800,000 | - | - | 4,800,000 |
| **Deemed interest by virtue of shares held by immediate family members of the directors** | | | | |
| Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP | 1,955,598 | - | - | 1,955,598 |
| Mr. Lim Kok Boon | 238,998 | - | - | 238,998 |

By virtue of Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP's interest in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company have received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also directors and/or shareholders as disclosed in Note 31 to the financial statements.

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

### AUDITORS

The auditors, Messrs. LLTC, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the directors,

**Mr. Lim Kok Boon**
Director

**Dr. Chuah Chaw Teo**
Director

Dated: 9 September 2011
Ipoh

# STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the directors, the accompanying financial statements together with the notes to the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 May 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Mr. Lim Kok Boon**
Director

**Dr. Chuah Chaw Teo**
Director

Dated: 9 September 2011
Ipoh

# STATUTORY DECLARATION

### PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Mr. Sow Yeng Chong**, being the officer primarily responsible for the financial management of **SPRITZER BHD**., do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements together with the notes to the financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )
abovenamed at Ipoh in the )
State of Perak Darul Ridzuan on 9 September 2011 ) **Mr. Sow Yeng Chong**

Before me,

Encik Mohd Yusof Bin Haron, KPP, PNPBB, PJK
No. A112
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SPRITZER BHD.
**(Incorporated In Malaysia)**

### Report on the Financial Statements

We have audited the financial statements of **SPRITZER BHD.,** which comprise the statements of financial position as at 31 May 2011 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 notes, as set out on pages 41 to 98.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2011 and of theirs financial performance and cash flows for the financial year then ended.

### Report on Other Legal and Regulatory Requirements

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

- In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- The audit reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SPRITZER BHD.

**(Incorporated In Malaysia)**

### Other Reporting Responsibilities

The supplementary information set out in Note 16(d) to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material 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 content of this report.

**LLTC**
AF : 1114
Chartered Accountants

**Lim Chee Hoong**
1783/02/12(J)
Partner

Dated : 9 September 2011
Ipoh

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 MAY 2011

| | Note | Group 2011 RM'000 | Group 2010 (Restated) RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | **6** | 183,087 | 154,256 | - | - |
| Investment in subsidiary companies | **7** | - | - | 66,567 | 66,567 |
| Investment properties | **8** | 3,594 | 3,594 | - | - |
| Goodwill on consolidation | **10** | 40 | 40 | - | - |
| **Total non-current assets** | | 186,721 | 157,890 | 66,567 | 66,567 |
| **Current assets** | | | | | |
| Other investment | **11** | 90 | 150 | - | - |
| Inventories | **12** | 19,158 | 16,792 | - | - |
| Trade and other receivables | **13** | 44,717 | 46,754 | 21,564 | 21,302 |
| Other assets | **14** | 4,173 | 9,368 | 1 | 10 |
| Current tax assets | | 700 | 324 | 135 | 178 |
| Cash and bank balances | | 9,371 | 8,096 | 50 | 13 |
| **Total current assets** | | 78,209 | 81,484 | 21,750 | 21,503 |
| **TOTAL ASSETS** | | 264,930 | 239,374 | 88,317 | 88,070 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | **15(a)** | 65,329 | 65,329 | 65,329 | 65,329 |
| Treasury shares | **15(b)** | (14) | (14) | (14) | (14) |
| Reserves | **16** | 76,736 | 71,904 | 22,874 | 22,628 |
| **TOTAL EQUITY** | | 142,051 | 137,219 | 88,189 | 87,943 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | **17** | 27,391 | 34,841 | - | - |
| Hire purchase payables | **18** | 19,109 | 6,346 | - | - |
| Deferred tax liabilities | **19** | 11,659 | 10,617 | - | - |
| **Total non-current liabilities** | | 58,159 | 51,804 | - | - |
| **Current liabilities** | | | | | |
| Trade and other payables | **20** | 13,703 | 14,166 | 1 | 4 |
| Other liabilities | **21** | 3,921 | 2,833 | 127 | 123 |
| Borrowings | **17** | 41,038 | 31,089 | - | - |
| Hire purchase payables | **18** | 6,052 | 2,124 | - | - |
| Current tax liabilities | | 6 | 139 | - | - |
| **Total current liabilities** | | 64,720 | 50,351 | 128 | 127 |
| **Total liabilities** | | 122,879 | 102,155 | 128 | 127 |
| **TOTAL EQUITY AND LIABILITIES** | | 264,930 | 239,374 | 88,317 | 88,070 |

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

# INCOME STATEMENTS

## FOR THE YEAR ENDED 31 MAY 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 22 | 147,682 | 131,636 | 3,785 | 7,050 |
| Investment revenue | 24 | 112 | 128 | - | - |
| Other gains/(losses) | 25 | 839 | (92) | - | - |
| Changes in inventories of finished goods, trading merchandise and work-in-progress | | 595 | 336 | - | - |
| Purchased of finished goods and trading merchandise | | (34) | (15,295) | - | - |
| Raw materials and consumables used | | (70,862) | (44,100) | - | - |
| Directors' remuneration | 26 | (1,353) | (1,155) | (147) | (148) |
| Employee benefits expense | 25 | (15,878) | (13,311) | - | - |
| Depreciation of property, plant and equipment | | (8,546) | (6,652) | - | - |
| Finance costs | 27 | (3,747) | (2,276) | - | - |
| Other expenses | 25 | (38,642) | (34,906) | (116) | (305) |
| Profit before tax | | 10,166 | 14,313 | 3,522 | 6,597 |
| Taxation | 28 | (2,068) | (1,772) | (10) | (67) |
| **Profit for the financial year** | | 8,098 | 12,541 | 3,512 | 6,530 |
| Attributable to: | | | | | |
| Owners of the Company | | 8,098 | 12,541 | 3,512 | 6,530 |

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MAY 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| Profit for the financial year | | 8,098 | 12,541 | 3,512 | 6,530 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | 8,098 | 12,541 | 3,512 | 6,530 |
| Total comprehensive income for the year attributable to owners of the Company | | 8,098 | 12,541 | 3,512 | 6,530 |
| Basic earnings per ordinary share (Sen) | **29** | 6.2 | 9.6 | | |
| Diluted earnings per ordinary share (Sen) | **29** | 6.2 | 9.6 | | |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MAY 2011

| Group | Note | Share Capital RM'000 | Treasury Shares RM'000 | Non-distributable Reserves Share Premium RM'000 | Non-distributable Reserves Revaluation Reserves RM'000 | Distributable Reserve Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|
| As at 1 June 2009 | | 65,329 | (14) | 16,549 | 5,732 | 39,694 | 127,290 |
| **Total comprehensive income for the financial year** | | - | - | - | - | 12,541 | 12,541 |
| Dividends paid | **30** | - | - | - | - | (2,612) | (2,612) |
| **As at 31 May 2010** | | 65,329 | (14) | 16,549 | 5,732 | 49,623 | 137,219 |
| **Total comprehensive income for the financial year** | | - | - | - | - | 8,098 | 8,098 |
| Dividends paid | **30** | - | - | - | - | (3,266) | (3,266) |
| **As at 31 May 2011** | | 65,329 | (14) | 16,549 | 5,732 | 54,455 | 142,051 |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MAY 2011

| Company | Note | Share Capital RM'000 | Treasury Shares RM'000 | Non-distributable Reserve Share Premium RM'000 | Distributable Reserve Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|
| As at 1 June 2009 | | 65,329 | (14) | 16,549 | 2,161 | 84,025 |
| **Total comprehensive income for the financial year** | | - | - | - | 6,530 | 6,530 |
| Dividends paid | **30** | - | - | - | (2,612) | (2,612) |
| As at 31 May 2010 | | 65,329 | (14) | 16,549 | 6,079 | 87,943 |
| **Total comprehensive income for the financial year** | | - | - | - | 3,512 | 3,512 |
| Dividends paid | **30** | - | - | - | (3,266) | (3,266) |
| As at 31 May 2011 | | 65,329 | (14) | 16,549 | 6,325 | 88,189 |

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

# STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 MAY 2011

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | 10,166 | 14,313 | 3,522 | 6,597 |
| Adjustments for:- | | | | |
| Allowance for doubtful debts | 156 | 507 | - | - |
| Allowance for slow moving and obsolete inventories | - | 321 | - | - |
| Allowance for slow moving and obsolete inventories no longer required | (31) | - | - | - |
| Bad debts written off | 34 | 48 | - | - |
| Depreciation of property, plant and equipment | 8,546 | 6,652 | - | - |
| Finance costs | 3,747 | 2,276 | - | - |
| Dividends received | - | - | (3,785) | (7,050) |
| Allowance for doubtful debts no longer required | (313) | (7) | - | - |
| Interest received | (40) | (42) | - | - |
| Investment revenue | (72) | (86) | - | - |
| Rental income | (209) | (157) | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 43 | (3) | - | - |
| Property, plant and equipment written off | 634 | 2,571 | - | - |
| Unrealised gain on foreign exchange | (13) | - | - | - |
| Operating profit before working capital changes | 22,648 | 26,393 | (263) | (453) |
| **Changes in working capital:** | | | | |
| Increase in inventories | (2,335) | (5,728) | - | - |
| Decrease/(Increase) in receivables | 20,077 | (28,682) | 3,475 | 3,063 |
| (Decrease)/Increase in payables | (11,417) | 20,057 | 1 | 7 |
| **Cash generated from operations** | 28,973 | 12,040 | 3,213 | 2,617 |
| Tax paid | (1,628) | (1,385) | - | - |
| Tax refunded | 94 | 785 | 90 | - |
| **Net cash generated from operating activities** | 27,439 | 11,440 | 3,303 | 2,617 |

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

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 MAY 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from disposal of property, plant and equipment | | 100 | 73 | - | - |
| Purchase of property, plant and equipment | | (38,154) | (51,402) | - | - |
| Investment revenue received | | 72 | 86 | - | - |
| Interest received | | 40 | 42 | - | - |
| Rental received | | 209 | 157 | - | - |
| Capital refund from other investment | | 60 | - | - | - |
| **Net cash used in investing activities** | | (37,673) | (51,044) | - | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividend paid | | (3,266) | (2,612) | (3,266) | (2,612) |
| Finance cost paid | | (3,747) | (2,276) | - | - |
| Proceeds from term loans | | - | 29,341 | - | - |
| Proceeds from revolving credit | | 9,250 | - | - | - |
| Repayment of term loans | | (6,735) | (5,958) | - | - |
| Net (repayment)/proceeds from bankers' acceptances | | (908) | 13,050 | - | - |
| Proceeds from hire purchase | | 18,643 | 7,846 | - | - |
| Repayment of hire purchase | | (2,620) | (1,243) | - | - |
| **Net cash generated from/(used in) financing activities** | | 10,617 | 38,148 | (3,266) | (2,612) |
| **Net increase/(decrease) in cash and cash equivalents** | | 383 | (1,456) | 37 | 5 |
| **Cash and cash equivalents brought forward** | | 8,096 | 9,552 | 13 | 8 |
| **Cash and cash equivalents carried forward** | 34(b) | 8,479 | 8,096 | 50 | 13 |

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

# NOTES TO THE FINANCIAL STATEMENTS

**31 MAY 2011**

## 1. GENERAL INFORMATION

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

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 7.

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

The registered office of the Company is located at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan.

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

The financial statements of the Group and of the Company were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 9 September 2011.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### I. Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgement, estimates and assumptions are disclosed in Note 4 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated.**

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies controlled by the Company made up to 31 May 2011.

Subsidiary companies are those companies which being controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The acquisitions of subsidiary companies are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions and balances and the resulting unrealized profits are eliminated on consolidation. Unrealized losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

**(b) Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group is obligated to incur when the item is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which have different useful lives, are depreciated separately.

After initial recognition, property, plant and equipment except for certain freehold land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses. Certain freehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

### II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)

#### (b) Property, plant and equipment and depreciation (Cont'd)

Surplus arising from revaluation of such land and buildings is credited to shareholders' equity as revaluation reserve, net of deferred tax, if any, and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same asset. In all other cases, the deficit will be charged to income statement. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

Depreciation of property, plant and equipment is computed on the reducing balance method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Buildings and factory extension | 2% to 5% |
| Electrical installation | 10% |
| Employees' quarters | 2% to 10% |
| Furniture, fixtures and equipments | 5% to 10% |
| Motor vehicles | 20% |
| Hot/cold water dispensers | 10% |
| Plant and machinery | 5% to 10% |

Freehold land has unlimited useful life and is not depreciated. Leasehold land is amortised over the lease period ranging from 77 to 82 years. Capital work-in-progress represents machinery under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceed, if any, and the carrying amount is included in income statement and the revaluation reserve related to those assets, if any, is transferred directly to retained earnings.

#### (c) Property, plant and equipment under hire purchase arrangement

Assets acquired under hire-purchase arrangements which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding hire-purchase obligations are recorded at their fair values or, if lower, at the present value of the minimum hire-purchase payments of the assets at the inception of the respective arrangements.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(c) Property, plant and equipment under hire purchase arrangement (Cont'd)**

Finance costs, which represent the differences between the total hire-purchase commitments and the fair values of the assets acquired, are charged to income statement over the term of the relevant hire-purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

**(d) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases, other than leasehold properties classified as investment property, are classified as operating leases. Property interest held under an operating lease to earn rentals or for capital appreciation or both is classified as investment property.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(e) Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is arrived by reference to market evidence of transaction prices for similar properties. Gain or loss arising from changes in the fair values of investment properties are recognised in income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Gain or loss on the retirement or disposal of an investment property is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income statement in the year in which the retirement or disposal arise.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(f) Goodwill**

Goodwill acquired in a business combination is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill arising on consolidation represents the excess of cost of business combination over the interest of the Group in the net fair values of the identifiable assets, liabilities and contingent liabilities recognised of the acquiree at the date of the combination.

Goodwill is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units of the Group expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the consolidated income statements and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of an entity or operation, the goodwill associated with the entity or operation disposed of is included in the carrying amount of the entity or operation when determining the gain or loss on disposal.

Any excess of the interest of the Group in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as negative goodwill) is reassessed and is recognised immediate to income statements.

**(g) Impairment of assets excluding goodwill**

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than inventories, financial assets and investment properties which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(g) Impairment of assets excluding goodwill (Cont'd)**

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(h) Inventories**

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

Cost is determined principally on the first-in, first-out and weighted average cost principle. Cost of direct materials and packing materials comprise the original purchase price plus cost incurred in bringing the inventories to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses.

**(i) Treasury shares**

Shares repurchased by the Company are held as treasury shares, and are stated at the cost of repurchases, including directly attributable costs.

**(j) Financial instruments**

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

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets and financial liabilities classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

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

### II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)

#### (j) Financial instruments (Cont'd)

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expense is recognised on an effective interest basis for debt instruments other than those financial assets and financial liabilities classified as at FVTPL.

**(A) Financial assets**

Financial assets of the Group and of the Company are classified into 'FVTPL' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***(i) FVTPL financial assets***

FVTPL category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorized as FVTPL are subsequently measured at their fair values with gain or loss recognised in income statement.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***(iii) Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(j) Financial instruments (Cont'd)**

**(A) Financial assets (Cont'd)**

***(iii) Impairment of financial assets (Cont'd)***

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statements.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statements to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***(iv) Derecognition of financial assets***

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(j) Financial instruments (Cont'd)**

**(B) Financial liabilities and equity instruments**

***(i) Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

***(ii) Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

***(iii) Financial liabilities***

Financial liabilities of the Group and of the Company, including borrowings, are classified into "other financial liabilities" category, and are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

***(iv) Derecognition of financial liabilities***

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

**(k) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

**(A) Sales of goods**

Revenue from sale of goods is recognised when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

**(k) Revenue recognition (cont'd)**

**(B) Dividend and interest revenue**

Dividend income represents gross dividends from unquoted investments and is recognised when the shareholder's rights to receive payment is established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**(C) Rental income**

Rental income is accrued on a time basis, by reference to the agreements entered.

**(l) Borrowing costs**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to construction of assets which require a substantial period of time to get them ready for their intended use are capitalized and included as part of the cost of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All borrowings costs are recognised in the income statement using the effective interest method, in the period in which they are incurred. The interest component of hire purchase is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

**(m) Employee benefits**

***Short-term Employee Benefits***

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

**II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

### (m) Employee benefits (Cont'd)

***Defined Contribution Plans***

The Group's contribution to the Employee's Provident Fund ("EPF") is charged as an expense in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations. The Group's contributions to the EPF are disclosed separately. The employees' contributions to EPF are included in salaries.

### (n) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

### (o) Foreign currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in income statement in the year in which they arise.

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

II. **The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)**

(p) **Income taxes**

Taxes in the income statement comprise current tax and deferred tax.

(A) **Current tax**

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

(B) **Deferred tax**

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the income statement for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

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

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

### II. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company, unless otherwise stated. (Cont'd)

#### (q) Research and development costs

Research costs relating to the original and planned investigation undertaken with the prospect of gaining new technical knowledge and understanding, are recognised as an expense when incurred.

Development costs represent costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services prior to the commencement of commercial production or use. Development costs are charged to income statement in the year in which it is incurred except where a clearly-defined project is undertaken and it is probable that the development costs will give rise to future economic benefits. Such development costs are recognised as an intangible asset and amortised on a straight-line method over the life of the project from the date of commencement of commercial operation, which is on average five years.

#### (r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit and loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### (s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to access its performance, and for which discrete financial information is available.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### (a) Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates at the end of the reporting period.

### (b) Critical judgements made in applying accounting policies

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

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### (c) Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(ii) Recoverability of receivables

The Group makes allowance for doubtful receivables based on an assessment of the recoverability of trade and other receivables. An allowance is established for trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful receivables expenses in the period in which such estimate has been changed.

(iii) Allowance for slow moving and obsolete inventories

The Group makes allowance for slow moving and obsolete inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternative uses. Allowance is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of slow moving and obsolete inventories requires use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and slow moving inventories expenses in the period in which such estimate has been changed.

(iv) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(v) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

For the purpose of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgement is required in the estimation of the present value of future cash flows generated by the cash-generating units, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill.

## 5. ADOPTION OF NEW FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS

**5.1 During the financial year, the Group and the Company adopted all new and revised FRSs and IC Interpretations ("Int.") issued by the Malaysian Accounting Standards Board that are relevant to their operations. The adoption of these new and revised FRSs and IC Int. have not resulted in material changes to the Group's and the Company's accounting policies except as follows:**

**(a) FRS 7 *Financial Instruments: Disclosures***

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and process for managing capital.

Comparative disclosures have not been presented upon initial adoption of this Standard as the Group and the Company have availed themselves of the transitional provision in this Standard.

**(b) FRS 8 *Operating Segments***

FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting segments based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information primarily in respect of its business segments (see Note 23). The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

**(c) Revised FRS 101: *Presentation of Financial Statements***

The revised FRS 101 introduces the new terminology replacing the "Balance Sheet" with "Statement of Financial Position" and "Cash Flow Statement" with "Statement of Cash Flows". This revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the "Statement of Comprehensive Income", with all items of income and expense recognised in income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as two linked statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the current financial period.

**(d) Amendments to FRS 117: *Leases***

The amendments to FRS 117 require entities with existing leases of land and buildings to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity.

The following are effects to the Group's statement of financial position as at 31 May 2011 arising from the above change in accounting policy:

| | Increase/ (Decrease) RM'000 |
|---|---|
| Property, plant and equipment | 4,469 |
| Prepaid lease payments | (4,469) |

**5. ADOPTION OF NEW FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS (CONT'D)**

**5.1 During the financial year, the Group and the Company adopted all new and revised FRSs and IC Interpretations ("Int.") issued by the Malaysian Accounting Standards Board that are relevant to their operations. The adoption of these new and revised FRSs and IC Int. have not resulted in material changes to the Group's and the Company's accounting policies except as follows: (Cont'd)**

**(d) Amendments to FRS 117: *Leases (Cont'd)***

The following comparatives have been restated:

| | As previously stated RM'000 | Effects on Adoption of Amendments to FRS 117 RM'000 | As restated RM'000 |
|---|---|---|---|
| **Statement of financial position** | | | |
| **Group** | | | |
| **31 May 2010** | | | |
| Property, plant and equipment | 149,729 | 4,527 | 154,256 |
| Prepaid lease payments | 4,527 | (4,527) | - |

**(e) FRS 139 Financial Instruments: *Recognition and Measurement***

This standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances.

Prior to adoption of FRS 139, the Group classified its unquoted investment as other investment which was held for non-trading purposes as non-current investment. This investment was stated at cost less allowance for diminution in value of investment. Upon adoption of FRS 139, this investment is designated at 1 June 2010 as fair value through profit or loss financial assets, which was stated at cost less impairment loss and accordingly is stated at fair value, as it does not have quoted market price in an active market of which fair value cannot be reliably measured.

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparatives as at 31 May 2010 are not restated.

The adoption of FRS 139 does not have a significant impact on the Group's profit for the financial year to date.

**5. ADOPTION OF NEW FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS (CONT'D)**

**5.2 The adoption of the new and revised FRSs and IC Int. which are mandatory for annual period beginning on or after 1 January 2010, but have not resulted in material changes to the Group's and the Company's accounting policies are as follows:**

| | |
|---|---|
| FRS 123 | Borrowing Costs |
| FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 8 | Operating Segments |
| Amendments to FRS 107 | Statement of Cash Flows |
| Amendments to FRS 110 | Events after the Reporting Period |
| Amendments to FRS 116 | Property, Plant and Equipment |
| Amendments to FRS 118 | Revenue |
| Amendments to FRS 119 | Employee Benefits |
| Amendments to FRS 123 | Borrowing Costs |
| Amendments to FRS 127 | Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 136 | Impairment of Assets |
| Amendments to FRS 138 | Intangible Assets |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement |
| IC Int. 10 | Interim Financial Reporting and Impairment |
| IC Int. 11 | FRS 2 – Group and Treasury Share Transactions |
| IC Int. 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

**5.3 At the date of authorisation for issue of these financial statements, the FRSs, IC Int. and amendments to FRSs and IC Int. which were in issue but not yet effective and not yet adopted are as listed below:**

| **FRSs and IC Int.** | | **Effective for annual periods beginning on or after** |
|---|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 124 | Related Party Disclosures | 1 January 2012 |
| FRS 127 | Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 1 | Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 | Share-based Payments | 1 January 2011 |
| Amendments to FRS 3 | Business Combinations | 1 January 2011 |
| Amendments to FRS 7 | Improving Disclosures about Financial instruments | 1 January 2011 |
| Amendments to FRS 132 | Financial Instruments: Presentation | 1 January 2011 |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2011 |
| IC Int. 4 | Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Int. 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| IC Int. 18 | Transfer of Assets from Customers | 1 January 2011 |
| IC Int. 19 | Extinguishing Financial Liabilities | 1 July 2011 |
| Amendments to IC Int. 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 July 2011 |

**5. ADOPTION OF NEW FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS (CONT'D)**

**5.3 At the date of authorisation for issue of these financial statements, the FRSs, IC Int. and amendments to FRSs and IC Int. which were in issue but not yet effective and not yet adopted are as listed below: (Cont'd)**

The directors anticipate that abovementioned Standards and IC Int. will be adopted in the annual financial statements of the Group and of the Company when they become effective, and that the adoption of these Standards and IC Int. will have no material impact on the financial statements of the Group and of the Company in the period of initial application other than the following:

**FRS 3 - Business Combinations (Revised in 2010)**

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in income statement;

- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in income statement as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption. The directors are of the view that the impact of the eventual application is not known or reasonably estimable presently.

**FRS 127 - Consolidated and Separate Financial Statements (Revised in 2010)**

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiary companies that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary companies were treated in the same manner as the acquisition of subsidiary companies, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary companies regardless of whether the disposals would result in the Group losing control over the subsidiary companies, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in income statement.

## 5. ADOPTION OF NEW FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS (CONT'D)

**5.3 At the date of authorisation for issue of these financial statements, the FRSs, IC Int. and amendments to FRSs and IC Int. which were in issue but not yet effective and not yet adopted are as listed below: (Cont'd)**

**FRS 127 - Consolidated and Separate Financial Statements (Revised in 2010) (Cont'd)**

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or income statement. When control of a subsidiary company is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in income statement.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption. The directors are of the view that the impact of the eventual application is not known or reasonably estimable presently.

## 6. PROPERTY, PLANT AND EQUIPMENT

| Group 2011 | Balance as at 1.6.2010 RM'000 | Additions RM'000 | Disposals RM'000 | Written off RM'000 | Reclassifi-cation RM'000 | Balance as at 31.5.2011 RM'000 |
|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | |
| Freehold land: | | | | | | |
| At valuation | 20,720 | - | - | - | - | 20,720 |
| At cost | 29,340 | - | - | - | - | 29,340 |
| Long term leasehold land: | | | | | | |
| At valuation | 4,459 | - | - | - | - | 4,459 |
| At cost | 350 | - | - | - | - | 350 |
| Buildings: | | | | | | |
| At valuation | 17,076 | - | - | - | (166) | 16,910 |
| At cost | 24,611 | 13 | - | - | 166 | 24,790 |
| Factory extension | 811 | 209 | - | - | - | 1,020 |
| Staff quarters: | | | | | | |
| At valuation | 290 | - | - | - | - | 290 |
| At cost | 455 | 174 | - | - | - | 629 |
| Plant and machinery | 89,340 | 35,461 | - | (2,336) | 3,253 | 125,718 |
| Motor vehicles | 7,366 | 1,065 | (390) | - | (1) | 8,040 |
| Furniture, fixtures and equipment | 10,255 | 1,162 | (30) | (222) | (38) | 11,127 |
| Electrical and power installation | 1,175 | 25 | - | - | - | 1,200 |
| Hot/Cold water dispensers | 273 | 27 | - | (1) | - | 299 |
| Capital work-in-progress | 3,221 | 18 | - | - | (3,214) | 25 |
| | 209,742 | 38,154 | (420) | (2,559) | - | 244,917 |

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

| Group 2011 | Balance as at 1.6.2010 RM'000 | Additions RM'000 | Disposals RM'000 | Written off RM'000 | Reclassification RM'000 | Balance as at 31.5.2011 RM'000 | Carrying amount RM'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| Freehold land: | | | | | | | |
| At valuation | - | - | - | - | - | - | 20,720 |
| At cost | - | - | - | - | - | - | 29,340 |
| Long term leasehold land: | | | | | | | |
| At valuation | 260 | 53 | - | - | - | 313 | 4,146 |
| At cost | 22 | 5 | - | - | - | 27 | 323 |
| Buildings: | | | | | | | |
| At valuation | 1,627 | 306 | - | - | (2) | 1,931 | 14,979 |
| At cost | 560 | 484 | - | - | 2 | 1,046 | 23,744 |
| Factory extension | 79 | 43 | - | - | - | 122 | 898 |
| Staff quarters: | | | | | | | |
| At valuation | 33 | 5 | - | - | - | 38 | 252 |
| At cost | 55 | 12 | - | - | - | 67 | 562 |
| Plant and machinery | 44,208 | 5,980 | - | (1,778) | - | 48,410 | 77,308 |
| Motor vehicles | 3,846 | 828 | (263) | - | - | 4,411 | 3,629 |
| Furniture, fixtures and equipment | 4,150 | 747 | (14) | (147) | - | 4,736 | 6,391 |
| Electrical and power installation | 557 | 63 | - | - | - | 620 | 580 |
| Hot/Cold water dispensers | 89 | 20 | - | - | - | 109 | 190 |
| Capital work-in-progress | - | - | - | - | - | - | 25 |
| | 55,486 | 8,546 | (277) | (1,925) | - | 61,830 | 183,087 |

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

| Group 2010 | Balance as at 1.6.2009 RM'000 | Additions RM'000 | Disposals RM'000 | Written off RM'000 | Balance as at 31.5.2010 RM'000 |
|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | |
| Freehold land: | | | | | |
| At valuation | 20,720 | - | - | - | 20,720 |
| At cost | 12,842 | 16,498 | - | - | 29,340 |
| Long term leasehold land: | | | | | |
| At valuation | 4,459 | - | - | - | 4,459 |
| At cost | 350 | - | - | - | 350 |
| Buildings: | | | | | |
| At valuation | 16,910 | 166 | - | - | 17,076 |
| At cost | 7,049 | 17,562 | - | - | 24,611 |
| Factory extension | 811 | - | - | - | 811 |
| Staff quarters: | | | | | |
| At valuation | 290 | - | - | - | 290 |
| At cost | 455 | - | - | - | 455 |
| Plant and machinery | 90,479 | 10,674 | (135) | (11,678) | 89,340 |
| Motor vehicles | 5,867 | 1,708 | (209) | - | 7,366 |
| Furniture, fixtures and equipment | 9,170 | 1,297 | (3) | (209) | 10,255 |
| Electrical and power installation | 1,211 | 9 | - | (45) | 1,175 |
| Hot/Cold water dispensers | 265 | 34 | (26) | - | 273 |
| Capital work-in-progress | - | 3,454 | - | (233) | 3,221 |
| | 170,878 | 51,402 | (373) | (12,165) | 209,742 |

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

| Group 2010 | Balance as at 1.6.2009 RM'000 | Additions RM'000 | Disposals RM'000 | Written off RM'000 | Balance as at 31.5.2010 RM'000 | Carrying amount RM'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | |
| Freehold land: | | | | | | |
| At valuation | - | - | - | - | - | 20,720 |
| At cost | - | - | - | - | - | 29,340 |
| Long term leasehold land: | | | | | | |
| At valuation | 207 | 53 | - | - | 260 | 4,199 |
| At cost | 17 | 5 | - | - | 22 | 328 |
| Buildings: | | | | | | |
| At valuation | 1,313 | 314 | - | - | 1,627 | 15,449 |
| At cost | 249 | 311 | - | - | 560 | 24,051 |
| Factory extension | 40 | 39 | - | - | 79 | 732 |
| Staff quarters: | | | | | | |
| At valuation | 28 | 5 | - | - | 33 | 257 |
| At cost | 46 | 9 | - | - | 55 | 400 |
| Plant and machinery | 49,333 | 4,415 | (105) | (9,435) | 44,208 | 45,132 |
| Motor vehicles | 3,282 | 745 | (181) | - | 3,846 | 3,520 |
| Furniture, fixtures and equipment | 3,613 | 667 | (2) | (128) | 4,150 | 6,105 |
| Electrical and power installation | 519 | 69 | - | (31) | 557 | 618 |
| Hot/Cold water dispensers | 84 | 20 | (15) | - | 89 | 184 |
| Capital work-in-progress | - | - | - | - | - | 3,221 |
| | 58,731 | 6,652 | (303) | (9,594) | 55,486 | 154,256 |

Included in property, plant and equipment of the Group are motor vehicles and plant and machinery acquired under hire purchase arrangements with a cost of RM35,554,059 (2010: RM11,583,539).

The original land titles for certain freehold land with total carrying values of RM593,909 (2010: RM11,479,063) are not available for inspection by the auditors as they are in the process of being transferred to the subsidiary's name or pending issuance of new land titles.

The Group had carried out a revaluation on its freehold and leasehold land, factory buildings and staff quarters in 2010 to comply with its revaluation policy. The Group has a policy of valuing its land and buildings once in every five (5) years. The freehold and leasehold land, factory buildings and staff quarters of the Group were revalued by the directors in 2010 based on valuation carried out by independent valuers by reference to market evidence of recent transactions for similar properties. The resulting net revaluation surplus of freehold and leasehold land, factory buildings and staff quarters amounting to RM1,127,947 was not taken up in the financial statements as the directors are of the opinion that the impact on the financial statements is immaterial.

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

The historical cost, accumulated depreciation and carrying amount of the revalued freehold land, factory buildings and staff quarters as at 31 May are as follows:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Freehold land, factory buldings and staff quarters: | | |
| Cost | 27,269 | 27,269 |
| Accumulated depreciation | (4,669) | (4,386) |
| Carrying amount | 22,600 | 22,883 |

Included in property, plant and equipment of the Group are the following fully depreciated assets which are still in use:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Cost: | | |
| Motor vehicles | 183 | 295 |
| Office equipment | 908 | 2 |
| | 1,091 | 297 |

During the financial year, the Group reassessed its leases of land in accordance with the Amendments to FRS 117 to be finance leases, where applicable. Accordingly, the classification of prepaid lease payments for land as property, plant and equipment has been accounted for retrospectively.

## 7. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At cost: | | |
| Shares in unquoted corporations | 66,567 | 66,567 |

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies, all of which were incorporated in Malayasia, are as follows:-

| Name of company | Effective Equity interest 2011 % | 2010 % | Principal activities |
|---|---|---|---|
| Chuan Sin Sdn. Bhd. | 100.00 | 100.00 | Production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water. |
| Golden PET Industries Sdn. Bhd. * | 100.00 | 100.00 | Manufacturing and selling of pre-forms, PET bottles, caps, toothbrushes and other plastic products. |
| Chuan Sin Cactus Sdn. Bhd. * | 100.00 | 100.00 | Distribution of bottled water and other consumer products. |
| PET Master Sdn. Bhd. * | 100.00 | 100.00 | Manufacturing and selling of PET pre-forms. |
| Angenet Sdn. Bhd. * | 100.00 | 100.00 | Manufacturing and selling of bottled water. |
| Hidro Dinamik Sdn. Bhd. * | 100.00 | 100.00 | Dormant. |

* The financial statements of these companies were examined by auditors other than the auditors of the Company.

## 8. INVESTMENT PROPERTIES

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **At fair value** | | |
| Freehold land and buildings | 614 | 614 |
| Long-term leasehold land | 1,327 | 1,327 |
| Short-term leasehold land | 345 | 345 |
| Building | 1,229 | 1,229 |
| Renovation | 79 | 79 |
| Total | 3,594 | 3,594 |

The investment properties of the Group were revalued by the directors in 2010 based on valuation carried out by independent valuers by reference to market evidence of recent transactions for similar property. The resulting revaluation surplus of the investment properties amounting to RM73,071 was not taken up in the financial statements as the directors are of the opinion that the impact on the financial statements is immaterial.

As of 31 May 2011, there were no contractual obligations for future repairs and maintenance (2010: NIL).

## 9. PREPAID LEASE PAYMENTS

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **At cost/valuation** | | |
| At beginning of year | 4,809 | 4,809 |
| Effect of adoption the Amendments to FRS 117 | (4,809) | (4,809) |
| At end of year | - | - |
| **Accumulated amortisation** | | |
| At beginning of year | 282 | 224 |
| Effect of adoption the Amendments to FRS 117 | (282) | (224) |
| At end of year | - | - |
| **Carrying amounts** | | |
| At end of year | - | - |

## 10. GOODWILL ON CONSOLIDATION

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| At beginning and end of year | 40 | 40 |

***Impairment tests for cash-generating units ("CGU") containing goodwill***

Carrying amount of goodwill is allocated to Chuan Sin Cactus Sdn. Bhd.'s trading operations.

The recoverable amount of the CGU is determined based on a "value-in-use" calculation. The value-in-use of the CGU was determined by discounting the future cash flows to be generated from continuing use of the CGU. The value-in-use is derived based on the management's cash flow projection for five (5) financial years from 2012 to 2016. The key assumptions used in the value-in-use calculations are as follows:

| | |
|---|---|
| Sales volume growth rate | 5.00% per annum |
| Discount rate | 3.00% |

Receivables and payables turnover period is estimated to be consistent with the current financial year.

The above key assumptions were determined based on business past performance and management's expectations of market development.

Based on these calculations, the Directors are of the view that no impairment loss is required during the financial year as the recoverable amount determined is higher than the carrying amounts of the CGU.

With regards to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to materially exceed the recoverable amounts.

## 11. OTHER INVESTMENT

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **Fair value through profit or loss** | | |
| Unquoted shares in Malaysia | | |
| At beginning of year | 150 | 150 |
| Less : Capital returned | (60) | - |
| At end of year | 90 | 150 |

## 12. INVENTORIES

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **At cost** | | |
| Raw materials | 6,473 | 6,407 |
| Packing materials | 6,007 | 6,361 |
| Finished goods and trading merchandise | 4,876 | 4,437 |
| Work-in-progress | 640 | 505 |
| Spare parts | 2,060 | 1 |
| Goods-in-transit | - | 10 |
| | 20,056 | 17,721 |
| Less : Allowance for slow moving and obsolete inventories | (898) | (929) |
| Net | 19,158 | 16,792 |

The cost of inventories recognised as an expense during the year for the Group was RM147,221,978 (2010: RM106,863,393).

## 13. TRADE AND OTHER RECEIVABLES

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Trade receivables | 7,538 | 5,954 | - | - |
| Less : Allowance for doubtful debts | (203) | (361) | - | - |
| | 7,335 | 5,593 | - | - |
| Amount due by subsidiaries: | | | | |
| - non-trade | - | - | 21,564 | 21,302 |
| Amount due by related companies: | | | | |
| - trade | - | 28 | - | - |
| Amount due by related parties: | | | | |
| - trade | 34,676 | 39,267 | - | - |
| - non-trade | 2,020 | 1,860 | - | - |
| Other receivables | 686 | 453 | - | - |
| Less : Allowance for doubtful debts | - | (447) | - | - |
| | 686 | 6 | - | - |
| | 44,717 | 46,754 | 21,564 | 21,302 |

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

The currency profile of trade and other receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Australian Dollar | - | 5 | - | - |
| Ringgit Malaysia | 43,420 | 45,815 | 21,564 | 21,302 |
| Japanese Yen | 6 | - | - | - |
| Singapore Dollar | 919 | 893 | - | - |
| United States Dollar | 372 | 41 | - | - |
| | 44,717 | 46,754 | 21,564 | 21,302 |

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranged from 30 to 90 days (2010: 30 to 90 days).

An allowance has been made for estimated irrecoverable amounts from the sale of goods and advances granted of the Group amounting to RM203,136 (2010: RM360,848) and NIL (2010: RM447,090) respectively and has been determined by reference to past default experience. Movement in the allowance for doubtful debts for trade receivables is as follows:

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Balance as at beginning of year | 361 | 28 |
| Impairment losses recognised on receivables | 156 | 507 |
| Amount no longer required | (313) | (7) |
| Amounts written off during the year as uncollectible | (1) | (167) |
| | 203 | 361 |

Ageing of impaired trade receivables which are past due as at the end of the reporting period is as follows:

| | Group 2011 RM'000 |
|---|---|
| 1 - 30 days | 13 |
| 31 - 60 days | 10 |
| 61 - 90 days | 7 |
| More than 90 days | 173 |
| | 203 |

Included in trade receivables of the Group are receivables with total carrying amount of RM18,470,458 which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty.

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

Ageing of trade receivables which are past due but not impaired as at the end of the reporting period is as follows:

| | Group 2011 RM'000 |
|---|---|
| 1 - 30 days | 4,982 |
| 31 - 60 days | 3,116 |
| 61 - 90 days | 1,556 |
| More than 90 days | 8,816 |
| | 18,470 |

The amount due by subsidiary companies, related companies and related parties are unsecured, interest-free and repayable upon demand.

Other receivables of the Group comprise mainly advances and payments on behalf which are unsecured, interest-free and repayable on demand.

Transactions with related parties are disclosed in Note 31.

## 14. OTHER ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Refundable deposits | 481 | 449 | 1 | 4 |
| Prepaid expenses | 3,692 | 8,919 | - | 6 |
| | 4,173 | 9,368 | 1 | 10 |

## 15. SHARE CAPITAL AND TREASURY SHARES

| | Group and Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Number of ordinary shares '000 | RM'000 | Number of ordinary shares '000 | RM'000 |
| **Ordinary shares of RM0.50 each:** | | | | |
| Authorised | 200,000 | 100,000 | 200,000 | 100,000 |
| Issued and fully paid-up | 130,659 | 65,329 | 130,659 | 65,329 |

## 15. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

### (a) Share Capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

### (b) Repurchase of Own Shares

As at 31 May 2011, 24,000 out of total of 130,658,666 issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares of RM0.50 each in issue and fully paid as at 31 May 2011 excluding the treasury shares is 130,634,666.

The mandate given by the shareholders will expire at the forthcoming Annual General Meeting ("AGM") and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

## 16. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Non-distributable reserves: | | | | |
| Share premium | 16,549 | 16,549 | 16,549 | 16,549 |
| Revaluation reserve | 5,732 | 5,732 | - | - |
| | 22,281 | 22,281 | 16,549 | 16,549 |
| Distributable reserve: | | | | |
| Retained earnings | 54,455 | 49,623 | 6,325 | 6,079 |
| | 76,736 | 71,904 | 22,874 | 22,628 |

## 16. RESERVES (CONT'D)

### (a) Share premium

Share premium arose from the following:

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Rights issue of 245,000 ordinary shares issued at premium of RM0.50 per ordinary shares in 2001 | 122 | 122 |
| Issuance of 34,436,000 ordinary shares for acquisition of subsidiaries at a premium of approximately RM0.723 per ordinary shares in 2001 | 24,899 | 24,899 |
| Public issue of 14,264,000 ordinary shares issued at a premium of RM0.70 per share in 2001, net of listing expenses of RM2,020,865 | 7,964 | 7,964 |
| Bonus issue of 16,329,333 new ordinary shares | (16,329) | (16,329) |
| Share issue expenses in relation to bonus issue and subdivision of ordinary shares | (107) | (107) |
| | 16,549 | 16,549 |

### (b) Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land and buildings are sold, the portion of the revaluation reserve that relates to the asset, and is effectively realised, is transferred directly to retained earnings.

### (c) Retained earnings

As of the end of financial reporting period, the Company has not elected for the irrecoverable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the prevailing tax rate applicable to dividend, the Company has sufficient Section 108 tax credit and tax-exempt account balance to frank the payment of dividends out of its entire retained earnings as of 31 May 2011.

## 16. RESERVES (CONT'D)

### (d) Supplementary information on realised and unrealised profits or losses

The retained earnings as at the end of the reporting period may be analysed as follows:

| | Group 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| Total retained earnings of the Group | | |
| - Realised | 106,719 | 6,325 |
| - Unrealised | (10,105) | - |
| | 96,614 | 6,325 |
| Less: Consolidation adjustments | (42,159) | - |
| Total retained earnings as per statements of changes in equity | 54,455 | 6,325 |

## 17. BORROWINGS

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **Unsecured:** | | |
| Bank overdraft | 892 | - |
| Bankers' acceptance | 22,460 | 23,368 |
| Revolving credit | 9,250 | - |
| Term loans | 35,827 | 42,562 |
| | 68,429 | 65,930 |
| Less : Amount due within 12 months (current liabilities) | (41,038) | (31,089) |
| Non-current portion | 27,391 | 34,841 |

The non-current portion is repayable as follow:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Financial year ending 31 May: | | |
| 2012 | - | 7,621 |
| 2013 | 7,621 | 7,620 |
| 2014 | 7,621 | 7,620 |
| 2015 | 5,987 | 5,818 |
| 2016 | 4,108 | 4,108 |
| 2017 | 2,054 | 2,054 |
| | 27,391 | 34,841 |

## 17. BORROWINGS (CONT'D)

The Group has four (4) term loans:

(a) a five (5) years term loan of RM1,800,000 (2010: RM1,800,000) which is repayable by equal monthly instalment commencing 15 August 2005;

(b) a seven (7) years term loan of RM11,924,159 (2010: RM11,924,159) which is repayable by equal monthly instalment commencing 25 June 2008;

(c) a five (5) years term loan of RM7,350,000 (2010: RM7,350,000) which is repayable by equal quarterly instalment commencing 27 July 2009; and

(d) a seven (7) years term loan of RM28,755,616 (2010: RM28,755,616) which is repayable by quarterly instalment commencing 16 November 2009.

The average effective interest rates per annum are as follows:

| | Group | |
|---|---|---|
| | 2011 % | 2010 % |
| Bank overdraft | 7.20 - 7.38 | 6.58 - 6.80 |
| Bankers' acceptance | 2.56 - 3.65 | 2.33 - 3.44 |
| Onshore foreign currency loan | 2.99 | - |
| Revolving credit | 3.15 - 3.80 | 3.26 |
| Term loans | 3.48 - 5.15 | 3.48 - 5.15 |

The credit facilities of the Group of RM160,924,000 (2010: RM148,181,000) are guaranteed by the Company.

## 18. HIRE PURCHASE PAYABLES

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Minimum hire purchase payments: | | |
| - not later than one (1) year | 7,206 | 2,543 |
| - later than one (1) year and not later than five (5) years | 20,822 | 6,904 |
| Total minimum hire purchase payments | 28,028 | 9,447 |
| Less: Future interest charges | (2,867) | (977) |
| Present value of hire purchase payments | 25,161 | 8,470 |
| Repayable as follows: | | |
| Current liabilities | | |
| - not later than one (1) year | 6,052 | 2,124 |
| Non-current liabilities | | |
| - later than one (1) year and not later than five (5) years | 19,109 | 6,346 |
| | 25,161 | 8,470 |

## 18. HIRE PURCHASE PAYABLES (CONT'D)

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase ranged from 3 to 5 years (2010: 3 to 5 years). For the financial year ended 31 May 2011, the effective borrowing rates ranged from 4.64% to 6.60% (2010: 5.28% to 6.60%). Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the assets under hire-purchase and corporate guarantee by the Company.

Transactions with related parties are disclosed in Note 31.

## 19. DEFERRED TAXATION

| | Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| At beginning of year | 10,617 | 10,153 |
| Recognised in income statement | 1,042 | 464 |
| At end of year | 11,659 | 10,617 |
| **Represented by:** | | |
| Tax effects of: | | |
| Temporary differences arising from: | | |
| Property, plant and equipment | 10,105 | 9,031 |
| Revaluation surplus on property, plant and equipment and investment properties | 1,554 | 1,586 |
| | 11,659 | 10,617 |

As at 31 May, the amount of estimated deferred tax assets of the Group calculated at applicable tax rate which is not recognised in the financial statements, is as follows:

| | Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Tax effects of unabsorbed tax capital allowances and unutilised tax losses | 216 | 216 |

The unabsorbed tax capital allowances and unutilised tax losses are subject to agreement by the tax authorities.

## 20. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Trade payables | 6,495 | 4,120 | - | - |
| Amount due to related parties: | | | | |
| - trade | 392 | 2,283 | - | - |
| - non-trade | 98 | 144 | - | - |
| Other payables | 6,718 | 7,619 | 1 | 4 |
| | 13,703 | 14,166 | 1 | 4 |

## 20. TRADE AND OTHER PAYABLES (CONT'D)

The currency profile of trade and other payables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Ringgit Malaysia | 13,190 | 14,189 | 1 | 4 |
| Euro Dollar | 22 | 10 | - | - |
| Japanese Yen | 9 | - | - | - |
| Singapore Dollar | 15 | 6 | - | - |
| Swiss Franc | 178 | 21 | - | - |
| United States Dollar | 289 | (60) | - | - |
| | 13,703 | 14,166 | 1 | 4 |

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs respectively. The credit period granted to the Group for trade purchases ranged from 30 to 90 days (2010: 30 to 90 days).

The amount owing to other payables of the Group and of the Company are unsecured, interest-free and repayable on demand.

Transactions with related parties are disclosed in Note 31.

## 21. OTHER LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Accrued expenses | 3,412 | 2,542 | 127 | 123 |
| Deposit received | 509 | 291 | - | - |
| | 3,921 | 2,833 | 127 | 123 |

## 22. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Sales of goods | 147,682 | 131,636 | - | - |
| Dividend income from subsidiary companies | - | - | 3,785 | 7,050 |
| | 147,682 | 131,636 | 3,785 | 7,050 |

## 23. SEGMENT REPORTING

Information reported to the chief operating decision maker and senior management of the Group for the purpose of resources allocation and assessment of performance focuses on the business operations of the Group.

The Group is organised into the following operating divisions:
- manufacturing (includes production of natural mineral water, carbonated flavoured water, distilled water, drinking water, non-carbonated flavoured water, PET preforms, PET bottles, caps and toothbrushes)
- trading (includes sale of bottled water and other consumer products)
- others (investment and properties holding)

Inter-segment sales are charged at cost plus a percentage of profit mark-up.

| Group 2011 | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 132,430 | 15,252 | - | - | 147,682 |
| Inter-segment sales | 45,738 | - | 3,785 | (49,523) | - |
| Total revenue | 178,168 | 15,252 | 3,785 | (49,523) | 147,682 |
| **Results** | | | | | |
| Segment results | 13,631 | 416 | 3,519 | (3,765) | 13,801 |
| Finance costs | | | | | (3,747) |
| Investment revenue | | | | | 112 |
| Profit before tax | | | | | 10,166 |
| Taxation | | | | | (2,068) |
| Profit for the financial year | | | | | 8,098 |
| **Other information** | | | | | |
| Capital additions | 38,126 | 28 | - | - | 38,154 |
| Depreciation | 8,495 | 51 | - | - | 8,546 |
| **Consolidated Statement of Financial Position** | | | | | |
| **Assets** | | | | | |
| Segment assets | 264,758 | 6,360 | 92,371 | (99,259) | 264,230 |
| Unallocated segment assets | | | | | 700 |
| **Total assets** | | | | | 264,930 |
| **Liabilities** | | | | | |
| Segment liabilities | 47,900 | 1,762 | 543 | (32,581) | 17,624 |
| Unallocated segment liabilities | | | | | 105,255 |
| **Total liabilities** | | | | | 122,879 |

## 23. SEGMENT REPORTING (CONT'D)

| Group 2010 | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 114,202 | 17,434 | - | - | 131,636 |
| Inter-segment sales | 44,995 | - | 7,050 | (52,045) | - |
| Total revenue | 159,197 | 17,434 | 7,050 | (52,045) | 131,636 |
| **Results** | | | | | |
| Segment results | 16,141 | 793 | 6,593 | (7,066) | 16,461 |
| Finance costs | | | | | (2,276) |
| Investment revenue | | | | | 128 |
| Profit before tax | | | | | 14,313 |
| Taxation | | | | | (1,772) |
| Profit for the financial year | | | | | 12,541 |
| **Other information** | | | | | |
| Capital additions | 51,368 | 34 | - | - | 51,402 |
| Depreciation and amortisation charges | 6,592 | 60 | - | - | 6,652 |
| **Consolidated Statement of Financial Position** | | | | | |
| **Assets** | | | | | |
| Segment assets | 243,655 | 5,847 | 91,520 | (101,972) | 239,050 |
| Unallocated segment assets | | | | | 324 |
| **Total assets** | | | | | 239,374 |
| **Liabilities** | | | | | |
| Segment liabilities | 50,546 | 1,184 | 542 | (35,273) | 16,999 |
| Unallocated segment liabilities | | | | | 85,156 |
| **Total liabilities** | | | | | 102,155 |

**Geographical segments**

Information on the Group's operations and analysis of the carrying amounts of segment assets and capital additions by geographical segment has not been provided as the Group operates principally in Malaysia.

The Group's analysis of the segment revenue from external customers by geographical area based on the geographical location of its customers has not been provided as the export sales of the Group is less than 10% of its total revenue.

## 24. INVESTMENT REVENUE

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Interest received from short-term deposits | 40 | 42 |
| Rental income from investment properties | 72 | 86 |
| | 112 | 128 |

## 25. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFITS EXPENSE

Included in other gains and losses and other expenses are the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Allowance for doubtful debts no longer required | 313 | 7 | - | - |
| Allowance for slow moving and obsolete inventories no longer required | 31 | - | - | - |
| Realised gain on foreign exchange | 38 | 51 | - | - |
| Unrealised gain on foreign exchange | 13 | - | - | - |
| Rental income: | | | | |
| - Motor vehicles | 151 | 111 | - | - |
| - Hot and cold water dispensers | 7 | 8 | - | - |
| - Land and premises | 51 | 38 | - | - |
| Allowance for doubtful debts | (156) | (507) | - | - |
| Audit fee - statutory audit | | | | |
| - current year | (96) | (97) | (21) | (20) |
| - prior year | 6 | - | - | - |
| - other services | (6) | (5) | - | - |
| Bad debts written off | (34) | (48) | - | - |
| Professional fees paid to a company in which one of the director is a member of the company | (3) | (3) | - | - |
| Property, plant and equipment written off | (634) | (2,571) | - | - |
| Realised loss on foreign exchange | (52) | (88) | - | - |
| Rental of plant and equipment | (99) | (84) | - | - |
| Rental of premises | (100) | (85) | - | - |
| Research and development expenditure | (91) | (200) | - | - |
| (Loss)/Gain on disposal of property, plant and equipment | (43) | 3 | - | - |
| Allowance for slow moving and obsolete inventories | - | (321) | - | - |

Included in employee benefits expense are contribution made by the Group to the Employees' Provident Fund of RM1,178,112 (2010: RM955,267).

## 26. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Directors of the Company: | | | | |
| Fees | 149 | 145 | 107 | 103 |
| Other emoluments | 1,162 | 986 | 40 | 45 |
| | 1,311 | 1,131 | 147 | 148 |
| Directors of the subsidiary companies: | | | | |
| Fees | 12 | 12 | - | - |
| Other emoluments | 30 | 12 | - | - |
| | 42 | 24 | - | - |
| | 1,353 | 1,155 | 147 | 148 |

Included in directors' other emoluments are contributions made by the Group to the Employees' Provident Fund of RM96,390 (2010: RM63,384).

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM52,383 (2010: RM57,200).

## 27. FINANCE COST

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Interest on: | | |
| Bank overdraft | 5 | 2 |
| Bankers' acceptances | 641 | 266 |
| Hire-purchase | 571 | 334 |
| Revolving credit | 276 | 81 |
| Term loans | 1,997 | 1,357 |
| Bank charges and commitment fees | 257 | 236 |
| | 3,747 | 2,276 |

## 28. TAXATION

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Income tax: | | | | |
| Current year provision | 979 | 1,308 | 10 | 67 |
| Underprovision in prior year | 47 | - | - | - |
| | 1,026 | 1,308 | 10 | 67 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 1,074 | 496 | - | - |
| Relating to crystallisation of deferred tax liability on revaluation surplus of property, plant and equipment | (23) | (32) | - | - |
| Relating to crystallisation of deferred tax liability on revaluation surplus of investment properties | (9) | - | - | - |
| | 1,042 | 464 | - | - |
| | 2,068 | 1,772 | 10 | 67 |

The Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:-

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Profit before tax | 10,166 | 14,313 | 3,522 | 6,597 |
| Tax at the applicable corporate tax rates | 2,542 | 3,579 | 881 | 1,650 |
| Tax effects of: | | | | |
| Income that are not taxable in determining taxable profit | - | - | (890) | (1,650) |
| Balancing charge | 4 | 13 | - | - |
| Expenses allowed for double tax deductions | - | (14) | - | - |
| Non-deductible expenses | 1,886 | 1,631 | 19 | 67 |
| Double deduction allowed | (4) | - | - | - |
| Utilisation of current year capital allowance | (2,095) | (2,078) | - | - |
| Utilisation of reinvestment allowances | (1,247) | (2,304) | - | - |
| Underprovision in prior years | 47 | - | - | - |
| Temporary differences arising from property, plant and equipment | 935 | 945 | - | - |
| Taxation for the year | 2,068 | 1,772 | 10 | 67 |

## 28. TAXATION (CONT'D)

As at 31 May 2011, the Company has Section 108 tax credits and tax-exempt account balance of approximately RM435,000 (2010: RM435,000) and RM3,567,000 (2010: RM2,846,000) respectively. The tax-exempt account, arising from tax-exempt dividends received from the Company's subsidiary companies and is subject to agreement by the tax authorities, is available for distribution as tax-exempt dividends to the shareholders of the Company.

As at 31 May 2011, certain subsidiary companies have tax credits of approximately RM9,458,000 (2010: RM8,889,000) and tax-exempt accounts balances of RM40,470,000 (2010: RM36,381,000). These tax-exempt accounts arose from the subsidiary companies' claims for abatement of statutory income for exports under Section 37 of the Promotion of Investments Act, 1986, from reinvestment allowances claimed and utilized under Schedule 7A of the Income Tax Act, 1967 and from chargeable income waived in 1999 in accordance with the Income tax (Amendment) Act, 1999. These tax-exempt accounts are subject to agreement by the tax authorities are available for distribution as tax-exempt dividends to the shareholder of the subsidiary companies.

As at 31 May 2011, the estimated unabsorbed reinvestment allowances of the Group which is available for offset against future taxable income amounts to RM1,544,000 (2010: RM15,131,000). The unabsorbed reinvestment allowances are subject to agreement by the tax authorities.

**Current tax assets and liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Current tax assets** | | | | |
| Tax refund receivable | 700 | 324 | 135 | 178 |
| **Current tax liabilities** | | | | |
| Income tax payable | 6 | 139 | - | - |

## 29. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year:

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Profit attributable to owners of the Company | 8,098 | 12,541 |
| Number of ordinary shares in issue at beginning of year | 130,659 | 130,659 |
| Shares repurchased and held as treasury shares ('000) | (24) | (24) |
| Weighted average number of ordinary shares in issue | 130,635 | 130,635 |
| Basic/Diluted earnings per ordinary share (sen) | 6.2 | 9.6 |

## 29. EARNINGS PER ORDINARY SHARE (CONT'D)

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

## 30. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| First and final dividend paid: | | |
| 2.5 sen per share, tax-exempt for 2010 | 3,266 | 2,612 |
| (2.0 sen per share, tax-exempt for 2009) | | |

The directors have proposed a first and final dividend of 2.5 sen per share, tax-exempt, in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming AGM of the Company and has not been included as a liability in the financial statements.

| | 2011 Sen | 2010 Sen |
|---|---|---|
| Net dividend per share proposed for the year | 2.5 | 2.5 |

## 31. RELATED PARTY TRANSACTIONS

(a) Identities of related parties

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

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

| Names of related parties | Relationships |
|---|---|
| Multibase Systems Sdn. Bhd.<br>Uniyelee Service Agencies Sdn. Bhd. | - Companies in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, has substantial financial interest.<br>- Companies in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, has substantial financial interest. |

## 31. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Identities of related parties (Cont'd)

| Names of related parties | Relationships |
|---|---|
| Unikampar Credit And Leasing Sdn. Bhd.<br>Yee Lee Oils & Foodstuffs (S) Pte. Ltd.<br>South East Asia Paper Products Sdn. Bhd. | - Companies in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, is a director and has substantial financial interest. |
| | - Companies in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, has substantial financial interest. |
| Yee Lee Marketing Sdn. Bhd.<br>Uniyelee Insurance Agencies Sdn. Bhd. | - Companies in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, has substantial financial interest. |
| | - Companies in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, is a director and has substantial financial interest. |
| Yee Lee Edible Oils Sdn. Bhd. | - A company in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, is a director and has substantial financial interest. |
| | - A company in which Mr. Chok Hooa @ Chok Yin Fatt, PMP, a director of the Company, is a director. |
| | - A company in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, is a director and has substantial financial interest. |
| Yee Lee Trading Co. Sdn. Bhd. | - A company in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, is a director and has substantial financial interest. |
| | - A company in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, is a director and has substantial financial interest. |
| Cactus Marketing Sdn. Bhd. | - A company in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP and Mr. Lim Kok Boon, directors of the Company, have substantial financial interests. |
| | - A company in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, has substantial financial interest. |

## 31. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Identities of related parties (Cont'd)

| **Names of related parties** | **Relationships** |
|---|---|
| Unipon Enterprise Sdn. Bhd. | - A company in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, has substantial financial interest. |
| | - A company in which Mr. Lam Sang, a director of the Company, is a director and has substantial financial interest. |
| | - A company in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, has substantial financial interest. |
| Cranberry (M) Sdn. Bhd. | - A company in which Y. Bhg. Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP, a director of the Company, has substantial financial interest. |
| | - A company in which Mr. Chok Hooa @ Chok Yin Fatt, PMP and Dr. Chuah Chaw Teo, directors of the Company, are directors. |
| | - A company in which Y. Bhg. Datin Chua Shok Tim @ Chua Siok Hoon, a director of certain subsidiary companies, is a director and has substantial financial interest. |

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| *Subsidiary companies* | | | | |
| Dividends received/receivable (gross) | - | - | 3,785 | 7,050 |
| *Other Related Parties* | | | | |
| Multibase Systems Sdn. Bhd. | | | | |
| Secretarial fee paid / payable | 16 | 16 | 4 | 4 |
| Unikampar Credit And Leasing Sdn. Bhd. | | | | |
| Proceeds from hire-purchase | 1,200 | 7,846 | - | - |
| Interest on hire-purchase | 354 | 334 | - | - |
| Yee Lee Oils and Foodstuffs (S) Pte. Ltd. | | | | |
| Sale of goods | 2,631 | 2,830 | - | - |
| South East Asia Paper Products Sdn. Bhd. | | | | |
| Purchase of goods | 8,192 | 6,875 | - | - |
| Sale of goods | 3 | 3 | - | - |

## 31. RELATED PARTY TRANSACTIONS (CONT'D)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year: (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| *Other Related Parties* | | | | |
| Yee Lee Marketing Sdn. Bhd. | | | | |
| Rental of premise received / receivable | 72 | 68 | - | - |
| Sale of goods | 5 | 5 | - | - |
| Uniyelee Insurance Agencies Sdn. Bhd. | | | | |
| Insurance premium paid / payable | 410 | 327 | - | - |
| Uniyelee Service Agencies Sdn. Bhd. | | | | |
| Insurance premium paid / payable | 615 | 485 | - | - |
| Yee Lee Edible Oils Sdn. Bhd. | | | | |
| Sale of goods | 20,234 | 9,354 | - | - |
| Transportation charges paid | 258 | 115 | - | - |
| Internal audit fee paid | 22 | 12 | - | - |
| Yee Lee Trading Co. Sdn. Bhd. | | | | |
| Sales of goods | 80,808 | 72,618 | - | - |
| Purchase of goods | - | 8 | - | - |
| Cactus Marketing Sdn. Bhd. | | | | |
| Sale of goods | 6,220 | 5,147 | - | - |
| Rental of motor vehicles received | 12 | 12 | - | - |
| Unipon Enterprise Sdn. Bhd. | | | | |
| Sale of goods | 680 | 223 | - | - |
| Purchase of goods | - | 337 | - | - |
| Cranberry (M) Sdn. Bhd. | | | | |
| Purchase of goods | 9 | 13 | - | - |
| Rental received / receivable | 15 | - | - | - |

The related party transactions described above were carried out in negotiated commercial terms and conditions.

The outstanding balances arising from related party transactions are disclosed in Notes 13, 18 and 20.

The amounts owing by/(to) related parties are unsecured, interest-free and repayable on demand. No guarantees have been given or received. No expense has been recognised in the year for bad and doubtful debts in respect of the amounts owing by related parties.

## 31. RELATED PARTY TRANSACTIONS (CONT'D)

### Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

The remuneration of directors are disclosed in Note 26. The remuneration of other members of key management personnel of the Group during the year are as follows:

| | Group | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| Short-term employee benefits | 2,114 | 1,878 |
| Post-employment benefits - Defined contribution plan | 254 | 250 |
| | 2,368 | 2,128 |

The estimated monetary value of benefits-in-kind received and receivable by the senior management otherwise than in cash from the Group amounted to RM47,780 (2010: RM62,038).

## 32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Categories of financial instruments as at 31 May 2011 are as follows:

| | Group<br>2011<br>RM'000 | Company<br>2011<br>RM'000 |
|---|---|---|
| **Financial assets** | | |
| Fair value through profit or loss: | | |
| Other investment | 90 | - |
| Loans and receivables: | | |
| Trade and other receivables | 44,717 | 21,564 |
| Refundable deposits | 481 | 1 |
| Cash and bank balances | 9,371 | 50 |
| **Financial liabilities** | | |
| Amortised costs: | | |
| Trade and other payables | 13,703 | 1 |
| Accrued expenses | 3,412 | 127 |
| Borrowings | 68,429 | - |
| Hire-purchase payables | 25,161 | - |

## 32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management objectives are to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets. The Group is exposed mainly to foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency exchange risk

The Group is exposed to foreign exchange rate risk on transactions that are denominated in currencies other than the functional currency of the Group's entities.

The management does not consider the Group's exposure to foreign currency exchange risk significant as at the end of reporting period. Therefore, sensitivity analysis for foreign currency exchange risk is not disclosed.

(ii) Interest rate risk

The Group is exposed to interest rate risk from its borrowings. The Group enters into various interest rate risk management transactions for the purpose of reducing net interest costs and to achieve interest rates within predictable desired range.

The Group borrows for operations at fixed and variable rates using its hire purchase and term loan facilities. There is no formal hedging policy with respect to interest rate exposure.

Interest rate risk sensitivity analysis

At the end of the reporting period, if average interest rates increase/decrease by 1% with all other variables held constant, the Group's profit net of tax will be lower/higher by RM684,293. The assumed movement in interest rates for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Credit risk

Credit risk refers to the risks that a counter party will default on its contractual obligation, resulting in a loss to the Group. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history.

The maximum credit exposure of the Group without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown in the statement of financial position. The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

(iv) Liquidity and cash flow risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all commitments and funding needs are met.

## 32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iv) Liquidity and cash flow risk (Cont'd)

As part of its overall prudent liquidity management, it is the Group policy to ensure its future cash obligations by forecasting its cash commitments and maintaining sufficient level of cash and cash equivalents to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| Group<br>2011 | On demand or within one year<br>RM'000 | One to five years<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Trade and other payables | 13,703 | - | 13,703 |
| Other liabilities | 3,921 | - | 3,921 |
| Borrowings | 41,038 | 27,391 | 68,429 |
| Hire-purchase payables | 6,052 | 19,109 | 25,161 |
| | 64,714 | 46,500 | 111,214 |
| **Company**<br>**2011** | | | |
| **Financial liabilities** | | | |
| Trade and other payables | 1 | - | 1 |
| Other liabilities | 127 | - | 127 |
| | 128 | - | 128 |

(c) Fair values of financial assets and financial liabilities

The carrying amounts of short term financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to the relatively short term maturity of these financial instruments.

It is impractical to estimate the fair value of the Group's unquoted investment due to lack of quoted market price and inability to establish the fair value without incurring excessive cost.

The fair values of term loans of the Group are estimated using discounted cash flow analysis based on the current borrowing rates for similar types of term loan arrangements. There is no material difference between the carrying amounts and the estimated fair values of term loans.

The fair values of hire-purchase of the Group are estimated using discounted cash flow analysis based on the current borrowing rates for similar types of hire purchase arrangement and are approximate their carrying amounts.

(d) Comparative figures

Comparative figures on financial instruments have not been prepared for 31 May 2010 by virtue of paragraph 4AAA of FRS7.

## 33. CAPITAL MANAGEMENT

The Group manages its capital to ensure the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from financial year 2010.

The capital structure of the Group consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements.

## 34. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

| | Group | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| Cash purchase | 19,511 | 43,556 |
| Hire-purchase financing | 18,643 | 7,846 |
| | 38,154 | 51,402 |

The principal amounts of instalment repayments for property, plant and equipment acquired by hire-purchase are reflected as cash outflows from financing activities.

(b) Cash and cash equivalents comprise the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| Cash and bank balances | 9,371 | 8,096 | 50 | 13 |
| Bank overdraft | (892) | - | - | - |
| | 8,479 | 8,096 | 50 | 13 |

## 35. CAPITAL COMMITMENTS

As at 31 May, the Group has the following capital commitments:

| | Group | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| Capital expenditure: | | |
| Approved and contracted for | 2,319 | 208 |
| Approved but not contracted for | - | 2,580 |
| | 2,319 | 2,788 |

## 36. CONTINGENT LIABILITIES

| | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries | 160,924 | 148,181 |

The Directors are of the view that chances of the financial institutions calling upon the corporate guarantee are remote.

## 37. COMPARATIVE FIGURES

(a) Certain figures as at 1 June 2009 have been restated due to the effects arising from the adoption of Amendments to FRS 117 Leases, which has resulted in retrospective adjustments. Leasehold land held by the Group for own use were reclassified from prepaid lease payments as previously reported, to property, plant and equipment - leasehold land.

The effects to the financial statements are reflected as follows:

| Group | As at 1 June 2009 As previously reported RM'000 | As at 1 June 2009 Effects on adoption of Amendments to FRS 117 RM'000 | As at 1 June 2009 As restated RM'000 | As at 31 May 2010 As previously reported RM'000 | As at 31 May 2010 Effects on adoption of Amendments to FRS 117 RM'000 | As at 31 May 2010 As restated RM'000 |
|---|---|---|---|---|---|---|
| Statement of financial position | | | | | | |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 107,562 | 4,585 | 112,147 | 149,729 | 4,527 | 154,256 |
| Prepaid lease payments | 4,585 | (4,585) | - | 4,527 | (4,527) | - |
| Investment properties | 3,594 | - | 3,594 | 3,594 | - | 3,594 |
| Other investment | 150 | - | 150 | 150 | - | 150 |
| Goodwill on consolidation | 40 | - | 40 | 40 | - | 40 |
| **Total non-current assets** | 115,931 | - | 115,931 | 158,040 | - | 158,040 |
| **Current assets** | | | | | | |
| Inventories | 11,401 | - | 11,401 | 16,792 | - | 16,792 |
| Trade and other receivables | 36,790 | - | 36,790 | 46,754 | - | 46,754 |
| Other assets | 5,771 | - | 5,771 | 9,368 | - | 9,368 |
| Current tax assets | 963 | - | 963 | 324 | - | 324 |
| Short-term deposits, cash and bank balances | 9,552 | - | 9,552 | 8,096 | - | 8,096 |
| **Total current assets** | 64,477 | - | 64,477 | 81,334 | - | 81,334 |
| **Total assets** | 180,408 | - | 180,408 | 239,374 | - | 239,374 |

## 37. COMPARATIVE FIGURES (CONT'D)

(a) Certain figures as at 1 June 2009 have been restated due to the effects arising from the adoption of Amendments to FRS 117 Leases, which has resulted in retrospective adjustments. Leasehold land held by the Group for own use were reclassified from prepaid lease payments as previously reported, to property, plant and equipment - leasehold land. (cont'd)

The effects to the financial statements are reflected as follows: (cont'd)

| Group | | As at 1 June 2009 | | | As at 31 May 2010 | |
|---|---|---|---|---|---|---|
| | As previously reported RM'000 | Effects on adoption of Amendments to FRS 117 RM'000 | As restated RM'000 | As previously reported RM'000 | Effects on adoption of Amendments to FRS 117 RM'000 | As restated RM'000 |
| Statement of financial position | | | | | | |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Capital and reserves** | | | | | | |
| Share capital | 65,329 | - | 65,329 | 65,329 | - | 65,329 |
| Treasury shares | (14) | - | (14) | (14) | - | (14) |
| Reserves | 61,975 | - | 61,975 | 71,904 | - | 71,904 |
| **Total equity** | 127,290 | - | 127,290 | 137,219 | - | 137,219 |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Bank borrowings | 15,275 | - | 15,275 | 34,841 | - | 34,841 |
| Hire purchase payables | 1,280 | - | 1,280 | 6,346 | - | 6,346 |
| Deferred tax liabilites | 10,153 | - | 10,153 | 10,617 | - | 10,617 |
| **Total non-current liabilities** | 26,708 | - | 26,708 | 51,804 | - | 51,804 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 7,868 | - | 7,868 | 14,166 | - | 14,166 |
| Other liabilities | 3,661 | - | 3,661 | 2,833 | - | 2,833 |
| Borrowings | 14,222 | - | 14,222 | 31,089 | - | 31,089 |
| Hire purchase payables | 587 | - | 587 | 2,124 | - | 2,124 |
| Current tax liabilities | 72 | - | 72 | 139 | - | 139 |
| **Total current liabilities** | 26,410 | - | 26,410 | 50,351 | - | 50,351 |
| **Total liabilities** | 53,118 | - | 53,118 | 102,155 | - | 102,155 |
| **Total equity and liabilities** | 180,408 | - | 180,408 | 239,374 | - | 239,374 |

## 37. COMPARATIVE FIGURES (CONT'D)

(a) Certain figures as at 1 June 2009 have been restated due to the effects arising from the adoption of Amendments to FRS 117 Leases, which has resulted in retrospective adjustments. Leasehold land held by the Group for own use were reclassified from prepaid lease payments as previously reported, to property, plant and equipment - leasehold land. (cont'd)

The effects to the financial statements are reflected as follows: (cont'd)

| | As previously reported RM'000 | Effects on adoption of Amendments to FRS 117 RM'000 | As restated RM'000 |
|---|---|---|---|
| **For the financial year ended 31 May 2010** | | | |
| Income Statements | | | |
| Depreciation of property, plant and equipment | 6,594 | 58 | 6,652 |
| Amortisation of prepaid lease payments | 58 | (58) | - |
| Statement of Cash Flows | | | |
| Depreciation of property, plant and equipment | 6,594 | 58 | 6,652 |
| Amortisation of prepaid lease payments | 58 | (58) | - |

(b) Certain comparatives figures have been reclassified to conform with the current year's presentation:

| **Group 2010** | As previously reported RM'000 | Reclassi-fication RM'000 | As restated RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Other investment | 150 | (150) | - |
| **Current assets** | | | |
| Other investment | - | 150 | 150 |
| **Trade receivables (Note 13)** | | | |
| Amount due by related companies | 41,155 | (41,127) | 28 |
| Amount due by related parties | - | 39,267 | 39,267 |
| **Other receivables (Note 13)** | | | |
| Amount due by related parties | - | 1,860 | 1,860 |
| **Trade payables (Note 20)** | | | |
| Amount due to related companies | 2,427 | (2,427) | - |
| Amount due to related parties | - | 2,283 | 2,283 |
| **Other payables (Note 20)** | | | |
| Amount due to related parties | - | 144 | 144 |

# ANALYSIS OF SHAREHOLDINGS

## AS AT 7 OCTOBER 2011

### SHARE CAPITAL

| | | |
|---|---|---|
| Authorised Share Capital | : | RM100,000,000.00 |
| Issued and Paid-Up Share Capital | : | RM65,317,333.00 (excluding 24,000 Treasury Shares) |
| Class of Shares | : | Ordinary shares of RM0.50 each |
| Voting Rights | : | One vote per ordinary share |

### DISTRIBUTION OF SHAREHOLDINGS

| | Number of Shareholders | | Number of Issued Shares | |
|---|---|---|---|---|
| **Size of Shareholdings** | **Number** | **%** | **Number** | **%** |
| Less than 100 | 59 | 3.03 | 2,701 | 0.00 |
| 100 to 1,000 shares | 87 | 4.47 | 67,509 | 0.05 |
| 1,001 to 10,000 shares | 1,455 | 74.77 | 5,718,786 | 4.38 |
| 10,001 to 100,000 shares | 294 | 15.11 | 8,342,774 | 6.39 |
| 100,001 to less than 5% of issued shares | 48 | 2.47 | 51,130,230 | 39.14 |
| 5% and above of issued shares | 3 | 0.15 | 65,372,666 | 50.04 |
| **Total** | **1,946** | **100.00** | **130,634,666** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS (as per the Company's Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Substantial Shareholders** | **Number of Issued Shares** | **% of Issued Shares** | **Number of Issued Shares** | **% of Issued Shares** |
| 1. Yee Lee Corporation Bhd ("**YLC**") | 42,254,844 | 32.35 | - | - |
| 2. Yee Lee Holdings Sdn Bhd ("**YLH**") | 18,352,000 | 14.05 | 697,332 [a] | 0.53 |
| 3. AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera | 6,750,000 | 5.17 | - | - |
| 4. Lim A Heng @ Lim Kok Cheong ("**LKC**") | 6,403,366 | 4.90 | 67,923,774 [b] | 52.00 |
| 5. Lim Kok Boon ("**LKB**") | 5,100,000 | 3.90 | 4,902,998 [c] | 3.75 |
| 6. Chua Shok Tim @ Chua Siok Hoon ("**CSH**") | 1,550,000 | 1.19 | 72,777,140 [d] | 55.71 |
| 7. Lai Yin Leng ("**LYL**") | 133,332 | 0.10 | 9,869,666 [e] | 7.56 |
| 8. Yee Lee Organization Bhd ("**YLO**") | - | - | 61,304,176 [f] | 46.93 |
| 9. Unikampar Credit And Leasing Sdn Bhd ("**UCL**") | - | - | 61,304,176 [g] | 46.93 |
| 10. Uniyelee Sdn Bhd ("**UYL**") | - | - | 61,304,176 [g] | 46.93 |
| 11. Yeleta Holdings Sdn Bhd ("**YH**") | - | - | 61,304,176 [h] | 46.93 |
| 12. Young Wei Holdings Sdn Bhd ("**YW**") | - | - | 61,304,176 [i] | 46.93 |

# ANALYSIS OF SHAREHOLDINGS

## AS AT 7 OCTOBER 2011

**Notes:-**

[a] Deemed interest by virtue of 100% shareholding in Transworld Commodities (M) Sdn Bhd ("**TC**") pursuant to Section 6A of the Companies Act, 1965 ("**Act**").

[b] Deemed interest by virtue of shareholdings in Chuan Sin Resources Sdn Bhd ("**CSR**") and YW pursuant to Section 6A of the Act; and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 134(12)(c) of the Act.

[c] Deemed interest by virtue of shareholding in CSR pursuant to Section 6A of the Act; and the shares held by his spouse, LYL and child, Lim Seng Lee in the Company pursuant to Section 134(12)(c) of the Act.

[d] Deemed interest by virtue of shareholding in YW and deemed shareholding in CSR pursuant to Section 6A of the Act; and the shares held by her spouse, LKC and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 134(12)(c) of the Act.

[e] Deemed interest by virtue of deemed shareholding in CSR pursuant to Section 6A of the Act; and the shares held by her spouse, LKB and child, Lim Seng Lee in the Company pursuant to Section 134(12)(c) of the Act.

[f] Deemed interest held through YLC, YLH and deemed shareholding in TC pursuant to Section 6A of the Act.

[g] Deemed interest held through YLO pursuant to Section 6A of the Act.

[h] Deemed interest held through UCL and UYL pursuant to Section 6A of the Act.

[i] Deemed interest held through YH pursuant to Section 6A of the Act.

### DIRECTORS' SHAREHOLDINGS (as per the Company's Register of Directors' Shareholdings)

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| | Directors | Number of Issued Shares | % of Issued Shares | Number of Issued Shares | % of Issued Shares |
| 1. | Lim A Heng @ Lim Kok Cheong | 6,403,366 | 4.90 | 67,923,774 [a] | 52.00 |
| 2. | Lim Kok Boon | 5,100,000 | 3.90 | 4,902,998 [b] | 3.75 |
| 3. | Chuah Chaw Teo | 138,666 | 0.10 | - | - |
| 4. | Lam Sang | 2,418,866 | 1.85 | - | - |
| 5. | Chok Hooa @ Chok Yin Fatt | 146,000 | 0.11 | - | - |
| 6. | Nik Mohamad Pena bin Nik Mustapha | 1,350,000 | 1.03 | - | - |
| 7. | Mohd Adhan bin Kechik | 3,661,332 | 2.80 | - | - |
| 8. | Kuan Khian Leng | - | - | 4,800,000 [c] | 3.67 |

**Notes:-**

[a] Deemed interest by virtue of shareholdings in CSR and YW pursuant to Section 6A of the Act; and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 134(12)(c) of the Act.

[b] Deemed interest by virtue of shareholding in CSR pursuant to Section 6A of the Act; and the shares held by his spouse, LYL and child, Lim Seng Lee in the Company pursuant to Section 134(12)(c) of the Act.

[c] Deemed interest by virtue of shareholding in Unique Bay Sdn Bhd pursuant to Section 6A of the Act.

By virtue of Dato' Lim A Heng @ Lim Kok Cheong's interest in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.

# ANALYSIS OF SHAREHOLDINGS

### AS AT 7 OCTOBER 2011

## TOP THIRTY SECURITIES ACCOUNT HOLDERS

| | Shareholders | Number of Issued Shares | % of Issued Shares |
|---|---|---|---|
| 1. | Yee Lee Corporation Bhd | 40,270,666 | 30.83 |
| 2. | Yee Lee Holdings Sdn Bhd | 18,352,000 | 14.05 |
| 3. | AmanahRaya Trustees Berhad<br>- Skim Amanah Saham Bumiputera | 6,750,000 | 5.17 |
| 4. | Lim A Heng @ Lim Kok Cheong | 6,403,366 | 4.90 |
| 5. | Lim Kok Boon | 5,100,000 | 3.90 |
| 6. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Unique Bay Sdn Bhd | 4,800,000 | 3.67 |
| 7. | Chuan Sin Resources Sdn Bhd | 4,664,000 | 3.57 |
| 8. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teo Kwee Hock | 4,244,000 | 3.25 |
| 9. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teo Siew Lai | 3,915,266 | 3.00 |
| 10. | Mohd Adhan bin Kechik | 3,661,332 | 2.80 |
| 11. | Lam Sang | 2,418,866 | 1.85 |
| 12. | Yee Lee Corporation Bhd | 1,984,178 | 1.52 |
| 13. | Chua Shok Tim @ Chua Siok Hoon | 1,550,000 | 1.19 |
| 14. | Nik Mohamad Pena bin Nik Mustapha | 1,350,000 | 1.03 |
| 15. | Jailani bin Abdullah | 821,900 | 0.63 |
| 16. | CIMSEC Nominees (Asing) Sdn Bhd<br>CIMB for Long Return Investments Limited | 717,000 | 0.55 |
| 17. | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Sew Hoey (Tan Siew Hoey) | 714,000 | 0.55 |
| 18. | Transworld Commodities (M) Sdn Bhd | 697,332 | 0.53 |
| 19. | Zalaraz Sdn Bhd | 665,000 | 0.51 |
| 20. | Lai Ka Chee | 546,000 | 0.42 |
| 21. | Ng Tiow Min | 500,000 | 0.38 |
| 22. | Leong Toong Lok | 437,332 | 0.33 |
| 23. | Au Yang Tuan Kah | 434,100 | 0.33 |
| 24. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Balraaj Singh A/L Tarlachon Singh | 385,000 | 0.29 |
| 25. | Low Geik Cheng | 380,000 | 0.29 |
| 26. | Tan Eng Hoo | 337,500 | 0.26 |
| 27. | Rosli bin Mamat | 320,000 | 0.24 |
| 28. | Chua Yew Hoe & Sons Holdings Sdn Bhd | 273,666 | 0.21 |
| 29. | Yeoh Wooi Teong | 264,132 | 0.20 |
| 30. | Lim Ee Wai | 231,732 | 0.18 |
| | **Total** | **113,188,368** | **86.63** |

# LIST OF PROPERTIES

## AS AT 31 MAY 2011

| Location | Tenure | Current Use | Approximate Age of Building (Year) | Land/Gross Floor Area (sq. metres) | Carrying Amount RM'000 | Date of Acquisition/ Valuation |
|---|---|---|---|---|---|---|
| Lot PT 121576, H.S. (D) 127812, Mukim and District of Klang, Selangor Darul Ehsan. | Freehold | Industrial land / Factory / Office Complex | Factory / Office 5 years | 31,386 | 33,428 | 11.09.09 |
| Lot No. 643 Geran 35453, Lot No. 129 CT 12779, Lot No. 135 Title No. Pajakan Negeri 2577, Lot No. 898 Title Nos. Geran Mukim 300, Lot No. (P.T.) 4911 Surat Hakmilik H.S. (D) LM 15332, Lot No. 814 Geran Mukim 313, Lot No.388 EMR 753, Lot No.1574 EMR 630, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Lot 135 Leasehold expiring on 31.08.2890<br>Remaining Lots Freehold | Industrial / Factory / Office / Staff quarters / Agricultural / Development Land | Factory / Office 4 to 17 years<br>Warehouse 13 years<br>Staff quarters 5 to 7 years | 193,238 / 22,816 / 15,565 | 21,176 | 31.05.10 |
| Lot No. 454 Pajakan Negeri 3176, Lot Nos.1595, 384, 386, 387, 10078, 10079 and (P.T.) 4912, Title Nos. Geran 31600 (formerly C.T. 7366), Geran Mukim 315, EMR 615, EMR 1374 and Surat Hakmilik H.S. (D) LM 15333 respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Lot 454 Leasehold expiring on 28.11.2894<br>Remaining Lots Freehold | Agricultural / Development Land | N/A | 201,673 | 4,180 | 31.05.10 |
| Lot No.9535 Pajakan Negeri No. 114421, Lot No.9538 Pajakan Negeri No. 114424, Lot No.9539 Pajakan Negeri No. 114425, Lot No.9540 Pajakan Negeri No. 114426, Lot No.9545 Pajakan Negeri No. 114431, Lot No.9546 Pajakan Negeri No. 114432, Lot No.9547 Pajakan Negeri No. 114433, Lot No.9548 Pajakan Negeri No. 114434, Title No. H.S. (D) L & M 2361, 2364, 2365, 2366, 2371, 2372, 2373 and 2374 respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Leasehold expiring on 13.11.2084 | 8 units single storey terrace house | 17 years | 1,537 / 669 | 575 | 31.05.10 |
| Lot Nos. 181631, 181632, 181633 & 181642, Title Nos. Pajakan Negeri 89482, 89483, 89484 & 89493 respectively, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan. | Leasehold expiring on 17.10.2089 | Industrial / Factory Complex / Vacant Industrial Land | Factory / Office 18 years<br>Warehouse 15 years | 17,502 / 11,080 / 16,917 | 10,686 | 31.05.10 |

# LIST OF PROPERTIES

## AS AT 31 MAY 2011

| Location | Tenure | Current Use | Approximate Age of Building (Year) | Land/Gross Floor Area (sq. metres) | Carrying Amount RM'000 | Date of Acquisition/ Valuation |
|---|---|---|---|---|---|---|
| H.S. (M) 4162 No.P.T.D. 6382, H.S. (M) 4163 No.P.T.D. 6383, H.S. (M) 4164 No.P.T.D. 6384, H.S. (M) 4189 No.P.T.D. 6385, and H.S. (M) 4188 No.P.T.D. 6386, Mukim Tanjong Sembrong (VII), Bukit Jintan, Johor Darul Takzim. | Freehold | Factory / Office Building | 16 years | 44,515 / 2,028 / | 2,449 | 31.05.10 |
| Lot No. 644 Geran 35454, Lot No. 130 CT 12780, Lot No. 131 CT 2974, Lot No. 902 EMR 663, Lot No. 903 EMR 664, and Lot No. 904 EMR 665, Lot 125, 126, 10083, 10084, 455 & 817, Lot No. 48 EMR 1000, Lot No. 827 EMR 539, Lot No. 1234 EMR 929, Lot No. 1235 EMR 928, Lot No. 1246 EMR 931, Lot No. 1466 EMR 1069, Lot 1043 CT 9668, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Freehold | Agricultural / Development Land | N/A | 519,220 / 158,662 / 87,007 | 10,673 | 31.05.10 |
| Lot No. 57253, Mukim of Bandar Kepong, District of Gombak, Selangor Darul Ehsan. | Freehold | Vacant Industrial Land | N/A | 8,266 | 10,885 | 31.05.10 |
| Lot No. P.T. 77 Title No. H.S. (D) Ka 6980/85, Mukim of Ulu Kinta, District of Kinta, Perak Darul Ridzuan. | Leasehold expiring on 05.04.2066 | Industrial / Factory Complex | 28 to 45 years | 4,047 / 2,539 | 1,656 | 31.05.10 |
| Lot No. 10647 Title No.Pajakan Negeri 78371, Mukim of Bidor, District of Batang Padang, Perak Darul Ridzuan. | Leasehold expiring on 06.03.2050 | Vacant Industrial Land | N/A | 16,190 | 630 | 31.05.10 |
| Lot No. 3729 Title No. H.S. (D) L & M 124/75, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Leasehold expiring on 22.08.2035 | Factory / Office Complex | 18 to 37 years | 1,028 / 782 | 693 | 31.05.10 |
| Lot No. 11319 HSM 1854, Lot No. 11320 HSM 1855, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Freehold | Commercial Building | 3 years | 339 | 614 | 31.05.10 |

This page has been intentionally left blank.

SPRITZER BHD (265348-V)
(Incorporated in Malaysia)

# Form of Proxy

| Number of shares held |
|---|
| |

I/We, ______________________________________________
(Full name in block letters, Identity Card number/Company number)

of ______________________________________________
(Address)

being a Member of **SPRITZER BHD**, hereby appoint ______________________________________________

______________________________________________
(Full name in block letters, Identity Card number/Company number)

of ______________________________________________
(Address)

or failing whom, ______________________________________________
(Full name in block letters, Identity Card number/Company number)

of ______________________________________________
(Address)

as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Thursday, 24 November 2011 at 11.00 a.m. at Crystal 2, Impiana Hotel Ipoh, 18 Jalan Raja Dr. Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan and at any adjournment thereof for/against* the resolutions to be proposed thereat.

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 May 2011 and the Reports of the Directors and Auditors thereon | | |
| 2. | To declare a first and final dividend | | |
| 3. | To approve the payment of Directors' fees | | |
| 4. | To re-elect Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP as Director | | |
| 5. | To re-elect Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP as Director | | |
| 6. | To re-elect Dr. Chuah Chaw Teo as Director | | |
| 7. | To appoint Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| 8. | To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |
| 9. | To approve the Proposed Shareholders' Mandate | | |
| 10. | To approve the Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd | | |

Dated this________________day of November 2011.

______________________________
Signature/Common Seal of Members

* Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

**Notes:-**

(i) A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its Seal or the hand of its attorney.

(iii) A member may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy and such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(v) This instrument duly completed must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting.

Fold here to seal

STAMP

**THE COMPANY SECRETARY**
**SPRITZER BHD**
Lot 85, Jalan Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan
Malaysia

Fold here to seal

www.spritzer.com.my

Lot 898, Jalan Reservoir
Off Jalan Air Kuning, 34000 Taiping
Perak Darul Ridzuan, Malaysia