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ANNUAL REPORT **2012**

A-RANK BERHAD 633621-X

A-RANK BERHAD

(633621-X)

Annual Report 2012

OUR Facilities

FURNACES

Six (6) units of melting furnaces, each of 25 metric tonnes capacity, all linked to heat regenerating burner systems that can both enhance energy conservation and increase productivity and one (1) unit of 30 metric tonnes hydraulically tilting furnace for better control of melt temperature, hence increasing product quality and productivity.

CASTING FACILITIES

Three (3) units of Vertical Direct Chilled, PLC controlled casting system.

HOMOGENISE FURNACES

Four (4) units of 35 metric tonnes homogenizing ovens with two (2) units of air cooling booth.

IN-LINE DEGASSER

Three (3) units of in-line degasser to remove dissolved hydrogen in molten aluminium hence in crashing the billets quality.

WAGSTAFF AIRSLIP MOLD

Billets cast with Wagstaff airslip air casting process Molds have a shallow molten metal sump and a thin-shield, uniform-grained composition that is beneficial to the extrusion process.

Vision

To be a renowned international player and a trustworthy partner in aluminium extrusion billets.

Mission

We are committed to supporting our customers' success by working closely with them in developing new and innovative solutions that will enhance their products and process challenges.

To build our reputation on the basis we help our customers achieve success by focusing on two fundamental themes – delivering superior quality billets and building lasting relationships.

We will satisfy or exceed the needs of our customers by providing quality billets, reliable on-time deliveries and services.

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Corporate Profile

A-Rank Berhad through its wholly owned subsidiary, Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa") (collectively the "Group") is principally involved in the manufacturing and marketing of aluminium billets. The Group is currently the largest manufacturer and supplier of aluminium billets in Malaysia and one of Asia's leading suppliers of aluminium extrusion billets.

The Group commenced operations in 1998 with an initial annual installed capacity of 12,000 metric tonnes and has registered consistent and impressive growth culminating in its listing on the Main Market of Bursa Malaysia Securities Berhad on 11 May 2005. Currently, the Group has an installed capacity of 108,000 metric tonnes per annum. Turnover for the financial year ended 31 July 2012 was RM400.4 million.

The Group's integrated facilities include Wagstaff "Airslip" billet casting mould system, melting furnaces with regenerating burners, tilting holding furnace and fully automated vertical direct chilled hydraulic-controlled casting machines from Australia, filters, in-line degassing machines, homogenizing furnaces and cooling booths, and automated billet-sawing machines. Sizes of billets manufactured range in diameters from 3" up to 11" and of any cut length up to 6 metres.

To ensure consistent quality of its products, the Group has numerous testing equipment including ultrasonic fault detectors, light emission spectrometers, AlSCAN hydrogen analyser and optical microscope with Olympus software solution that enable sophisticated evaluation of quality achieved in the casting and homogenizing processes. In line with its emphasis on quality, Formosa has achieved the ISO 9001:2008 certification and BS EN ISO 9001:2008 certification from Moody.

The Group presently exports about 40% of its production and its export markets include Africa, Europe, South Asia, South America and South East Asia.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban - Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Thursday, 20 December 2012 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive and adopt the audited Financial Statements for the year ended 31 July 2012 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a first and final single tier tax exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 July 2012. **(Resolution 2)**
3. To approve the payment of Directors' Fees amounting to RM186,000 (2011: RM114,000) for the financial year ended 31 July 2012. **(Resolution 3)**
4. To re-elect the following Directors who retire in accordance with Article 112 of the Company's Articles of Association.

   - Dr. Leong Chik Weng **(Resolution 4)**
   - Mr. Gan Choon Sun **(Resolution 5)**
5. To re-appoint Messrs. BDO as Auditors and to authorize the Directors to fix their remuneration. **(Resolution 6)**
6. AS SPECIAL BUSINESS, to consider, and if thought fit, to pass the following as Ordinary Resolution and Special Resolution respectively:

   6.1 Authority to issue shares not exceeding ten (10) per centum of the Issued Capital of the Company - Ordinary Resolution

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental / regulatory authorities (if any shall be required), the Directors be and are hereby empowered to issue shares (other than bonus or rights issue) in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the resolution in any one financial year of the Company (other than by way of bonus or rights issue) does not exceed ten (10) per centum of the issued capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 7)**

   6.2 Proposed Amendments to the Articles of Association of the Company - Special Resolution

   "THAT the proposed amendments to the Articles of Association of the Company as per Appendix 1 attached be and are hereby approved and THAT the Directors and Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Articles of Association of the Company." **(Resolution 8)**
7. To transact any other ordinary business of the Company of which due notice shall have been given.

BY ORDER OF THE BOARD

NG BEE LIAN
TAN ENK PURN
Company Secretaries

Seremban
23 November 2012

Notice of Annual General Meeting

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting on 20 December 2012, the first and final single tier tax exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 July 2012 will be payable on 8 January 2013 to Depositors whose names appear in the Record of Depositors on 26 December 2012.

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

a) shares transferred into the depositor's securities account before 4.00 p.m. on 26 December 2012 in respect of ordinary transfers; and

b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

Notes:

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more Proxies to attend and vote in his stead. Where a member appoints two or more Proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each Proxy. A Proxy need not be a member of the Company. The instrument appointing a Proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under its common seal or under the hands of duly authorised officer or attorney.

2. All forms of Proxy must be deposited at the Company's Registered Office at Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.

3. Where a Member 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 which is credited with ordinary shares of the Company.

4. Only members whose name appear in the Record of Depositors as at 13 December 2012 (at least 3 market days before the AGM date) will be entitled to attend and vote at the meeting.

5. Explanatory Notes:

   (a) Item 6.1 of the Agenda - Ordinary Resolution

   Authority to issue shares not exceeding ten (10) per centum of the Issued Capital of the Company.

   The Ordinary Resolution proposed under item 6.1 of the Agenda, if passed, is to empower the Directors to issue up to a maximum of ten (10) per centum of the total issued share capital of the Company for the time being without convening a general meeting for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting. No shares had been issued by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 07 December 2011. The renewal of the general mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares, for the purpose of funding future investment project(s), working capital and/ or acquisition.

   (b) Item 6.2 of the Agenda - Special Resolution

   Proposed Amendments to Articles of Association of A-Rank Berhad ("Proposed Amendments")

   The Proposed Amendments are to comply with the amendments made to Chapter 7 of the Listing Requirements in relation to the appointment of multiple proxies by an exempt authorised nominee and qualification of proxy.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1. The name of the Directors who are standing for re-election under Article 112 of the Articles of Association:

   - Dr.Leong Chik Weng
   - Mr. Gan Choon Sun

2. The details of attendance of existing Directors at Board meetings.

   During the financial year, four (4) Board meetings were held.

Name of Directors	Attendance
Dato' Shahrir Bin Abdul Jalil	4/4
Tan Wan Lay	4/4
Ahmed Azhar Bin Abdullah	4/4
Dr. Leong Chik Weng	4/4
Wong Tze Kai	4/4
Gan Choon Sun	4/4

3. Annual General Meeting of A-Rank Berhad

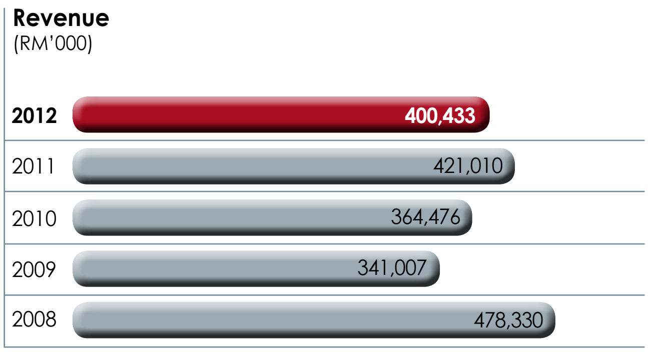
Place	:	Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur, (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus
Date & Time	:	Thursday, 20 December 2012 at 10.00 a.m.

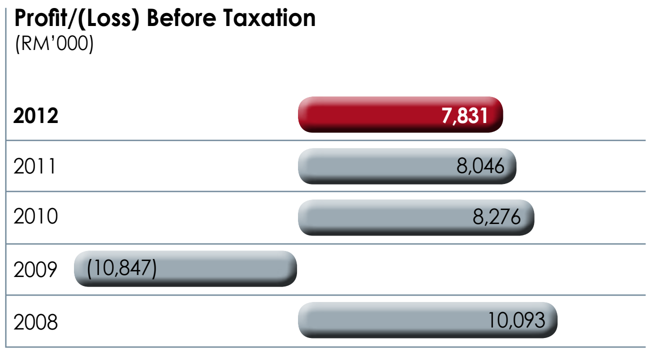
4. The shareholdings of the Directors standing for re-election in the Company are disclosed in the Directors' Report under Directors' Interests of this annual report and other details of Directors standing for re-election are disclosed in the Profile of Directors in this annual report.

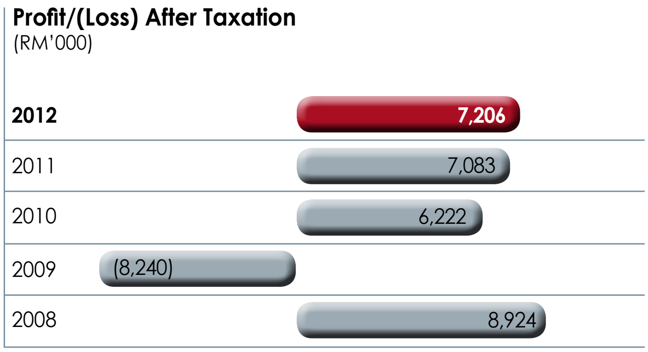
Financial Highlights

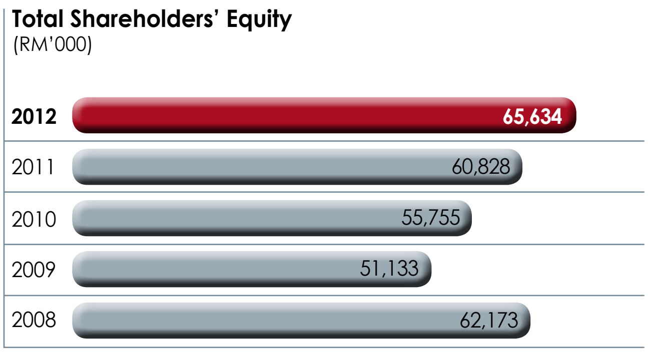
		Financial Year Ended 31 July				
		2012	**2011**	**2010**	**2009**	**2008**
Revenue	RM'000	**400,433**	421,010	364,476	341,007	478,330
EBITDA	RM'000	**13,762**	14,435	13,663	(5,241)	15,855
Profit/(Loss) Before Tax	RM'000	**7,831**	8,046	8,276	(10,847)	10,093
Profit/(Loss) After Tax	RM'000	**7,206**	7,083	6,222	(8,240)	8,924
Proposed Dividend	RM'000	**2,400** *	2,400	1,800	1,600	2,800
Total Assets	RM'000	**124,887**	125,548	130,528	109,103	121,981
Total Liabilities	RM'000	**59,253**	64,720	74,773	57,970	59,809
Total Shareholders' Equity	RM'000	**65,634**	60,828	55,755	51,133	62,173
Gearing Ratio	Time	**0.58**	0.76	1.03	0.85	0.69
Basic Earnings/(Loss) Per Ordinary Share	Sen	**9.00**	8.85	7.78	(10.30)	11.15
Net Tangible Asset Per Share	Sen	**82.04**	76.04	69.69	63.92	77.72

Denote:
* Proposed dividend subject to the approval of shareholders at the forthcoming Annual General Meeting.









Corporate Information

BOARD OF DIRECTORS

Dato' Shahrir Bin Abdul Jalil
Independent Non-Executive Director - Chairman

Tan Wan Lay
Managing Director

Ahmed Azhar Bin Abdullah
Independent Non-Executive Director

Dr. Leong Chik Weng
Independent Non-Executive Director

Wong Tze Kai
Independent Non-Executive Director

Gan Choon Sun
Executive Director

AUDIT COMMITTEE

Ahmed Azhar Bin Abdullah
Independent Non-Executive Director - Chairman

Dr. Leong Chik Weng
Independent Non-Executive Director

Wong Tze Kai
Independent Non-Executive Director

COMPANY SECRETARIES

Ng Bee Lian (MAICSA 7041392)
Tan Enk Purn (MAICSA 7045521)

AUDITOR

BDO
Chartered Accountants
12th Floor, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur

PRINCIPAL BANKERS

AmBank (M) Berhad
Malayan Banking Berhad
The Bank of Nova Scotia Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

SOLICITORS

Soo Thien Ming & Nashrah
Wisma Selangor Dredging
10th Floor, South Block
No. 142-A, Jalan Ampang
50450 Kuala Lumpur

CORPORATE ADVISOR

AmInvestment Bank Berhad
22nd Floor, AmBank Group Building
55, Jalan Raja Chulan
50200 Kuala Lumpur

REGISTERED OFFICE

Chamber E, Lian Seng Courts
No.275, Jalan Haruan 1
Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus
Tel : +606-762 3339
Fax : +606-762 9693

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7784 3922
Fax : +603-7784 1988

HEAD/MANAGEMENT OFFICE

Lot 2-33, Jalan Perindustrian Mahkota 7
Taman Perindustrian Mahkota
43700 Beranang
Selangor Darul Ehsan
Tel : +603-8724 4662/3/7
Fax : +603-8724 4661/8723 2009
Email : admin@arank.com.my or melissa@arank.com.my
Website : http://www.arank.com.my

WEBSITE ADDRESS

www.arank.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : ARANK
Stock Code : 7214

Board of Directors

Sitting from left to right:

Tan Wan Lay	**Dato' Shahrir Bin Abdul Jalil**	**Ahmed Azhar Bin Abdullah**
Managing Director	Independent Non-Executive Director - Chairman	Independent Non-Executive Director

Standing from left to right:

Wong Tze Kai	**Dr. Leong Chik Weng**	**Gan Choon Sun**
Independent Non-Executive Director	Independent Non-Executive Director	Executive Director

Profile of Directors

DATO' SHAHRIR BIN ABDUL JALIL
• Independent Non-Executive Director - Chairman •

Aged 51, a Malaysian, was appointed to the Board on 11 March 2005 and is presently the Managing Partner of Messrs. Shahrizat Rashid & Lee. He obtained an advanced Diploma in Estate Management from ITM in 1982 and was attached to CH Williams Talhar & Wong from 1982 to 1985. Thereafter, he set up his own project consultancy business whilst pursuing a law degree. He graduated with a LLB (Hons) degree from the International Islamic University, Malaysia in 1991 and worked in Rashid & Lee from 1991 to 1993 during which he was called to the Bar. In 1993, he left the firm and was one of the founding partners of Shahrizat & Tan. In 2004, Shahrizat & Tan merged with Rashid & Lee to become Shahrizat Rashid & Lee.

AHMED AZHAR BIN ABDULLAH
• Independent Non-Executive Director •

Aged 51, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the Head of Finance and Corporate Services at the Tanjak group of companies. He graduated from California State University (Fresno) with a Bachelor of Science in Accounting in 1986 and subsequently obtained his Master of Business Administration from California State University, Dominquez Hills (Los Angeles) in 1987. Upon graduation, he joined Malaysia Mining Corporation Berhad ("MMC") as an Internal Auditor. He was subsequently seconded to head MMC's wholly-owned subsidiary in London from 1992 to 1995 and upon his return, served in various management capacities within the MMC Group. He joined Gas Malaysia Sdn. Bhd. in November 2000 and was Head of the residential and commercial sales unit for natural gas and liquefied petroleum gas until March 2005. From 2005 to 2010, Encik Ahmad Azhar was an Executive Director of MOCCIS Furniture Sdn. Bhd. and MCCM Marketing Sdn. Bhd.

He is a member of the Audit Committee.

TAN WAN LAY
• Managing Director •

Aged 48, a Malaysian, was appointed to the Board on 11 March 2005. Mr. Tan has over 20 years experience in the aluminium extrusion industry. He graduated with a Diploma in Civil Engineering in 1986 and joined LB Aluminium Berhad in the same year. He rose through the ranks to be Senior Production Manager in 1993 when he left to join Press Metal Berhad as Production Manager. He left Press Metal Berhad in 1997 to set up Formosa Shyen Horng Metal Sdn. Bhd.

DR. LEONG CHIK WENG
• Independent Non-Executive Director •

Aged 49, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the founder and Chief Executive Officer of e-Lock Corporation Sdn. Bhd., a company involved in the provision of information technology services. Dr. Leong obtained his Ph.D in Chemical Engineering in 1989 from the University of Massachusetts, Amherst, USA. After graduation, he joined Raychem Corporation in Menlo Park, California where he was subsequently promoted as Technical Director. In 1997, Dr. Leong was a consultant to Guidant Corporation, one of the world's largest cardiovascular product companies, where he develop an advanced chaotic mixing screw technology to produce micro tubing using polymer alloys. He joined Universal Search Machine Sdn. Bhd. in 1998 as Managing Director until 2000.

He also holds Directorships in private companies involved in access control and CCTV as well as land development and construction. He also sits on the Board of UMW Holdings Berhad and Chemical Company of Malaysia Berhad.

He is a member of the Audit Committee.

Profile of Directors

WONG TZE KAI
• Independent Non-Executive Director •

Aged 40, a Malaysian, was appointed to the Board on 19 September 2008 and is currently the Executive Director of CPK Solutions Sdn. Bhd. Mr. Wong graduated from the University of Adelaide, Australia with a Bachelor of Commerce/Bachelor of Law in 1995. He joined Messrs. Lee Hishammuddin in 1996 as Pupil in Chambers and as Legal Assistant in 1997. He worked in Malaysian Exchange of Securities Dealing & Automated Quotation Bhd. from 1997 to 1999 as an Executive, Legal and Intermediary Services and was a Senior Executive of Maxis Communications Bhd. from 1999 to 2000. He was Managing Investment Director of Banyan Ventures Sdn. Bhd. and headed the Legal and Strategy unit from 2000 until 2003. Mr. Wong was a senior manager in Malaysia Venture Capital Management Berhad from 2003 to 2005 and was promoted to Vice President (Investments) and a Voting Member of the Investment Committee from 2005 to 2006. From 2007 to 2009, he was an entrepreneur being involved in several international businesses in the ICT, outsourcing and property development sectors.

He is a member of the Audit Committee.

GAN CHOON SUN
• Executive Director •

Aged 47, a Malaysian, was appointed to the Board on 17 September 2009 and is currently Executive Director of Formosa Shyen Horng Metal Sdn. Bhd, ("Formosa"), a wholly owned subsidiary of the Company. He graduated from Middlesex University, London with a First Class Honour Degree in Manufacturing Management Engineering in 1996. He also holds a Diploma in Civil Engineering from University Technology of Malaysia. Prior to joining Formosa in 2006, he held various senior positions ranging from Engineer to General Manager in various private companies in the metal industry. He has extensive experience in process engineering and has provided the Group with technical manufacturing expertise.

Currently, he is instrumental in spearheading the overall operating activities of Formosa, as well as formulating business strategies for the Group.

Other Information:

1. *Family Relationship*
   None of the Directors have any family relationship with any director and/or major shareholder of A-Rank Berhad.

2. *Conflict of Interest*
   None of the Directors have any conflict of interest with the Company.

3. *Conviction for Offences*
   None of the Directors have any conviction for offences within the past ten (10) years.

4. *Board Meeting*
   Details of the attendance by the Directors are disclosed under Statement on Corporate Governance of this Annual Report.

Chairman's Statement

DEAR SHAREHOLDERS,

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

FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved revenue of RM400.4 million compared to RM421.0 million for the preceding year, a decrease of 4.9%. The decrease in revenue was contributed by lower average selling prices due to the drop in underlying raw material costs despite an increase in business volume. Sales mix remained relatively the same.

The Group registered profit before tax of RM7.8 million for the year under review compared to a profit before tax of RM8.0 million in the previous year reflecting a slight drop of 2.5%. This is due mainly to the lower revenue and the effects of the strengthening of the Malaysian Ringgit on export margins mitigated by reduced interest expenses.

Profit after tax, however, improved slightly by 1.4% to RM7.2 million compared to profit after tax of RM7.1 million for the previous year. The improved profit performance was achieved due to a lower provision of deferred tax liability for the year under review against that of the preceding year.

The basic earnings per ordinary share for the financial year ended 31 July 2012 was 9.0 sen whilst net assets per share amounted to 82.0 sen at the end of the financial year.

Chairman's Statement

CORPORATE DEVELOPMENTS

The Company has on 25 October 2012 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") that it proposes to undertake a bonus issue of 40,000,000 new ordinary shares of RM0.50 each ("shares") in the Company ("bonus share"), to be credited as fully paid-up at par, on the basis of one (1) bonus share for every two (2) existing shares held by the entitled shareholders of the Company on an entitlement date to be determined later by the Board of Directors of the Company ("Proposed Bonus Issue").

Subsequently on 14 November 2012, the Company announced that Bursa Securities has vide its letter dated on the same date approved the Additional Listing Application in respect of the Proposed Bonus Issue subject to the conditions therein.

Save for the above, the Company does not have any other significant corporate development to report.

DIVIDENDS

The Board of Directors is pleased to recommend a first and final single tier tax exempt dividend of 3.0 sen per ordinary share amounting to RM2.4 million (2011: RM2.4 million) in respect of the financial year ended 31 July 2012 subject to the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS

Despite the continuing global economic uncertainties, the domestic economy is expected to remain resilient for 2013 with the Malaysian Government estimating a GDP growth of around 5.5% underpinned by public and private sectors' investments. This augurs well for the Group as the building and construction sector is expected to be the prime beneficiary of this investments in which the Group is part of the supply chain.

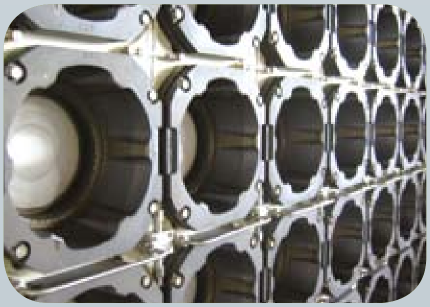
However, on the global front, the US economy and that of Europe, remained weak and directionless, with little evidence of a sustainable recovery. Fortunately, Asian economies continued to remain largely resilient despite some cooling off in the region's two powerhouses, China and India. This is expected to adversely impact the Group's export opportunities. On balance, the Group is expected to rely on the resilience of the domestic economy to weather these uncertainties ahead.

Barring unforeseen circumstances, your Board expects the Group will remain profitable for the forthcoming year. Nonetheless, the Group will remain vigilant of the uncertainties and volatilities in the global economy.

APPRECIATION

On behalf of the Board, I would like to extend our heartfelt thanks to our customers, business associates, bankers and the various government agencies for their continued support. I would also like to place on record my appreciation and gratitude for the support of my fellow Directors. Our appreciations are also extended to our shareholders and to the Management and employees for their commitment, contribution and loyalty.

Dato' Shahrir Bin Abdul Jalil
Chairman
Independent Non-Executive Director



Managing Director's Operation Review

REVIEW OF OPERATIONS

The Group achieved revenue of RM400.4 million for the financial year under review from RM421.0 million for the previous year. The decrease in revenue was despite an increase in business volume and was due to lower average selling prices owing to the substantial drop in underlying raw material costs.

Profit before and after tax were at RM7.8 million and RM7.2 million respectively compared to RM8.0 million and RM7.1 million last year. The lower profit before tax was a result of the lower revenue and the adverse impact of the stronger Malaysian Ringgit on export margins. Overall gross margins remained about the same as the previous year whilst interest expenses were lower than that of the preceding year. The Group was able to maintain its margins in spite increases in employees' costs due to measures taken over the past few years to improve efficiencies and recovery.

The Group has and will continue to upgrade its manufacturing facilities to improve the quality of its products whilst at the same time raise its operational efficiencies and recovery which is very important for our industry. Amongst the upgrade was the acquisition of an additional unit of melting furnace with magnetic stirrer which is under installation that will increase the quality and production output of aluminium billets. The Group has also upgraded its dust collectors to ensure cleaner discharge into the environment.

From the marketing perspective, the Group has constantly adopted strategies to broaden its customer base as well as identifying better value customers. In this respect, we have garnered some success as evidenced by new customers in the Netherlands as well as in Asia. We also wish to add that the "Formosa" brand of billets has continued to gain international acceptance for its quality.

Managing Director's Operation Review



OUTLOOK

Domestic demand continues to be the main driver of growth for the Group with the expansion of investments under the Tenth Malaysia Plan and Economic Transformation Program. However, the implementation of Minimum Wage Order 2012 which was to take effect from 1 January 2013 onwards will have impacts on the Group's margins.

The world economy experienced one of its most tumultuous and volatile years in recent history. The European debt crisis dominated most of the financial headlines during the year. Several emergency measures were put in place to stem the crisis from spreading further and to protect the Euro, which was in danger of collapsing. At the time of writing, the crisis appears to have abated but its underlying structural problems have yet to be fully addressed. The US economy has shown some improvement but the impending fiscal cliff in 2013 may damper global growth if the US government is unable to get their act together. Most developing economies such as China and India experienced slower growth following the lethargic performance of the developed economies. This is expected to adversely impact the Group's export opportunities.

The volatility of aluminium prices have also persisted in creating uncertainties in our business decision making process particularly on pricing. In addition, the strength of the Malaysian Ringgit will also have an impact on the Group's overall margins.

Nonetheless, the Group is confident, barring any unforeseen circumstances, of the prospect of the Group moving forward and that it will be able to sustain its profitability for the forthcoming year.

APPRECIATION

I wish to take this opportunity to thank our customers, business partners, suppliers, bankers and not forgetting our shareholders for their continue support. My thanks are also extended to my fellow Directors, Management and staff for all the hard work, commitment and contribution for the year under review.

Tan Wan Lay
Managing Director

Statement on Corporate Governance

The Board of Directors of A-Rank Berhad ("A-Rank" or the "Company") is committed to ensuring that the standards of corporate governance pursuant to the Malaysian Code on Corporate Governance ("Code") are practiced throughout the Company and its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn. Bhd. (collectively the "Group") to achieve its objectives to protect and enhance shareholders' value, safeguard the Group's assets and improve the performances of the Group. Hence, the Board will continue to evaluate the Group's corporate governance procedures, in so far as they are relevant to the Group, bearing in mind the nature of the Group's businesses and the size of its business operations.

The statement below sets out the Group's application of the principles of the Code and the extent of its compliance for the financial year under review.

BOARD OF DIRECTORS

The Board currently comprises of six (6) members, four (4) of whom are Independent Non-Executive Directors. The Board members, with their diverse backgrounds, bring with them a wide range of disciplines and experiences to provide stewardship to the Group. The composition of the Board complies with the Code in that at least one third of the Board consists of Independent Non-Executive Directors. There is a balance of power and authority in the Board as the Managing Director is responsible for the normal operations and business activities of the Group whilst the Independent Non-Executive Chairman and the Independent Non-Executive Directors ensure that the Board practices good governance in discharging their duties in compliance with the Code. Decisions made are fully discussed and examined taking into account the long term interest of the Group, shareholders, employees, customers and the many communities in which the Group conducts its business.

No Independent Non-Executive Director has been appointed to whom any concerns pertaining to the Group may be conveyed as recommended by the Code. The Board will shoulder this responsibility collectively.

In the event of any potential conflict of interest situation, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

BOARD MEETINGS

The Board meets on a scheduled basis, at least once every three (3) months. Additional meetings may be convened to resolve any major and/or ad hoc matters requiring immediate attention. During the financial year 2012, the Company held four (4) meetings of the Board of Directors. Management staff may be invited to attend Board meetings to provide the Board with detailed explanations and clarifications.

The details of the attendance by the Directors are as follows:

Name of Directors	Attendance
Dato' Shahrir Bin Abdul Jalil	4/4
Tan Wan Lay	4/4
Ahmed Azhar Bin Abdullah	4/4
Dr. Leong Chik Weng	4/4
Wong Tze Kai	4/4
Gan Choon Sun	4/4

SUPPLY OF INFORMATION

The Directors have full and unrestricted access to all information concerning the Company and the Group. At each Board meeting, the Managing Director will brief the Board on the Group's activities, operations and other performance factors affecting the Group's business and performance. All meetings will be preceded by an agenda issued by the Company Secretary. The relevant reports and Board papers will be distributed prior to the Board meetings to allow for sufficient time for the Directors to peruse so as enabling effective discussions and decision making during meetings.

All Directors have access to the advice and services of the Company Secretary and are also entitled to seek advice from investment bankers, the external auditors and other independent professionals in the furtherance of their duties, at the Company's expense.

Statement on Corporate Governance

BOARD COMMITTEES

The Board has established the Audit Committee on 17 March 2005 and comprised of three (3) Independent Non-Executive Directors to assist the Board in discharging its duties. The Board of Directors has in line with the Listing Requirements reviewed the term of office and performance of the Audit Committee and each of its members and is satisfied that the Audit Committee has carried out its duties in accordance with its terms of reference. The attendance record and the Audit Committee's activities are set out in this Annual Report.

There is no Nomination Committee formed which is not in accordance with the best practices as set out in the Code as the appointment of new Directors would be a matter for the Board as a whole. There is also no formal assessment carried out on the performance of the Board and its individual Directors as the Board is of the view that the diverse backgrounds and experiences of the existing Directors are deemed adequate in addressing the business needs and issues faced by the Group. The Independent Non-Executive Directors also ensure proper deliberations and independent judgments in the decision making process.

A Remuneration Committee has also not been established which is not in accordance with the best practices as spelt in the Code as Directors' remuneration is a matter decided by the Board as a whole.

Nonetheless, the Board will, in compliance with the Code, established the Nomination Committee and Remuneration Committee as well as their terms of reference during the financial year ending 31 July 2013.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by the shareholders at the first Annual General Meeting ("AGM") following their appointment. The Articles further provide that at least one third (1/3) of the Directors including the Managing Director shall be subject to re-election by rotation at least once every three (3) years at each AGM.

Directors over seventy (70) years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

For the forthcoming AGM, Dr. Leong Chik Weng and Mr. Gan Choon Sun will retire by rotation, pursuant to Article 112 of the Company's Articles of Association and being eligible, offer themselves for re-election.

NUMBER OF DIRECTORSHIPS IN OTHER COMPANIES

Directors of the Company do not hold more than ten (10) directorships in public listed companies and not more than fifteen (15) in non-public listed companies, as required by the Listing Requirements.

The list of directorships held is disclosed by the respective Directors to the Board to ensure compliance with the above Listing Requirements.

DIRECTORS' TRAINING

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programs to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with developments in the business environment to enable them to discharge their responsibilities more effectively. All Directors are briefed regularly on current regulatory issues as well as new relevant laws and regulations by the Group's auditors and Company Secretary. For the year ended 31 July 2012 and up to the date of this report, the courses attended by the Directors either jointly or individually included:

- Chemical Company of Malaysia Berhad "CCM" Group Directors & Senior Management Training 2011 – Competition Act and What It Means to CCM
- Role of the Audit Committee in Assuring Audit Quality
- BDO Tax Forum Series: Time For Action – Driving Transformation Towards a Developed Nation
- Highlights of Key Provisions in the Proposed Companies Bill

Statement on Corporate Governance

DIRECTORS' REMUNERATION

Remuneration of the Directors are decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decision relating to their respective individual remuneration packages. The aggregate remuneration of Directors for the financial year ended 31 July 2012 is as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	60,000	126,000	186,000
Salaries	512,000	-	512,000
Bonus	139,965	-	139,965
Defined contribution plan	66,719	-	66,719
Benefit-in-kind	30,450	-	30,450
Total	**809,314**	**126,000**	**935,134**

The number of Directors whose total remuneration fall within the following bands for the financial year ended 31 July 2012 is as follows:

	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM300,001 to RM350,000	1	-
RM500,001 to RM550,000	1	-

RELATIONSHIPS WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of keeping shareholders and investors informed of its latest business and corporate developments. The dissemination of information is conducted through various public announcements, the Annual Report, circulars to shareholders and quarterly announcement of the Group's results. The Annual General Meeting ("AGM") provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. The Board encourages shareholders' active participation at such meetings. Members of the Board and the external auditors are also present to answer questions raised during the meetings.

The Company has also established a website http://www.arank.com.my as another tool of communication that provide easy access for information which includes corporate information, announcements/ press releases, financial information, products information and investor relations. Shareholders may contact the Executive Secretary, Ms. Melissa Liu to address any concern which a shareholder may have and she can be contacted via telephone, facsimile or electronic mail as follows:

Tel. No : +603-8724 4662/63/67
Fax No : +603-8723 2009
Email : melissa@arank.com.my
Contact Person : Ms. Melissa Liu (Executive Secretary)

In addition, the Company Secretary provides shareholders and investors with another channel of communication in which they can provide feedback to the Group.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's financial performance and prospects in presenting the annual financial statements and quarterly reports as well as announcements to Bursa Malaysia Securities Berhad. The Chairman's statement and Managing Director's operations review provide further information on the Group's activities, business performances and prospects. The Board is assisted by the Audit Committee in reviewing the Group's financial reporting procedures of its financial results, and scrutinizing information for disclosure to ensure compliance with accounting standards, adequacy and completeness and are announced to the public within the stipulated time frame.

Internal Control

The Statement on Internal Control set out in this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Group maintains an appropriate and transparent relationship with the Group's external auditors through the Audit Committee. The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee report in this Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITY

Directors are required under the Companies Act, 1965 (the "Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and the results and cash flows of the Company and of the Group for that period. In addition, the Directors have the general responsibilities for taking such steps as they are reasonably open to them to safeguard the Group's assets and prevent fraud and other irregularities. The Directors have ensured that the financial statements have been prepared in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Act, the Listing Requirements of Bursa Malaysia Securities Berhad and that other relevant statutory requirements are complied with, consistently adopt the appropriate accounting policies and made reasonable and prudent judgments and estimates.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 October 2012.

Additional Compliance Information

The following information is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

SHARE BUYBACKS

There was no share buyback scheme implemented during the financial year ended 31 July 2012.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities have been issued by the Company.

DEBT AND EQUITY SECURITIES

The Company has not issued any debt or equity securities during the financial year under review.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 July 2012.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary company, Directors or Management by relevant regulatory bodies during the financial year ended 31 July 2012.

NON-AUDIT FEES

During the financial year ended 31 July 2012, non-audit fees paid and payable to the external auditors, Messrs BDO and its affiliated company amounted to RM17,900.

VARIATION IN RESULTS

There were no material variance between the audited results for the financial year ended 31 July 2012 and the unaudited results previously announced for the quarter ended 31 July 2012.

PROFIT GUARANTEE

There were no profit guarantees given or received by the Company during the financial year ended 31 July 2012.

MATERIAL CONTRACTS

No material contract has been entered into by the Company and/or its subsidiary company which involved Directors' and/ or substantial shareholders' interests, either still subsisting at the end of the financial year ended 31 July 2012 or, if not then subsisting, entered into since the end of the previous financial year.

REVALUATION POLICY

The Company and its subsidiary company did not adopt a policy of regular revaluation of its landed properties.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The related party transactions are set out in the notes to the financial statements in which the transactions entered into were in the ordinary course of business and established under negotiated and mutually agreed terms.

PROFIT ESTIMATION, FORECAST OR PROJECTION

There were no profit estimation, forecast or projection made or released by the Company or Group during the financial year ended 31 July 2012.

Statement on Corporate Social Responsibility

The Board recognises the importance of the Group fulfilling its corporate social responsibility ('CSR') towards the betterment of the environment, the community and the welfare of its employees. As such, the Group will endeavour to appreciate its social and environmental performances with respect to CSR issues and to take appropriate and timely action to address such issues, if any. Considerations for the environment have always been an important issue in all aspects of the Group's operations.

Provision educational supports to employees' children

ENVIRONMENT

The Group ensured the compliance of all environmental laws and regulations by integrating CSR practices into its daily operations. The Group is particularly proud of its contributions towards the environment as it provides a valuable service in the recycling of aluminium, predominantly to manufacturers of aluminium products in Malaysia. Aluminium which is the major raw material input in our products is environmentally friendly and can be endlessly recycled. By recycling aluminium, we help save energy as well as raw materials which lessen the need for solid waste disposal. In line with the above, the Group has further upgraded its dust collection facilities to reduce air pollution.

COMMUNITY

The Group supports benevolent and charitable causes on an ad hoc basis through monetary assistance and sponsorship to promote community activities. In this respect, the Group has made donations to various schools in Malaysia as a gesture of its contributions.

In December 2011, the Group has made a contribution of 500 boxes of drinking water to help victims in Thailand affected by the floods.

The Group had also provided educational supports to a total of 71 students for primary and secondary schools comprising children of the Group's employees.

Statement on Corporate Social Responsibility

Contribution of drinking water to flood victims in Thailand

Celebration of Hari Raya Aidilfitri

WORKPLACE

The Group believes that employees is one of its most important assets. In line with this belief, the Group strived to ensure an environmental-friendly, healthy and safe workplace for all employees. To achieve this, steps were taken to ensure that equipment and building safety systems were functioning properly and well maintained. The Group has also organised fire drills, safety and health talks as well as evacuation exercises at its plant to create awareness and to instill consciousness within its workforce. The Group is also committed to provide its employees with health care benefits such as insurance and sick leave.

As part of its human capital development, various in-house programmes and job skills related training were conducted to equip the employees with improved skills and knowledge. The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

The Annual Dinner was held in January 2012, combining the Long Service Awards ceremony and celebration of Hari Raya Aidilfitri on September 2012 with an entertaining night for all the Group's employees.

MARKETPLACE

The Group believes that with sound business practices and effective management, shareholders' value will be enhanced. We take pride in our reputation with the ISO 9001:2008 certification and BS EN ISO 9001:2008 certification from Moody. The Group has always maintained good relationships with its customers and suppliers. High ethical standards in all our business dealing are consistently applied. The provision of good quality products and on-time delivery is a must for the Group.

Annual Dinner 2012

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Name	Position	Attendance
Chairman		
Ahmed Azhar Bin Abdullah	Independent Non-Executive Director	4/4
Members		
Dr. Leong Chik Weng	Independent Non-Executive Director	4/4
Wong Tze Kai	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

Composition

The Audit Committee shall be appointed by the Board from amongst its number and shall consist of at least three (3) members, all of whom must be Independent Non-Executive Directors. All members of the Audit Committee shall be financially literate and at least one member of the Audit Committee:

- Must be a member of the Malaysian Institute of Accountants; or
- If he/she is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience; and
  - a) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant's Act, 1967; or
  - b) he/she must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountant's Act, 1967; or
- Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The members of the Audit Committee shall elect from amongst their number a Chairman. No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the vacancy shall be filled within three (3) months.

Quorum and Audit Committee's Procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. A quorum shall consist of two (2) members.

The Company Secretary shall be appointed Secretary of the Audit Committee and in conjunction with the Chairman, shall draw up the agenda which shall be sent to all members of the Audit Committee and other persons who may be required/invited to attend. All meetings to review the quarterly results and annual financial statements shall be held prior to such quarterly results and annual financial statements being presented to the Board for approval.

Notwithstanding the above, upon the request of any member of the Audit Committee, the external auditors or the internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider matters brought to its attention.

The external auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The Audit Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meeting. The internal auditors, if any, shall be in attendance at meetings of the Audit Committee to present and discuss the audit findings and the recommendations relating to such findings.

Audit Committee Report

TERMS OF REFERENCE (CONT'D)

Quorum and Audit Committee's Procedures (Cont'd)

The Audit Committee shall regulate the manner of the proceedings of its meetings. It is the Audit Committee's discretion to meet with the external auditors at least twice a year without the presence of the Executive Directors. If the Audit Committee members are satisfied with the reporting practices as well as the level of independence shown by the external auditors or they are able to clarify matters directly with the external auditors and do not feel the need to convene an additional meeting, this meeting shall not be held.

Duties & Responsibilities

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties, and report the same to the Board; where appropriate:

- with the external auditors, the audit scope and plan;
- with the external auditors, an evaluation of the quality and effectiveness of the accounting system;
- with the external auditors, the audit report;
- the assistance rendered by employees of the Company and its subsidiary (the "Group") to the auditors;
- with the internal auditors, the adequacy of the scope, duties, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- with the internal auditors, the adequacy and integrity of the internal control system and the efficiency of the Group's operations and efforts taken to reduce the Group's operational risks;
- the internal audit programme, processes and results, and the actions taken on the recommendation of the internal audit function;
- the appointment, performance and remuneration of the internal audit staff;
- the appointment and performance of the external auditors, the audit fee and any questions of resignation or dismissal before making recommendations to the Board;
- the quarterly results and annual financial statements of the Company and Group prior to the approval by the Board, focusing particularly on:

  a) any changes in or implementation of accounting policies and practices;
  b) significant adjustments or unusual events arising from the audit;
  c) the going concern assumption; and
  d) compliance with accounting standards and other legal requirements;

- any related party transaction and conflict of interest situation that may arise within the Company/Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- with the external and internal auditors, major audit findings, reservations or material weaknesses and the Management's responses in resolving the audit issues reported during the year; and
- such other activities, as authorised by the Board.

Authority and Rights

The Audit Committee is authorised by the Board within its terms of reference and at the cost of the Group to investigate any matter and shall have the resources which are required to perform its duties.

The Audit Committee also has full and unrestricted access to any information pertaining to the Group and has direct communication channels with the internal and external auditors, and be able to convene meetings with external auditors, and full access to any employee or member of the Management without the presence of the Executive Directors, whenever deemed necessary.

The Audit Committee is authorised to obtain independent professional or other advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

Audit Committee Report

ATTENDANCE

During the financial year ended 31 July 2012, four (4) Audit Committee's meetings were held which were attended in full by all the members of the Committee.

SUMMARY OF ACTIVITIES

The main activities carried out by the Committee during the financial year under review are as follows:

- Reviewed the unaudited quarterly and year-end results of the Group and the Company before recommending to the Board for their approvals and for announcement to Bursa Malaysia Securities Berhad;
- Reviewed the audited financial statements of the Group and of the Company prior to submission to the Board for consideration and approval;
- Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised;
- Review with the external auditors, the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit;
- Reviewed with the internal auditors, the internal audit plan and the scope of work; and
- Reviewed the internal auditors' report and the external auditors' report and management letter, if any.

INTERNAL AUDIT FUNCTION

A-Rank recognises that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The Company has not set up an internal audit department but has outsourced to consultants the internal audit function so as to provide reasonable assurance that the Group's internal controls are adequate and functioning as intended and to recommend measures to Management to improve and rectify weaknesses, if any.

Statement on Internal Control

INTRODUCTION

This statement is in line with the Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance.

The Board is pleased to present hereinafter the annual update on the Group's state of internal controls for the year ended 31 July 2012.

BOARD'S RESPONSIBILITIES

The Board of Directors affirms that it is responsible for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board also affirms that it is responsible for ensuring the adequacy and integrity of those systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore, it should be noted that any system can provide only a reasonable and not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises the need for an effective risk management framework and to maintain a sound system of internal control. The Group has established a structured and on- going risk management process to identify, evaluate and manage risks that may significantly impact the Group. This includes identifying principal risks in critical areas, assessing the likelihood and the impact of material exposures and determining the corresponding risk mitigation and treatment measure.

The risk assessment of the Group is carried out by outsourcing to consultants to identify and prepare the risk register to reflect existing operations and markets conditions. The consultants report directly to the Audit Committee. Risk registers of the principal risks and controls have been created and a risk profile for the Group has been developed and reviewed by the Board and Management.

SYSTEM OF INTERNAL CONTROLS

Key elements of the Group's system of internal controls include the following:

- Organisation structure with clearly defined lines of responsibility and delegated authority which includes defined delegation of responsibilities to the committees of the Board, the Management and the operating units.

- The Audit Committee comprises Independent Non-Executive Directors of the Board and has full access to both internal auditors and external auditors. Whenever necessary, the Audit Committee will also review and discuss with key management on the actions taken on issues brought up by the internal auditors and the external auditors.

- A regular review of the high-risk area of business processes by the Group's internal auditors, which report directly to the Audit Committee, to assess the effectiveness of internal controls and to highlight any significant risk that may adversely affect the Group. The Audit Committee will monitor the status of the implementation of corrective actions to address internal control weaknesses, if any.

- The effectiveness of the system of internal controls is also reviewed through the ISO 9001:2008 and BS EN ISO 9001:2008 Quality Management System which is subject to regular review and audit that continuously manages and controls the quality requirement of the Group's products and services. The demanding documentation requirements of the certification further ensure a trail of accountability in the Group.

- Quarterly and annual financial results are reviewed by the Audit Committee.

- A regular review of the performance of the Group by the Directors at its meetings to ensure it is in line with the Group's overall objectives.

- A budgeting process which establishes plans and targets against which performance are monitored on an on-going basis.

- A management reporting system in place to facilitate timely generation and monitoring of financial information for management review and decision making.

The Group's Management meets regularly to review the reports, monitors the business development and resolves key operational and management issues and reviews the financial performance against the budget.

Statement on Internal Control

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by the Bursa Securities' Listing Requirements, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants (MIA). Their review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

INTERNAL AUDIT FUNCTION

In accordance with the Malaysian Code on Corporate Governance, the Board has established an internal audit function to review the adequacy and integrity of its system of internal controls.

The internal audit function of the Group is outsourced to consultants. The responsibilities of the internal auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's systems of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care.

Internal audit plans are reviewed and approved by the Audit Committee and the plans include independent appraisal on the compliance, adequacy and effectiveness of the Group's internal controls and to assess and monitor the effectiveness and implementation of the Group's risk management policies on half-yearly basis. The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and update the Audit Committee on the status of Management-agreed action plan implementation.

For the financial year ended 31 July 2012, the total costs incurred for the outsourced internal audit function is RM31,336 inclusive of reimbursable expenses and service tax.

CONCLUSION

The Board is satisfied that during the financial year under review, there is a process to manage the Group's system of internal controls to mitigate any significant risks faced by the Group so as to safeguard shareholders' interests and the Group's assets.

This Statement was made in accordance with the resolution of the Board dated 31 October 2012.

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Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activity of the subsidiary is disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	7,205,553	3,400,182

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 July 2011:	
A first and final single tier tax exempt dividend of 3.0 sen per ordinary share, paid on 21 December 2011	2,400,000

The Directors proposed a first and final single tier tax exempt dividend of 3.0 sen per ordinary share amounting to RM2,400,000 in respect of the financial year ended 31 July 2012 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

Directors' Report

DIRECTORS

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

Dato' Shahrir Bin Abdul Jalil
Tan Wan Lay
Ahmed Azhar Bin Abdullah
Dr. Leong Chik Weng
Wong Tze Kai
Gan Choon Sun

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 July 2012 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 1.8.2011	**Bought**	**Sold**	**Balance as at 31.7.2012**
Shares in the Company				
<u>Direct interests</u>				
Tan Wan Lay	3,746,000	-	-	**3,746,000**
Ahmed Azhar Bin Abdullah	100,000	-	-	**100,000**
Gan Choon Sun	45,000	-	-	**45,000**
<u>Indirect interest</u>				
Tan Wan Lay	25,227,994	-	-	**25,227,994**

By virtue of his interests in the ordinary shares of the Company, Tan Wan Lay is also deemed to be interested in the ordinary shares of the subsidiary to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares in the Company or shares of its related corporations during the financial year.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by 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.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that no provision for doubtful debts is required; 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 operations of the Group and of the Company during 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 necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company; and

(ii) which would render the values attributed to 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 which is likely to affect substantially the results of 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 and of the Company to meet their obligations as and when they fall due.

Directors' Report

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.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
19 October 2012

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 35 to 86 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2012 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
19 October 2012

Statutory Declaration

I, Tan Tze, being the officer primarily responsible for the financial management of A-Rank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 86 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Kuala Lumpur this
19 October 2012

Tan Tze

Before me:

S. Ideraju (W-451)
Commissioner for Oaths

Independent Auditors' Report

To the Members of A-Rank Berhad

Report on the Financial Statements

We have audited the financial statements of A-Rank Berhad, which comprise the statements of financial position as at 31 July 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 85.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the provisions of 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the 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 provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2012 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Independent Auditors' Report

To the Members of A-Rank Berhad

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

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

(c) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 33 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.

BDO
AF : 0206
Chartered Accountants

Ooi Thiam Poh
2495/01/14 (J)
Chartered Accountant

Kuala Lumpur
19 October 2012

Statements of Financial Position

As at 31 July 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	**59,614,226**	62,475,213	**-**	-
Investment in a subsidiary	8	**-**	-	**25,978,559**	25,978,559
		59,614,226	62,475,213	**25,978,559**	25,978,559
Current assets					
Inventories	9	**27,112,624**	28,231,959	**-**	-
Trade and other receivables	10	**33,563,812**	32,313,146	**21,073,499**	20,088,037
Current tax assets		**179,957**	95,870	**180,351**	93,716
Cash and cash equivalents	11	**4,415,980**	2,431,978	**6,619**	10,978
		65,272,373	63,072,953	**21,260,469**	20,192,731
TOTAL ASSETS		**124,886,599**	125,548,166	**47,239,028**	46,171,290
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	12	**40,000,000**	40,000,000	**40,000,000**	40,000,000
Reserves	13	**25,633,849**	20,828,296	**7,020,007**	6,019,825
TOTAL EQUITY		**65,633,849**	60,828,296	**47,020,007**	46,019,825
LIABILITIES					
Non-current liability					
Deferred tax liabilities	14	**6,501,136**	5,794,147	**-**	-
		6,501,136	5,794,147	**-**	-
Current liabilities					
Trade and other payables	15	**9,718,882**	10,472,067	**219,021**	151,465
Derivative liabilities	16	**428,342**	71,600	**-**	-
Borrowings	17	**42,604,390**	48,382,056	**-**	-
		52,751,614	58,925,723	**219,021**	151,465
TOTAL LIABILITIES		**59,252,750**	64,719,870	**219,021**	151,465
TOTAL EQUITY AND LIABILITIES		**124,886,599**	125,548,166	**47,239,028**	46,171,290

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

Statements of Comprehensive Income

For the financial year ended 31 July 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Revenue	18	**400,432,513**	421,010,392	**5,000,000**	5,000,000
Cost of sales	19	**(386,276,045)**	(406,111,740)	**-**	-
Gross profit		**14,156,468**	14,898,652	**5,000,000**	5,000,000
Other operating income		**152,874**	14,234	**-**	-
Distribution costs		**(341,963)**	(365,983)	**-**	-
Administration expenses		**(4,475,198)**	(4,214,658)	**(436,453)**	(313,460)
Profit from operations		**9,492,181**	10,332,245	**4,563,547**	4,686,540
Finance costs	20	**(1,661,226)**	(2,285,971)	**-**	-
Profit before tax	21	**7,830,955**	8,046,274	**4,563,547**	4,686,540
Taxation	22	**(625,402)**	(963,704)	**(1,163,365)**	(1,195,423)
Profit for the financial year		**7,205,553**	7,082,570	**3,400,182**	3,491,117
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**7,205,553**	7,082,570	**3,400,182**	3,491,117
Basic earnings per ordinary share (sen)	23	**9.00 sen**	8.85 sen		

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

Statements of Changes in Equity

For the financial year ended 31 July 2012

	Note	Share capital RM	Share premium RM	Distributable Retained earnings RM	Total RM
Group					
Balance as at 1 August 2010		40,000,000	715,938	15,038,868	55,754,806
Effect of adoption FRS 139		-	-	(209,080)	(209,080)
Restated balance as at 1 August 2010		40,000,000	715,938	14,829,788	55,545,726
Total comprehensive income		-	-	7,082,570	7,082,570
Dividend paid	24	-	-	(1,800,000)	(1,800,000)
Balance as at 31 July 2011		40,000,000	715,938	20,112,358	60,828,296
Total comprehensive income		-	-	7,205,553	7,205,553
Dividend paid	24	-	-	(2,400,000)	(2,400,000)
Balance as at 31 July 2012		**40,000,000**	**715,938**	**24,917,911**	**65,633,849**
Company					
Balance as at 1 August 2010		40,000,000	715,938	3,612,770	44,328,708
Total comprehensive income		-	-	3,491,117	3,491,117
Dividend paid	24	-	-	(1,800,000)	(1,800,000)
Balance as at 31 July 2011		40,000,000	715,938	5,303,887	46,019,825
Total comprehensive income		-	-	3,400,182	3,400,182
Dividend paid	24	-	-	(2,400,000)	(2,400,000)
Balance as at 31 July 2012		**40,000,000**	**715,938**	**6,304,069**	**47,020,007**

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

Statements of Cash Flow

For the financial year ended 31 July 2012

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**7,830,955**	8,046,274	**4,563,547**	4,686,540
Adjustments for:					
Depreciation of property, plant and equipment	7	**4,269,767**	4,102,754	**-**	-
Dividend income	18	**-**	-	**(5,000,000)**	(5,000,000)
Fair value adjustments on derivative liabilities		**356,742**	(137,480)	**-**	-
Interest expenses	20	**1,661,226**	2,285,971	**-**	-
Interest income		**(20,190)**	(1,384)	**-**	-
Unrealised (gain)/loss on foreign exchange		**(32,920)**	21,259	**-**	-
Operating profit/(loss) before working capital changes		**14,065,580**	14,317,394	**(436,453)**	(313,460)
Decrease in inventories		**1,119,335**	4,379,831	**-**	-
Increase in trade and other receivables		**(1,322,788)**	(3,271,106)	**-**	-
(Decrease)/Increase in trade and other payables		**(753,895)**	1,662,413	**67,556**	20,458
Cash generated from/(used in) operations		**13,108,232**	17,088,532	**(368,897)**	(293,002)
Interest paid		**(25,963)**	(116,449)	**-**	-
Tax refunded		**-**	266,050	**-**	-
Tax paid		**(2,500)**	(19,353)	**-**	-
Net cash from/(used in) operating activities		**13,079,769**	17,218,780	**(368,897)**	(293,002)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		**-**	-	**3,750,000**	3,750,000
Interest received		**20,190**	1,384	**-**	-
Advances to a subsidiary		**-**	-	**(985,462)**	(1,654,933)
Purchase of property, plant and equipment	7	**(1,408,780)**	(1,550,288)	**-**	-
Net cash (used in)/from investing activities		**(1,388,590)**	(1,548,904)	**2,764,538**	2,095,067

Statements of Cash Flow
For the financial year ended 31 July 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	24	**(2,400,000)**	(1,800,000)	**(2,400,000)**	(1,800,000)
Repayment of bankers' acceptances		**(24,846,000)**	(22,153,000)	**-**	-
Drawdown of foreign currency loans		**19,590,668**	11,677,474	**-**	-
Interest paid		**(1,635,263)**	(2,169,522)	**-**	-
Net cash used in financing activities		**(9,290,595)**	(14,445,048)	**(2,400,000)**	(1,800,000)
Net increase/(decrease) in cash and cash equivalents		**2,400,584**	1,224,828	**(4,359)**	2,065
Cash and cash equivalents at beginning of financial year		**2,015,396**	790,568	**10,978**	8,913
Cash and cash equivalents at end of financial year	11(c)	**4,415,980**	2,015,396	**6,619**	10,978

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

Notes to the Financial Statements

31 July 2012

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus.

The principal place of business of the Company is located at Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 19 October 2012.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activity of the subsidiary is disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ('FRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 33 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 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 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 judgements, estimates and assumptions are disclosed in Note 6 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.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. A subsidiary is an entity (including special purpose entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from its activities.

A subsidiary is consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation.

The financial statements of the subsidiary is prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of the subsidiary is changed to ensure consistency with the policies adopted by the other entities in the Group.

The Group has applied the revised FRS 3 *Business Combinations* in accounting for business combinations from 1 August 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the Standard, where applicable.

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

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

Notes to the Financial Statements

31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations

Business combinations from 1 August 2011 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits respectively*;

(b) liabilities or equity instruments related to the replacements by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

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

Business combinations before 1 August 2011

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations (Cont'd)

Business combinations before 1 August 2011 (Cont'd)

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

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.

4.4 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 asset will flow to the Group and the cost of the asset 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 profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset 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 has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight-line basis over their estimated useful lives except for plant and machinery and electrical fittings which are depreciated based on reducing balance method. The principal depreciation rates are as follows:

Buildings	2%
Plant and machinery	6% to 50%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	6% to 20%
Motor vehicles	20%

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents machinery under installation and building-in-progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment and depreciation (Cont'd)

At the 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 (see Note 4.7 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. 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 on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.6 Investment in a subsidiary

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost. Investments accounted for at cost shall be accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with FRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

Notes to the Financial Statements

31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investment in a subsidiary) and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.8 Inventories

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

Cost is determined using the first-in, first-out formula. The cost of raw materials, stores and spares comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

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

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

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

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

(iv) Available-for-sale financial assets

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

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

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

Notes to the Financial Statements

31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Financial instruments (Cont'd)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiary as insurance contracts as defined in FRS 4 *Insurance Contracts.* The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

(ii) Other financial liabilities (Cont'd)

At the end of every reporting period, the Group shall assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.10 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

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

Notes to the Financial Statements

31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

4.12 Income taxes

Income taxes include all domestic taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on disposal of properties.

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

(a) Current tax

Current tax expenses are determined according to the tax laws of Malaysia in which the Group and Company operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

(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 profits 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 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 profits 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 on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Income taxes (Cont'd)

(b) Deferred tax (Cont'd)

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

Deferred tax assets and liabilities should be 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 end of the reporting period.

4.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

4.14 Employee benefits

4.14.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4.14.2 Defined contribution plan

The Company and its subsidiary make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Foreign currencies

4.15.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

4.15.2 Foreign currency transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward currency contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.16 Provisions

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

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 assessment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

(b) Dividend income

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

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.18 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Managing Director) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

Notes to the Financial Statements
31 July 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Operating segments (Cont'd)

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.19 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

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

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs

5.1 New FRSs adopted during the current financial year

During the financial year, the Group adopted the following new FRSs, Amendments to FRSs and IC Interpretations:

FRSs/Interpretations		Effective Date
Amendment to FRS 1	*Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	1 January 2011
Amendments to FRS 1	*Additional Exemptions for First-time Adopters*	1 January 2011
Amendments to FRS 2	*Group Cash-settled Share-based Payment Transactions*	1 January 2011
Amendments to FRS 7	*Improving Disclosures about Financial Instruments*	1 January 2011
IC Interpretation 4	*Determining whether an Arrangement contains a Lease*	1 January 2011
IC Interpretation 18	*Transfers of Assets from Customers*	1 January 2011
Amendments to IC Interpretation 14	*FRS 119 Prepayments of a Minimum Funding Requirement*	1 July 2011
IC Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011
Improvements to FRSs (2010)		1 January 2011

There is no impact upon adoption of the above new FRSs, Amendments to FRSs and IC Interpretation during the current financial year.

Notes to the Financial Statements
31 July 2012

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONT'D)

5.2 New Malaysian Financial Reporting Standards ('MFRSs') that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 July 2013.

This would result in the Group preparing an opening MFRS statement of financial position as at 1 August 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ended 31 July 2012 in accordance with MFRS which would form the MFRS comparatives for the annual and quarterly financial performance for the financial year ending 31 July 2013 respectively.

The MFRSs, Amendments to MFRSs and IC Interpretations expected to be adopted are as follows:

		Effective Date
MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2012
MFRS 2	*Share-based Payment*	1 January 2012
MFRS 3	*Business Combinations*	1 January 2012
MFRS 4	*Insurance Contracts*	1 January 2012
MFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
MFRS 6	*Exploration for and Evaluation of Mineral Resources*	1 January 2012
MFRS 7	*Financial Instruments: Disclosures*	1 January 2012
MFRS 8	*Operating Segments*	1 January 2012
MFRS 9	*Financial Instruments*	1 January 2015
MFRS 10	*Consolidated Financial Statements*	1 January 2013
MFRS 11	*Joint Arrangements*	1 January 2013
MFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13	*Fair Value Measurement*	1 January 2013
MFRS 101	*Presentation of Financial Statements*	1 January 2012
Amendments to MFRS 101	*Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 102	*Inventories*	1 January 2012
MFRS 107	*Statement of Cash Flows*	1 January 2012
MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2012
MFRS 110	*Events After the Reporting Period*	1 January 2012
MFRS 111	*Construction Contracts*	1 January 2012
MFRS 112	*Income Taxes*	1 January 2012
MFRS 116	*Property, Plant and Equipment*	1 January 2012
MFRS 117	*Leases*	1 January 2012
MFRS 118	*Revenue*	1 January 2012
MFRS 119	*Employee Benefits*	1 January 2012

Notes to the Financial Statements
31 July 2012

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONT'D)

5.2 New Malaysian Financial Reporting Standards ('MFRSs') that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (Cont'd)

The MFRSs, Amendments to MFRSs and IC Interpretations expected to be adopted are as follows: (Cont'd)

		Effective Date
MFRS 119	*Employee Benefits (revised)*	1 January 2013
MFRS 120	*Accounting for Government Grants and Disclosure of Government Assistance*	1 January 2012
MFRS 121	*The Effects of Changes in Foreign Exchange Rates*	1 January 2012
MFRS 123	*Borrowing Costs*	1 January 2012
MFRS 124	*Related Party Disclosures*	1 January 2012
MFRS 126	*Accounting and Reporting by Retirement Benefit Plans*	1 January 2012
MFRS 127	*Consolidated and Separate Financial Statements*	1 January 2012
MFRS 127	*Separate Financial Statements*	1 January 2013
MFRS 128	*Investments in Associates*	1 January 2012
MFRS 128	*Investments in Associates and Joint Ventures*	1 January 2013
MFRS 129	*Financial Reporting in Hyperinflationary Economies*	1 January 2012
MFRS 131	*Interests in Joint Ventures*	1 January 2012
MFRS 132	*Financial Instruments: Presentation*	1 January 2012
MFRS 133	*Earnings Per Share*	1 January 2012
MFRS 134	*Interim Financial Reporting*	1 January 2012
MFRS 136	*Impairment of Assets*	1 January 2012
MFRS 137	*Provisions, Contingent Liabilities and Contingent Assets*	1 January 2012
MFRS 138	*Intangible Assets*	1 January 2012
MFRS 139	*Financial Instruments: Recognition and Measurement*	1 January 2012
MFRS 140	*Investment Property*	1 January 2012
MFRS 141	*Agriculture*	1 January 2012
Improvements to MFRSs (2008)		1 January 2012
Improvements to MFRSs (2009)		1 January 2012
Improvements to MFRSs (2010)		1 January 2012
Amendments to MFRS 1	*Government Loans*	1 January 2013
Amendments to MFRS 7	*Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 132	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures		1 January 2015
Amendments to MFRSs	*Annual Improvements 2009 – 2011 Cycle*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
MFRS 3	*Business Combinations (as issued by the International Accounting Standards Board ('IASB') in March 2004)*	1 January 2013

Notes to the Financial Statements
31 July 2012

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONT'D)

5.2 New Malaysian Financial Reporting Standards ('MFRSs') that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (Cont'd)

The MFRSs, Amendments to MFRSs and IC Interpretations expected to be adopted are as follows: (Cont'd)

		Effective Date
MFRS 127	*Consolidated and Separate Financial Statements (as issued by the IASB in December 2003)*	1 January 2013
IC Interpretation 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 January 2012
IC Interpretation 2	*Members' Shares in Co-operative Entities and Similar Instruments*	1 January 2012
IC Interpretation 4	*Determining Whether an Arrangement Contains a Lease*	1 January 2012
IC Interpretation 5	*Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 January 2012
IC Interpretation 6	*Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*	1 January 2012
IC Interpretation 7	*Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*	1 January 2012
IC Interpretation 9	*Reassessment of Embedded Derivatives*	1 January 2012
IC Interpretation 10	*Interim Financial Reporting and Impairment*	1 January 2012
IC Interpretation 12	*Service Concession Arrangements*	1 January 2012
IC Interpretation 13	*Customer Loyalty Programmes*	1 January 2012
IC Interpretation 14	*MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2012
IC Interpretation 15	*Agreements for the Construction of Real Estate*	1 January 2012
IC Interpretation 16	*Hedges of a Net Investment in a Foreign Operation*	1 January 2012
IC Interpretation 17	*Distributions of Non-cash Assets to Owners*	1 January 2012
IC Interpretation 18	*Transfers of Assets from Customers*	1 January 2012
IC Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 January 2012
IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
IC Interpretation 107	*Introduction of the Euro*	1 January 2012
IC Interpretation 110	*Government Assistance - No Specific Relation to Operating Activities*	1 January 2012
IC Interpretation 112	*Consolidation - Special Purpose Entities*	1 January 2012
IC Interpretation 113	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*	1 January 2012
IC Interpretation 115	*Operating Leases - Incentives*	1 January 2012
IC Interpretation 125	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*	1 January 2012
IC Interpretation 127	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2012
IC Interpretation 129	*Disclosure - Service Concession Arrangements*	1 January 2012
IC Interpretation 131	*Revenue - Barter Transactions Involving Advertising Services*	1 January 2012
IC Interpretation 132	*Intangible Assets - Web Site Costs*	1 January 2012

The Group is in the process of assessing the impact of implementing the MFRS framework since the effects would only be observable for the financial year ending 31 July 2013.

Notes to the Financial Statements

31 July 2012

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 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 material changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following is critical judgement made by management in the process of applying the Group's and Company's accounting policies that has a significant effect on the amounts recognised in the financial statements.

<u>Contingent liabilities</u>

The determination of treatment of contingent liabilities is based on Directors' and management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

6.3 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.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis and reducing balances method over the assets' estimated useful lives. The estimated useful lives applied by the Group as disclosed in Note 4.4 to the financial statements reflects the Directors' estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment trends when making a judgement to evaluate the adequacy of the impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying value of receivables.

(c) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trends and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

Notes to the Financial Statements
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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

6.3 Key sources of estimation uncertainty (Cont'd)

(d) Income taxes

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

(e) Deferred tax liabilities

Significant judgement is required in determining the deferred tax liabilities. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognised deferred tax liabilities based on the taxable temporary differences. However, when the final tax outcome is different from the amounts that were initially recorded, such differences will impact the deferred tax liabilities provisions, where applicable, in the period in which such determination is made.

(f) 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.

7. PROPERTY, PLANT AND EQUIPMENT

Group 2012	Balance as at 1.8.2011 RM	Additions RM	Reclassification RM	Depreciation charge for the year RM	Balance as at 31.7.2012 RM
Carrying amount					
Freehold land	5,251,961	-	-	-	5,251,961
Buildings	19,566,044	-	-	(449,729)	19,116,315
Plant and machinery	34,854,929	1,386,021	698,779	(3,512,038)	33,427,691
Construction-in-progress	698,779	-	(698,779)	-	-
Office equipment	329,183	22,569	-	(57,545)	294,207
Furniture and fittings	144,883	190	-	(28,982)	116,091
Electrical fittings	1,327,500	-	-	(120,233)	1,207,267
Motor vehicles	301,934	-	-	(101,240)	200,694
	62,475,213	1,408,780	-	(4,269,767)	59,614,226

Notes to the Financial Statements

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2012	At 31.7.2012 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	**5,251,961**	**-**	**5,251,961**
Buildings	**22,486,402**	**(3,370,087)**	**19,116,315**
Plant and machinery	**59,154,382**	**(25,726,691)**	**33,427,691**
Office equipment	**642,630**	**(348,423)**	**294,207**
Furniture and fittings	**305,472**	**(189,381)**	**116,091**
Electrical fittings	**2,589,498**	**(1,382,231)**	**1,207,267**
Motor vehicles	**581,702**	**(381,008)**	**200,694**
	91,012,047	**(31,397,821)**	**59,614,226**

Group 2011	Balance as at 1.8.2010 RM	Additions RM	Reclassification RM	Depreciation charge for the year RM	Balance as at 31.7.2011 RM
Carrying amount					
Freehold land	5,251,961	-	-	-	5,251,961
Buildings	19,445,326	3,800	565,634	(448,716)	19,566,044
Plant and machinery	34,819,617	1,505,051	1,881,915	(3,351,654)	34,854,929
Construction-in-progress	3,146,328	-	(2,447,549)	-	698,779
Office equipment	341,640	39,448	-	(51,905)	329,183
Furniture and fittings	171,901	1,989	-	(29,007)	144,883
Electrical fittings	1,447,733	-	-	(120,233)	1,327,500
Motor vehicles	403,173	-	-	(101,239)	301,934
	65,027,679	1,550,288	-	(4,102,754)	62,475,213

	At 31.7.2011 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	5,251,961	-	5,251,961
Buildings	22,486,402	(2,920,358)	19,566,044
Plant and machinery	57,069,582	(22,214,653)	34,854,929
Construction-in-progress	698,779	-	698,779
Office equipment	620,061	(290,878)	329,183
Furniture and fittings	305,282	(160,399)	144,883
Electrical fittings	2,589,498	(1,261,998)	1,327,500
Motor vehicles	581,702	(279,768)	301,934
	89,603,267	(27,128,054)	62,475,213

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8. INVESTMENT IN A SUBSIDIARY

	Company 2012 RM	Company 2011 RM
Unquoted shares, at cost	**25,978,559**	25,978,559

The details of the subsidiary are as follows:

Name of company	Country of incorporation	Interest in equity held by the Company 2012	Interest in equity held by the Company 2011	Principal activities
Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa")	Malaysia	**100%**	100%	Manufacturing and marketing of aluminium billets

The subsidiary is audited by BDO.

Subsequent to the end of the reporting period, on 16 October 2012, the Company further subscribed for 28,750,000 newly issued ordinary shares of RM1.00 each at par in its subsidiary, by way of satisfaction of the indebtedness of RM28,750,000 owing by its subsidiary to the Company.

9. INVENTORIES

	Group 2012 RM	Group 2011 RM
At cost		
Raw materials	**25,002,789**	25,943,779
Work-in-progress	**686,846**	859,352
Stores and spares	**1,422,989**	1,428,828
	27,112,624	28,231,959

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10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables				
Third parties	**24,228,744**	29,183,167	**-**	-
Other receivables, deposits and prepayments				
Amount owing by a subsidiary	**-**	-	**21,072,499**	20,087,037
Other receivables	**8,509,869**	2,618,153	**-**	-
Deposits	**642,813**	114,870	**1,000**	1,000
Prepayments	**182,386**	396,956	**-**	-
	9,335,068	3,129,979	**21,073,499**	20,088,037
Total	**33,563,812**	32,313,146	**21,073,499**	20,088,037

(a) The credit terms of trade receivables range from 7 days to 6 months (2011: 7 days to 6 months) from date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Included in other receivables are advance payments to overseas suppliers amounting to RM8,379,178 (2011: RM2,460,514).

(c) The amount owing by a subsidiary represents advances and payments made on behalf which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) The currency exposure profile of receivables are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	**21,534,518**	21,428,364	**21,073,499**	20,088,037
US Dollar	**12,029,294**	10,879,256	**-**	-
Others	**-**	5,526	**-**	-
	33,563,812	32,313,146	**21,073,499**	20,088,037

(e) Information on financial risks of receivables are disclosed in Note 31 to the financial statements.

(f) Trade receivables of the Group as at the end of the reporting period are neither past due nor impaired. They are creditworthy debtors with good payment records with the Group.

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

Notes to the Financial Statements

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11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	**4,415,980**	1,085,590	**6,619**	10,978
Short term deposit with a licensed bank	**-**	1,346,388	**-**	-
	4,415,980	2,431,978	**6,619**	10,978

(a) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	**2,045,061**	1,151,750	**6,619**	10,978
US Dollar	**2,347,611**	1,263,409	**-**	-
Others	**23,308**	16,819	**-**	-
	4,415,980	2,431,978	**6,619**	10,978

(b) Information on financial risks of cash and cash equivalents are disclosed in Note 31 to the financial statements.

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	**4,415,980**	1,085,590	**6,619**	10,978
Short term deposit with a licensed bank	**-**	1,346,388	**-**	-
Bank overdrafts included in borrowings (Note 17)	**-**	(416,582)	**-**	-
	4,415,980	2,015,396	**6,619**	10,978

12. SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM0.50 each				
Authorised	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid	**80,000,000**	**40,000,000**	80,000,000	40,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

Notes to the Financial Statements

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13. RESERVES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-distributable				
Share premium	**715,938**	715,938	**715,938**	715,938
Distributable				
Retained earnings	**24,917,911**	20,112,358	**6,304,069**	5,303,887
	25,633,849	20,828,296	**7,020,007**	6,019,825

The movements in reserves are shown in the statements of changes in equity.

Retained earnings

Effective 1 January 2008, the Company was given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has made this election and as a result, there is no additional tax liability to be incurred on the Company upon payment of dividends out of its entire retained earnings as at the end of the reporting period.

14. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	Group	
	2012 RM	2011 RM
Balance as at beginning of financial year	**5,794,147**	4,793,065
Recognised in profit or loss (Note 22)	**706,989**	1,001,082
Balance as at end of financial year	**6,501,136**	5,794,147
Presented after appropriate offsetting:		
Deferred tax assets	**(918,497)**	(1,442,415)
Deferred tax liabilities	**7,419,633**	7,236,562
	6,501,136	5,794,147

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14. DEFERRED TAX (CONT'D)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM
At 1 August 2011	7,236,562
Recognised in profit or loss	183,071
At 31 July 2012	**7,419,633**
At 1 August 2010	6,992,042
Recognised in profit or loss	244,520
At 31 July 2011	7,236,562

Deferred tax assets of the Group

	Unused tax losses RM	Other deductible temporary difference RM	Total RM
At 1 August 2011	1,437,100	5,315	1,442,415
Recognised in profit or loss	(599,559)	75,641	(523,918)
At 31 July 2012	**837,541**	**80,956**	**918,497**

	Unused tax losses RM	Unabsorbed capital allowances RM	Other deductible temporary difference RM	Total RM
At 1 August 2010	1,887,172	311,805	-	2,198,977
Recognised in profit or loss	(450,072)	(311,805)	5,315	(756,562)
At 31 July 2011	1,437,100	-	5,315	1,442,415

Notes to the Financial Statements

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15. TRADE AND OTHER PAYABLES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade payables				
Third parties	**4,085,826**	4,948,452	**-**	-
Other payables				
Other payables	**4,887,805**	4,804,330	**13,521**	16,850
Accruals	**745,251**	719,285	**205,500**	134,615
	5,633,056	5,523,615	**219,021**	151,465
	9,718,882	10,472,067	**219,021**	151,465

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranged from 7 days to 1 month (2011: 7 days to 1 month).

(b) The currency exposure profile of payables are as follows:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Ringgit Malaysia	**8,178,707**	8,575,914	**219,021**	151,465
US Dollar	**1,538,192**	1,894,170	**-**	-
Others	**1,983**	1,983	**-**	-
	9,718,882	10,472,067	**219,021**	151,465

(c) Information on financial risks of payables are disclosed in Note 31 to the financial statements.

16. DERIVATIVE LIABILITIES

Group	2012 Contract/ Notional Amount RM	2012 Liabilities RM	2011 Contract/ Notional Amount RM	2011 Liabilities RM
Commodity future contracts:				
- Purchase contracts	**5,017,824**	**322,162**	-	-
- Sales contracts	**-**	**-**	2,301,362	35,667
Forward currency contracts:				
- Purchase contracts	**20,387,706**	**106,180**	7,353,285	35,933
		428,342		71,600

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16. DERIVATIVE LIABILITIES (CONT'D)

(a) Commodity future contracts

The Group has entered into commodity future contracts during the financial year with the objectives of hedging the Group's exposure to adverse price movements in aluminum. The commodity future contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these contracts has been determined based on the difference between the contract value and fair value of the derivative financial instruments as at the end of the reporting period.

(b) Forward currency contracts

Forward currency contracts have been entered into to operationally hedge forecast sales and purchases denominated in foreign currencies that are expected to occur at various dates within six (6) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the contract value and fair value of the derivative financial instruments at the end of the reporting period.

(c) During the financial year, the Group recognised total loss of RM356,742 (2011: gain of RM137,480) arising from fair value changes of derivative liabilities. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 30 (d) to the financial statements.

17. BORROWINGS

	Group	
	2012 RM	**2011 RM**
Unsecured		
Bank overdraft (Note 11(c))	-	416,582
Foreign currency loans	**31,162,390**	11,677,474
Bankers' acceptances	**11,442,000**	36,288,000
	42,604,390	48,382,056

(a) The currency exposure profile of borrowings are as follows:

	Group	
	2012 RM	**2011 RM**
Ringgit Malaysia	**11,442,000**	36,704,582
US Dollar	**31,162,390**	11,677,474
	42,604,390	48,382,056

(b) All borrowings of the Group are secured by a corporate guarantee from the Company.

(c) Information of financial risks of borrowings are disclosed in Note 31 to the financial statements.

Notes to the Financial Statements

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18. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of goods	**400,432,513**	421,010,392	**-**	-
Gross dividend income from subsidiary	**-**	-	**5,000,000**	5,000,000
	400,432,513	421,010,392	**5,000,000**	5,000,000

19. COST OF SALES

	Group	
	2012 RM	2011 RM
Inventories sold	**386,276,045**	406,111,740

20. FINANCE COSTS

	Group	
	2012 RM	2011 RM
Interest expense on:		
- Bankers' acceptances	**1,055,283**	1,967,146
- Foreign currency loans	**579,980**	202,376
- Bank overdraft	**25,963**	116,449
	1,661,226	2,285,971

Notes to the Financial Statements

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21. PROFIT BEFORE TAX

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
- Statutory					
- current year provision		**47,500**	43,500	**13,000**	12,000
- overprovision in prior year		**-**	(5,000)	**-**	-
- Non-statutory					
- current year provision		**6,500**	6,500	**6,500**	6,500
Depreciation of property, plant and equipment	7	**4,269,767**	4,102,754	**-**	-
Director's remuneration:					
- Fees		**186,000**	114,000	**186,000**	114,000
- Emoluments other than fees		**718,684**	672,962	**92,402**	50,742
Hire of machinery		**837,060**	844,768	**-**	-
Hostel rental		**19,200**	19,200	**-**	-
Fair value adjustments on derivative liabilities		**356,742**	-	**-**	-
Unrealised loss on foreign exchange		**-**	21,259	**-**	-
Interest expense		**1,661,226**	2,285,971	**-**	-
And crediting:					
Fair value adjustments on derivative liabilities		**-**	137,480	**-**	-
Gain on foreign exchange:					
- Realised		**77,114**	4,850	**-**	-
- Unrealised		**32,920**	-	**-**	-
Gross dividend income from unquoted shares in a subsidiary		**-**	-	**5,000,000**	5,000,000
Interest income		**20,190**	1,384	**-**	-

Notes to the Financial Statements

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22. TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense based on profit for the financial year:				
- Current year	**(81,587)**	(55,306)	**1,163,365**	1,194,348
- Under provision in prior years	**-**	17,928	**-**	1,075
	(81,587)	(37,378)	**1,163,365**	1,195,423
Deferred tax (Note 14):				
- Current year	**673,746**	1,069,663	**-**	-
- Under/(over) provision in prior years	**33,243**	(68,581)	**-**	-
	706,989	1,001,082	**-**	-
	625,402	963,704	**1,163,365**	1,195,423

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

Subject to the agreement of the Inland Revenue Board, the Group has unutilised reinvestment allowance and special export incentive amounting to approximately RM10,364,320 (2011: RM13,232,652) and RM34,446,529 (2011: RM34,446,529) respectively available for set-off against future taxable income.

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	**1,957,739**	2,011,569	**1,140,887**	1,171,635
Tax effects in respect of:				
- Non-allowable expenses	**84,022**	98,092	**22,478**	22,713
- Tax incentives	**(1,449,602)**	(1,095,303)	**-**	-
	592,159	1,014,358	**1,163,365**	1,194,348
Under/(Over) provision in prior years	**33,243**	(50,654)	**-**	1,075
	625,402	963,704	**1,163,365**	1,195,423

Notes to the Financial Statements
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23. EARNINGS PER ORDINARY SHARE

(a) Basic

The basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2012	**2011**
Profit attributable to equity holders of the Company (RM)	**7,205,553**	7,082,570
Number of ordinary shares in issue (unit)	**80,000,000**	80,000,000
Basic earnings per ordinary share (sen)	**9.00**	8.85

(b) Diluted

Diluted earnings per ordinary share is not presented as there is no dilutive potential ordinary shares outstanding during the financial year.

24. DIVIDEND

	Group and Company			
	2012		**2011**	
	Sen	**RM**	**Sen**	**RM**
First and final single tier tax exempt dividend paid in respect of previous financial year	**3.00**	**2,400,000**	2.25	1,800,000

A first and final single tier tax exempt dividend of 3.00 sen per ordinary share, amounting to RM2,400,000 in respect of the financial year ended 31 July 2011 has been approved by the shareholders at the Annual General Meeting held on 7 December 2011. The dividend was paid on 21 December 2011 and had been accounted for as an appropriation of retained earnings during the financial year ended 31 July 2012.

A first and final single tier tax exempt dividend of 3.0 sen per ordinary share, amounting to RM2,400,000 in respect of the financial year ended 31 July 2012 has been proposed by the Directors after the end of reporting date for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings during the financial year ending 31 July 2013.

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25. EMPLOYEE BENEFITS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, bonuses and wages	**5,190,829**	4,732,220	**114,511**	60,742
Contributions to defined contribution plan	**252,180**	218,967	**2,465**	1,200
Social security contributions	**37,604**	35,551	**327**	166
Other benefits	**392,950**	227,401	**-**	-
	5,873,563	5,214,139	**117,303**	62,108

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM718,684 (2011: RM672,962) and RM92,402 (2011: RM50,742) respectively.

26. COMMITMENTS

(a) Operating lease commitment

The Group had entered into non-cancelleable lease agreements for machinery, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rate.

	Group	
	2012 RM	2011 RM
Not later than one (1) year	**830,400**	830,400
Later than one (1) year and not later than five (5) years	**1,214,002**	2,044,402
	2,044,402	2,874,802

(b) Capital commitments

	Group	
	2012 RM	2011 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
- Authorised and contracted for	**3,962,654**	-
- Authorised but not contracted for	**1,090,000**	-
	5,052,654	-

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27. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2012 RM	2011 RM
Corporate guarantees given to financial institutions for banking facilities granted to the subsidiary	**42,604,390**	48,382,056

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote in view of the financial strength of the subsidiary.

28. RELATED PARTY DISCLOSURES

(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.

The Company has controlling related party relationship with its subsidiary.

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

	Company	
	2012 RM	2011 RM
Net dividend income received/receivable from a subsidiary	**3,750,000**	3,750,000

The related party transaction described above were entered into in the ordinary course of business and established under negotiated and mutually agreed terms.

(c) Compensation of key management personnel

Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short term employee benefits	**1,705,870**	1,492,598	**291,364**	169,000
Contributions to defined contribution plan	**194,120**	170,761	**11,939**	7,108
	1,899,990	1,663,359	**303,303**	176,108

The estimated monetary value of benefits-in-kind received by the Directors of the Group during the financial year amounted to RM30,450 (2011: RM23,900).

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29. OPERATING SEGMENTS

The Group and its subsidiary are principally engaged in investment holding and manufacturing and marketing of aluminium billets.

The Group has arrived at four (4) reportable segments that are organised and managed separately according to the geographical areas, which requires different business and marketing strategies. The reportable segments are Malaysia, South East Asia other than Malaysia, South Asia and Africa.

Other operating segments that do not constitute reportable segments comprise countries such as Uruguay and the Netherlands.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Segment assets exclude tax assets. Segment assets and capital expenditure are based on the geographical location of assets.

Segment liabilities exclude tax liabilities, derivative liabilities, loans and borrowings that are managed under centralised treasury function.

2012	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Africa RM'000	Others RM'000	Total RM'000
Revenue from external customers	228,462	114,057	31,354	25,270	1,290	400,433
Results						
Segment operating profit	6,909	1,650	516	375	22	9,472
Interest income						20
Unallocated expenses:						
- Interest expenses						(1,661)
Net finance costs						(1,641)
Segment profit before tax						7,831
Tax expense						(625)
Profit for the year						7,206
Assets						
Segment assets	121,058	2,053	591	1,005	-	124,707
Unallocated assets:						
- Current tax asset						180
Total assets						124,887

Notes to the Financial Statements
31 July 2012

29. OPERATING SEGMENTS (CONT'D)

2012	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Africa RM'000	Others RM'000	Total RM'000
Liabilities						
Segment liabilities	**9,719**	-	-	-	-	**9,719**
Unallocated liabilities:						
- Borrowings						**42,605**
- Deferred tax liabilities						**6,501**
- Derivative liabilities						**428**
						49,534
Total liabilities						**59,253**
Capital expenditure	**1,409**	-	-	-	-	**1,409**
Depreciation of property, plant and equipment	**4,270**	-	-	-	-	**4,270**

2011	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Africa RM'000	Others RM'000	Total RM'000
Revenue from external customers	210,469	141,892	34,942	25,234	8,473	421,010
Results						
Segment operating profit	6,639	2,654	522	418	98	10,331
Interest income						1
Unallocated expenses:						
- Interest expenses						(2,286)
Net finance costs						(2,285)
Segment profit before tax						8,046
Tax expense						(963)
Profit for the year						7,083

Notes to the Financial Statements
31 July 2012

29. OPERATING SEGMENTS (CONT'D)

2011	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Africa RM'000	Others RM'000	Total RM'000
Assets						
Segment assets	116,915	5,614	2,626	15	282	125,452
Unallocated assets:						
- Current tax asset						96
Total assets						125,548
Liabilities						
Segment liabilities	10,472	-	-	-	-	10,472
Unallocated liabilities:						
- Borrowings						48,382
- Deferred tax liabilities						5,794
- Derivative liabilities						72
						54,248
Total liabilities						64,720
Capital expenditure	1,550	-	-	-	-	1,550
Depreciation of property, plant and equipment	4,103	-	-	-	-	4,103

30. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that the Group would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The overall strategy of the Group remains unchanged from that in financial year ended 31 July 2011.

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

Notes to the Financial Statements
31 July 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments

(i) Categories of financial instruments

Group	Loans and receivables RM
2012	
Financial assets	
Trade and other receivables, net of prepayments and deposits	**32,855,823**
Cash and cash equivalents (Note 11)	**4,415,980**
	37,271,803
2011	
Financial assets	
Trade and other receivables, net of prepayments	31,916,190
Cash and cash equivalents (Note 11)	2,431,978
	34,348,168

Group	Other financial liabilities RM	Fair value through profit or loss RM	Total RM
2012			
Financial liabilities			
Trade and other payables	**9,718,882**	**-**	**9,718,882**
Borrowings	**42,604,390**	**-**	**42,604,390**
Derivative financial liabilities	**-**	**428,342**	**428,342**
	52,323,272	**428,342**	**52,751,614**
2011			
Financial liabilities			
Trade and other payables	10,472,067	-	10,472,067
Borrowings	48,382,056	-	48,382,056
Derivative financial liabilities	-	71,600	71,600
	58,854,123	71,600	58,925,723

Notes to the Financial Statements
31 July 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments (Cont'd)

(i) Categories of financial instruments (Cont'd)

Company	Loans and receivables RM
2012	
Financial assets	
Trade and other receivables	**21,073,499**
Cash and cash equivalents (Note 11)	**6,619**
	21,080,118
2011	
Financial assets	
Trade and other receivables	20,088,037
Cash and cash equivalents (Note 11)	10,978
	20,099,015

Company	Other financial liabilities RM
2012	
Financial liabilities	
Trade and other payables	**219,021**
2011	
Financial liabilities	
Trade and other payables	151,465

Notes to the Financial Statements
31 July 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair value and whose carrying amounts do not approximate its fair values are as follows:

Company	2012 Carrying amount RM	2012 Fair value RM	2011 Carrying amount RM	2011 Fair value RM
Unrecognised				
Financial guarantees given by the Company to financial institutions in respect of banking facilities granted to a subsidiary	-	#	-	#

\# The fair value of the financial corporate guarantees is negligible in view of the financial strength of the subsidiary.

(d) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(ii) Derivatives

The fair values of derivative financial instruments are estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions as at the end of the reporting period arising from such contracts and is determined by reference to the difference between the contracted rate and the forward rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

(e) Fair value hierarchy

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements
31 July 2012

30. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value hierarchy (Cont'd)

As at 31 July 2012, the Group held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial liabilities at fair value through profit or loss:				
- Commodity future contracts	**322,163**	**322,163**	**-**	**-**
- Forward currency contracts	**106,180**	**-**	**106,180**	**-**
	428,343	**322,163**	**106,180**	**-**

During the reporting period ended 31 July 2012, there were no transfers between fair value measurements hierarchy.

As at 31 July 2011, the Group held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial liabilities at fair value through profit or loss:				
- Commodity future contracts	35,667	35,667	-	-
- Forward currency contracts	35,933	-	35,933	-
	71,600	35,667	35,933	-

During the reporting period ended 31 July 2011, there were no transfers between fair value measurements hierarchy.

Notes to the Financial Statements
31 July 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rate and the unpredictability of the financial markets.

The Group operates within an established risk management framework with clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Group is exposed mainly to interest rate risk, foreign currency risk, credit risk, liquidity and cash flow risk and price fluctuation risk. Information on the management of the related exposures is detailed below.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their borrowings and short-term deposits with a licensed bank. The Group regularly reviews and ensure that it obtains bank borrowings and places short term deposits at competitive rates under the most favourable terms and conditions.

Sensitivity analysis for interest rate risk

As at 31 July 2012, if interest rates at the date had been 50 basis points lower with all other variables held constant, post-tax profit for the financial year would have been RM224,100 (2011: RM270,573) higher or vice versa, arising mainly as a result of lower or higher interest expense on variable borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Weighted average effective interest rate %	Within 1 year RM
2012		
Floating rate		
Bankers' acceptances	**3.91**	**11,442,000**
Foreign currency loans	**1.66**	**31,162,390**
2011		
Floating rate		
Short term deposits with a licensed bank	2.85	1,346,388
Bankers' acceptances	3.38	36,288,000
Foreign currency loans	0.83	11,677,474
Bank overdraft	7.98	416,582

Notes to the Financial Statements
31 July 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Foreign currency risk

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

Transactional currency exposures arise from sales to overseas customers. These sales are priced in Ringgit Malaysia but invoiced in US Dollar. The Group also makes purchases of raw materials from overseas suppliers in US Dollar. The Group entered into forward currency contracts to limit its exposure of foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currency.

The notional amount and maturity date of the forward currency contracts outstanding as at the end of the reporting period are as follows:

	Expiry date	Contract amount USD	Equivalent RM
2012			
Purchase contracts used to hedge anticipated settlement of foreign currency loan	Within four (4) months	**6,450,867**	**20,387,706**
2011			
Purchase contracts used to hedge anticipated settlement of foreign currency loan	Within four (4) months	2,464,170	7,353,285

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the US Dollar exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Profit after tax Group	
		2012 RM	**2011 RM**
USD/RM	- strengthen by 3%	**(549,710)**	(42,869)
	- weaken by 3%	**549,710**	42,869

(iii) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Notes to the Financial Statements
31 July 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Credit risk (Cont'd)

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of seven (7) days, extending up to six (6) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the senior management.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis. At the end of the reporting period, approximately 41% (2011: 48%) of the Group's trade receivables were due from the 5 major customers located in Malaysia.

At the end of the reporting period, approximately 100% (2011: 100%) of the Company's receivables were due from a subsidiary company.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10(f) to the financial statements. Deposits with banks and other financial institutions and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(iv) Liquidity and cash flow risk

The Group monitors its cash flow position actively and maintains sufficient cash balances and credit facilities to meet its working capital requirements and other obligations as and when they fall due.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents and credit lines deemed adequate to finance the Group's activities.

Notes to the Financial Statements

31 July 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Liquidity and cash flow risk

Analysis of financial instruments by remaining contractual maturities

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

	Note	On demand or within one year RM	Total RM
Group			
2012			
Financial liabilities			
Trade and other payables	15	**9,718,882**	**9,718,882**
Derivative liabilities	16	**428,342**	**428,342**
Borrowings	17	**42,604,390**	**42,604,390**
Total undiscounted financial liabilities		**52,751,614**	**52,751,614**
2011			
Financial liabilities			
Trade and other payables	15	10,472,067	10,472,067
Derivative liabilities	16	71,600	71,600
Borrowings	17	48,382,056	48,382,056
Total undiscounted financial liabilities		58,925,723	58,925,723
Company			
2012			
Financial liabilities			
Trade and other payables	15	**219,021**	**219,021**
2011			
Financial liabilities			
Trade and other payables	15	151,465	151,465

(v) Price fluctuation risk

The Group is exposed to price fluctuation risks arising from sale and purchase of aluminium commodities. The Group has entered into commodity future contracts with the objective of managing and mitigating the exposure to price volatility in the commodity markets.

As at the end of the reporting period, the Group has entered into several commodity future contracts in the ordinary course of business.

Notes to the Financial Statements
31 July 2012

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(v) Price fluctuation risk (Cont'd)

The contract value and maturity date of the outstanding commodity future contracts of the Group as at the end of the reporting period are as follows:

Contract	Expiry dates	Contract amounts USD	Equivalent RM
2012			
Sale contracts	Within three (3) months	**1,596,000**	**5,017,824**
2011			
Sale contracts	Within three (3) months	775,000	2,301,362

The above contracts are not expected to have any material effect on the financial statements of the Group.

32. SIGNIFICANT EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

Subsequent to the end of the reporting period, on 16 October 2012, the Company further subscribed for 28,750,000 newly issued ordinary shares of RM1.00 each at par in its subsidiary, by way of satisfaction of the indebtedness of RM28,750,000 owing by its subsidiary to the Company.

Notes to the Financial Statements
31 July 2012

33. 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		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits:				
- Realised	**52,397,606**	46,885,064	**6,304,069**	5,303,887
- Unrealised	**(6,501,136)**	(5,794,147)	**-**	-
	45,896,470	41,090,917	**6,304,069**	5,303,887
Less: Consolidation adjustments	**(20,978,559)**	(20,978,559)	**-**	-
Total retained profits as per financial statements	**24,917,911**	20,112,358	**6,304,069**	5,303,887

List of Properties

31 July 2012

	Location	Approximate Age of Building (years)	Tenure	Land Area (Build-up Area) m^2	Description of Property	Net Book Value (RM)	Date of Acquisition
1	Lot 2-31, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	-	Freehold	4,209	Industrial land with container storage yard	1,864,441	1-Nov-01
2	Lot 2-32 , Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	15	Freehold	3,521 (1,364)	Industrial land with single storey factory and 2 storey office building	) 5,161,531	5-Oct-99
3	Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	15	Freehold	3,521 (1,364)		)	19-Sep-97
4	Lot 2-34, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	11	Freehold	3,521 (1,740)	Industrial land with single storey factory	) 3,569,437	10-Jun-00
5	Lot 2-35, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	11	Freehold	3,521 (1,740)		)	13-Dec-00
6	Lot 2-36, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	8	Freehold	3,521 (2,030)	Industrial land with single storey factory	) 5,478,152	4-Jul-01
7	Lot 2-36(A), Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	8	Freehold	3,521 (2,030)		)	27-Aug-02
8	Lot 2-42, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	4	Freehold	3,521	Industrial land with single storey warehouse cum with workshop and canteen	) 3,909,893	3-Apr-07
9	Lot 2-43, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	4	Freehold	3,521		)	30-Jul-06
10	Lot 2-44, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	4	Freehold	3,521		)	15-Feb-05
11	Lot 2-45, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	6	Freehold	4,209 (1,487)	Industrial land with three storey office building	4,384,822	15-Feb-05

Analysis of Shareholdings

As at 31 October 2012

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM40,000,000
Class of shares	:	Ordinary Shares of RM0.50 each
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings
No of shareholders	:	1,386

ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shareholdings	% of Shareholding
Less than 100	2	100	0.00
100 to 1,000	424	403,300	0.50
1,001 to 10,000	561	3,181,900	3.98
10,001 to 100,000	335	11,124,206	13.91
100,001 to less than 5% of issued shares	62	31,444,100	39.30
5% and above of issued shares	2	33,846,394	42.31
Total	**1,386**	**80,000,000**	**100.00**

DIRECTORS' INTEREST

	Direct Interest		Indirect Interest	
Name	No. of Shares Held	% of Total Shares	No. of Shares Held	% of Total Shares
Dato Shahrir Bin Abdul Jalil	-	-	-	-
Tan Wan Lay	3,746,000	4.68	25,227,994*	31.53
Ahmed Azhar Bin Abdullah	100,000	0.13	-	-
Dr. Leong Chik Weng	-	-	-	-
Wong Tze Kai	-	-	-	-
Gan Choon Sun	45,000	0.06	-	-
Total	**3,891,000**	**4.87**	**25,227,994**	**31.53**

* By virtue of his substantial shareholdings in A-Rank Group Sdn. Bhd. and shares held by his brother.

SUBSTANTIAL SHAREHOLDERS

According to the registrar to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

No.	Name	No. of Shares	% of Total Shareholdings
1	A-Rank Group Sdn Bhd	25,193,994	31.49
2	Lin, Chih-Chang	8,652,400	10.82
		33,846,394	42.31

Analysis of Shareholdings

As at 31 October 2012

THE THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1	A-Rank Group Sdn Bhd	25,193,994	31.49
2	Lin, Chih-Chang	8,652,400	10.82
3	Tan Wan Lay	3,746,000	4.68
4	Fairways Assets Investment Limited	3,000,000	3.75
5	Mablewood International Holding Limited	2,628,300	3.29
6	Meyer Capital Holding Ltd	2,000,000	2.50
7	Sam Kwai Sim	1,759,800	2.20
8	TA Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Loh Eng Cheang*	1,513,000	1.89
9	Leow Chong Fatt	1,394,000	1.74
10	Kenanga Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Datin Anitha A/P Krishna Murthi*	1,256,900	1.57
11	Cheong Siew Park	1,000,000	1.25
12	LB Aluminium Berhad	1,000,000	1.25
13	Mrs Yung Emily Yeuk - May Nee Poon	1,000,000	1.25
14	Chiang Siong Chiew @ Chiong Siong Chiew	560,000	0.70
15	Koperasi Polis Diraja Malaysia Berhad	499,000	0.62
16	TA Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account For Muthukumar A/L Ayarpadde*	403,100	0.50
17	Tan Ming Kian	400,000	0.50
18	Fam Lian Fatt	395,900	0.49
19	Lee Yu Yong @ Lee Yuen Ying	386,600	0.48
20	Teoh Yoon Heng	351,800	0.44
21	Chong You @ Chong Sin You	332,200	0.42
22	Tan Kar Pin	322,600	0.40
23	JCA Builders (Malaysia) Sdn Bhd	312,000	0.39
24	Liew Seong Kin	311,000	0.39
25	Amsec Nominees (Tempatan) Sdn Bhd *Beneficiary : Chua Sing Keong*	300,000	0.38
26	Lee Chin Poh	281,500	0.35
27	Tang Lean See	280,000	0.35
28	Ong Kean Chooi	275,000	0.34
29	Tan Yoke Moi	275,000	0.34
30	Lee Peck Hong	250,000	0.31
	TOTAL	**60,080,094**	**75.08**

APPENDIX 1

Proposed Amendments to the Articles of Associations

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
Article 2 Definitions Para 7.21(2)	Definitions: Exempt Authorised Nominee: -	Article 2 Exempt Authorised Nominee: An authorised nominee is defined under the Central Depositories Act which is exempted from compliance with the provisions of sub-section 25A(1) of the Central Depositories Act.	Insertion of new definition
Para 7.21A (1) Proxy need not be a member	Article 81 A proxy need not be a member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.	To delete Article 81 in its entirety and to be replaced with a new Article 81 Article 81 A proxy need not be member. There is no restriction to as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.	Alteration of existing Article 81
Para 7.21 Appointment of multiple process	Article 82 A member shall not appoint more than two (2) proxies to attend at the same meeting, where a Member appoints two proxies, the proxies shall not be valid (unless the Member specifies the proportion of his shareholding to be represented by each proxy. 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 proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.	To delete Article 82 in its entirety and to be replaced with a new Article 82 Article 82 A member shall not appoint more than two (2) proxies to attend at the same meeting, where a Member appoints two proxies, the proxies shall not be valid (unless the Member specifies the proportion of his shareholding to be represented by each proxy. Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.	Alteration of Existing Article 82

APPENDIX 1

Proposed Amendments to the Articles of Associations

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
Para 7.21 (1)		Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. Where a Member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.	
Para 7.21A (2)		A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak in the meeting.	

Proxy Form

A-RANK BERHAD
(633621-X)

I/We ______________________________ NRIC No ______________________________

of ____

being a member(s) of A-Rank Berhad, hereby appoint ______________________________

of ____

or failing him/her ______________________________ of ______________________________

____

or failing him/her the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at Ujong Pandang Room, Staffield Country Resort, Batu 13 Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Thursday, 20 December, 2012 at 10.00 a.m. or at any adjournment thereof:

	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the audited Financial Statements for the year ended 31 July 2012 and the Reports of the Directors and Auditors thereon		
2.	To declare a First and Final Single Tier tax exempt dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 July 2012.		
3.	To approve the payment of Directors' Fees amounting to RM186,000 for the financial year ended 31 July 2012.		
4.	To re-elect Dr. Leong Chik Weng as Director		
5.	To re-elect Mr. Gan Choon Sun as Director		
6.	To re-appoint Messrs. BDO as Auditors and to authorize the Directors to fix their remuneration.		
7.	To authorize Directors to issue shares not exceeding 10% of the issued capital of the Company.		
8.	Special Resolution – To propose Amendments to the Articles of Association of the Company.		

(Please indicate with an "X" in the spaces provided above, how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.)

As witness my hand this ____________________ day of ____________________ 2012.

Number of Ordinary Shares held	

____
Signature

Notes:

1. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint one or more Proxies to attend and vote in his stead. Where a member appoints two Proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each Proxy. A Proxy need not be a member of the Company. The instrument appointing a Proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under its common seal or under the hands of duly authorised officer or attorney.
2. All forms of Proxy must be deposited at the Company's Registered Office at Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.
3. Where a Member 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 which is credited with ordinary shares of the Company.
4. Only members whose name appear in the Record of Depositors as at 13 December 2012 (at least 3 market days before the AGM date) will be entitled to attend and vote at the meeting.

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STAMP

The Company Secretary
A-RANK BERHAD

Chamber E, Lian Seng Courts
No. 275, Jalan Haruan 1
Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus

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