Optimistic Organic Sdn. Bhd.
(873094 - W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2013

Ernst & Young
AF : 0039

873094-V

Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2013.

Principal activities

The principal activities of the Company are manufacturing and trading of petro-chemical products.

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

Results

	RM
Profit for the year	8,330,805

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

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

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

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Parekh Nareshkumar Khimchand
Narayanaswamy Ulaganathan
Dato' Karownakaran @ Karunakaran (resigned on 1 April 2012)

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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit by reason (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 20 to the financial statements.

Directors' interest

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

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position 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 satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

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Other statutory information (cont'd.)

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

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due;

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 May 2013.

Parekh Nareshkumar Khimchand	Narayanaswamy Ulaganathan

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Statement by directors
Pursuant to Section 169 (15) of the Companies Act 1965

We, Parekh Nareshkumar Khimchand and Narayanaswamy Ulaganathan, being two of the directors of Optimistic Organic Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 39 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2013 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 May 2013.

NParekh

Parekh Nareshkumar Khimchand

N. Ulaganathan

Narayanaswamy Ulaganathan

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

I, Narayanaswamy Ulaganathan, being the director primarily responsible for the financial management of Optimistic Organic Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 39 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared
by the abovenamed
Narayanaswamy Ulaganathan at
Kemaman in the state of
Terengganu Darul Iman on
14 May 2013

N. Ulaganathan

Narayanaswamy Ulaganathan

PESURUHJAYA SUMPAH
Before me
No: A-T059
Nama: Nik Ismail Ali
Mahkamah Sesyen
Kemaman, Terengganu
MALAYSIA

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11th Floor, Kompleks Teruntum
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Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd.
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Report on the financial statements

We have audited the financial statements of Optimistic Organic Sdn. Bhd. which comprise the statement of financial position as at 31 March 2013, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 39.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 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.

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Independent auditors' report to the member of Optimistic Organic Sdn. Bhd. (cont'd.)
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Auditors' responsibility (cont'd.)

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

1. As stated in Note 2.2 to the financial statements, Optimistic Organic Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position as at 31 March 2012 and 1 April 2011, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended 31 March 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as of 31 March 2013 and financial performance and cash flows for the year then ended.

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Independent auditors' report to the member of Optimistic Organic Sdn. Bhd. (cont'd.)
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Other matters (cont'd.)

2. This report is made solely to the member 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.

Ernst & Young
AF: 0039
Chartered Accountants

Sandra Segaran a/l Muniandy @ Krishnan
No. 2882/01/15 (J)
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
14 May 2013

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Optimistic Organic Sdn. Bhd.
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Statement of comprehensive income
For the financial year ended 31 March 2013

	Note	2013 RM	2012 RM
Revenue	4	158,456,810	121,439,826
Cost of sales		(130,950,844)	(114,447,240)
Gross profit		27,505,966	6,992,586
Other income	5	330,471	7,639,122
Other items of expense			
Selling and marketing expenses		(9,534,610)	(5,781,343)
Administrative expenses		(4,335,059)	(3,015,539)
Finance costs	6	(2,539,697)	(862,034)
Other expenses		(212,341)	(1,003,231)
Profit before taxation	7	11,214,730	3,969,561
Income tax (expense)/benefit	10	(2,883,925)	538,474
Profit net of tax, representing total comprehensive income for the year		8,330,805	4,508,035

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of financial position
As at 31 March 2013

	Note	31.3.2013 RM	31.3.2012 RM	1.4.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	11	90,705,542	95,624,389	99,520,000
Deferred tax assets	19	-	538,474	-
		90,705,542	96,162,863	99,520,000
Current assets				
Inventories	12	3,741,846	7,705,500	-
Trade and other receivables	13	24,241,348	15,647,254	-
Prepayments		233,461	216,364	1,942
Cash and bank balances	14	2,751,089	3,924,282	114,972
		30,967,744	27,493,400	116,914
Total assets		121,673,286	123,656,263	99,636,914
Equity and liabilities				
Current liabilities				
Trade and other payables	16	7,706,475	6,606,693	45,000
Deferred revenue	17	-	6,531,384	-
Borrowings	18	6,245,000	5,176,888	-
		13,951,475	18,314,965	45,000
Non current liabilities				
Borrowings	18	64,448,979	72,744,722	71,503,373
Deferred tax liabilities	19	2,345,451	-	-
		66,794,430	72,744,722	71,503,373
Total liabilities		80,745,905	91,059,687	71,548,373
Net assets		40,927,381	32,596,576	28,088,541

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Statement of financial position (cont'd.)
As at 31 March 2013

	Note	31.3.2013 RM	31.3.2012 RM	1.4.2011 RM
Equity attributable to owner of the Company				
Share capital	15	10,000,000	10,000,000	10,000,000
Retained earnings		30,927,381	22,596,576	18,088,541
Total equity		40,927,381	32,596,576	28,088,541
Total equity and liabilities		121,673,286	123,656,263	99,636,914

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of changes in equity
For the financial year ended 31 March 2013

	Total equity	Non-distributable Share capital (Note 15)	Distributable Retained earnings
	RM	RM	RM
As at 1 April 2012	32,596,576	10,000,000	22,596,576
Total comprehensive income	8,330,805	-	8,330,805
As at 31 March 2013	40,927,381	10,000,000	30,927,381
As at 1 April 2011	28,088,541	10,000,000	18,088,541
Total comprehensive income	4,508,035	-	4,508,035
As at 31 March 2012	32,596,576	10,000,000	22,596,576

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of cash flows
For the financial year ended 31 March 2013

	Note	2013 RM	2012 RM
Operating activities			
Profit before tax		11,214,730	3,969,561
Adjustments for:			
Interest income	5	(4,244)	-
Interest expense	6	2,539,697	862,034
Depreciation of property, plant and equipment	7	5,673,519	5,591,687
Property, plant and equipment written off	7	49,454	-
Net unrealised foreign exchange loss	7	1,014,481	683,147
Total adjustment		9,272,907	7,136,868
Operating cash flows before changes in working capital		20,487,637	11,106,429
Changes in working capital			
Decrease/(increase) in inventories		3,963,654	(7,705,500)
Increase in trade and other receivables		(7,662,560)	(15,138,006)
Increase in prepayments		(17,097)	(214,422)
(Decrease)/increase in trade and other payables		(5,543,605)	18,318,919
Cash flows from operations		11,228,029	6,367,420
Interest paid		(2,539,697)	(862,034)
Interest received		4,244	-
Net cash flows from operating activities		8,692,576	5,505,386
Investing activity			
Purchase of property, plant and equipment representing net cash used in investing activity		(804,126)	(1,696,076)
Financing activity			
Repayments of borrowings representing net cash used in financing activity		(7,782,348)	-

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Statement of cash flows (cont'd.)
For the financial year ended 31 March 2013

	Note	2013 RM	2012 RM
Net increase in cash and cash equivalents		106,103	3,809,310
Effect of exchange rate changes on cash and cash equivalents		(1,279,296)	-
Cash and cash equivalents at 1 April		3,924,282	114,972
Cash and cash equivalents at 31 March	14	2,751,089	3,924,282

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
As at 31 March 2013

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 3351, Teluk Kalong Industrial Estate, 24007 Kemaman, Terengganu Darul Iman.

The holding and ultimate holding companies of the Company are Cheminvest Pte. Ltd., a company incorporated in Singapore and Thirumalai Chemicals Ltd., a company incorporated in India and listed on Bombay Stock Exchange ("BSE") respectively.

The principal activities of the Company are the manufacturing and trading of petro-chemical products. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 1965 in Malaysia. These are the Company's first financial statements prepared in accordance with MFRS. Accordingly, MFRS 1 *First Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

In the previous years, the financial statements of the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. The effects on the financial statements arising from the transition to MFRS are disclosed in Note 2.2.

The financial statements of the Company are prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

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

2. Summary of significant accounting policies (cont'd.)

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These financial statements, for the year ended 31 March 2013, are the first the Company has prepared in accordance with MFRS in Malaysia. For periods up to and including the year ended 31 March 2012, the Company prepared its financial statements in accordance with FRS in Malaysia.

The accounting policies described in the financial statements have been applied in preparing the financial statements of the Company for the financial year ended 31 March 2013, the comparative information presented in these financial statements for the financial year ended 31 March 2012 and in the preparation of the opening MFRS statement of financial position at 1 April 2011, the Company's date of transition to MFRS. The transition to MFRS does not have financial impact to the financial statements of the Company.

2.3 Standards issued but not yet effective

The standards and interpretation that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	*Effective for annual periods beginning on or after*
MFRS 101 *Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*	1 July 2012
Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*	1 January 2013
MFRS 3 *Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)*	1 January 2013
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 119 *Employee Benefits*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investment in Associate and Joint Ventures*	1 January 2013
MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)*	1 January 2013

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Amendment to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*	1 January 2013
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 132 *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS134 *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*	1 January 2013
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*	1 January 2013
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities*	1 January 2014
MFRS 9 *Financial Instruments*	1 January 2015

The directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application except as discussed below:

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Amendments to MFRS 101: *Presentation of Financial Statements* (Annual Improvements 2009-2011 Cycle)

The Amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position and performance.

2.4 Foreign currency

(a) Functional and presentation currency

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

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

2.5 Property, plant and equipment

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

2. Summary of significant accounting policies (cont'd.)

2.5 Property, plant and equipment (cont'd.)

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold land is depreciated over the period of the lease of 44 years. Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost of each asset to its residual value over the estimated annual rates of the assets as follows:

Buildings	3%
Plant and machinery	5.88%
Office equipment	15%
Furniture and fittings	10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.6 Impairment of non-financial assets

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

2. Summary of significant accounting policies (cont'd.)

2.6 Impairment of non-financial assets (cont'd.)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.7 Financial assets

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

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

2. Summary of significant accounting policies (cont'd.)

2.7 Financial assets (cont'd.)

The Company determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The financial assets of the Company's is classified as loans and receivables financial assets.

Loans and receivables

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

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

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

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

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

2.8 Impairment of financial assets

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.8 Impairment of financial assets (cont'd.)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, and deposits with licensed banks.

2. Summary of significant accounting policies (cont'd.)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.12 Financial liabilities

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

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

The Company has not designated any financial liabilities as at fair value through profit or loss.

The Company's other financial liabilities include trade and other payables and borrowings.

2. Summary of significant accounting policies (cont'd.)

2.12 Financial liabilities (cont'd.)

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

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

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

2.13 Borrowing costs

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

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

2.14 Employee benefits

Defined contribution plans

The Company participates in the national pension scheme as defined by the law of the country in which it has operation. The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd.)

2.15 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest rate.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

2.16 Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences.

2. Summary of significant accounting policies (cont'd.)

2.16 Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Share capital

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

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

3. Significant accounting judgement and estimate

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

3. Significant accounting judgement and estimate (cont'd.)

3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects of the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

(i) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be 17 years. These are common life expectancies applied in the industry. 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.

4. Revenue

	2013 RM	2012 RM
Sale of goods	158,456,810	121,439,826

5. Other income

	2013 RM	2012 RM
Waiver of amount due to a third party	-	7,226,924
Sale of scrap materials	10,604	412,198
Deposit refunded	300,000	-
Interest income	4,244	-
Miscellaneous income	15,623	-
	330,471	7,639,122

6. Finance costs

	2013 RM	2012 RM
Interest expense on:		
Shareholders' advances	2,504,291	788,987
Others	35,406	73,047
	2,539,697	862,034

7. Profit before taxation

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

	2013 RM	2012 RM
Auditors' remuneration	50,000	47,413
Directors' fees	-	86,331
Employee benefits expense (Note 8)	6,854,155	6,312,932
Depreciation	5,673,519	5,591,687
Property, plant and equipment written off	49,454	-
Net realised foreign exchange (gain)/loss	(802,140)	320,084
Net unrealised foreign exchange loss	1,014,481	683,147

8. Employee benefits expense

	2013 RM	2012 RM
Salaries and wages	5,088,334	4,541,861
Defined contribution plan	394,053	339,645
Social security costs	50,113	45,264
Other benefits	1,321,655	1,386,162
	6,854,155	6,312,932

Included in employee benefits expense of the Company is salary and other emoluments paid to the executive directors of the Company amounting to RM561,284 (2012: RM476,949) as further disclosed in Note 9.

9. Directors' remuneration

	2013 RM	2012 RM
Executive directors' remuneration (Note 8):		
Salaries and other emoluments	540,444	433,110
Fees	-	37,331
Other benefits	20,840	6,508
Total directors' remuneration	561,284	476,949

10. Income tax expense/(benefit)

Major components of income tax benefit

The major components of income tax expense/(benefit) for the years ended 31 March 2013 and 2012 are:

	2013 RM	2012 RM
Deferred income tax (Note 19):		
- Relating to origination and reversal of temporary differences	2,795,152	(538,474)
- Under provision in respect of prior year	88,773	-
Income tax expense/(benefit) recognised in profit or loss	2,883,925	(538,474)

The Company was granted pioneer status by the Ministry of International Trade and Industry for a period of 5 years commencing 1 March 2011. In view of this, there is no provision for taxation for the business income earned.

Reconciliation between tax expense/(benefit) and accounting profit

The reconciliation between tax expense/(benefit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2013 and 2012 is as follows:

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10. Income tax expense/(benefit) (cont'd.)

	2013 RM	2012 RM
Profit before tax	11,214,730	3,969,561
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	2,803,683	992,390
Income not subject to tax	-	(1,806,731)
Expenses not deductible for tax purpose	(8,531)	275,867
Under provision of deferred tax in prior year	88,773	-
	2,883,925	(538,474)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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(Incorporated in Malaysia)

11. Property, plant and equipment

	Leasehold land RM	Buildings RM	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Total RM
Cost						
At 1 April 2011	5,630,000	3,890,000	90,000,000	-	-	99,520,000
Additions	-	-	1,673,326	21,450	1,300	1,696,076
At 31 March 2012 and 1 April 2012	5,630,000	3,890,000	91,673,326	21,450	1,300	101,216,076
Additions	-	-	788,926	15,200	-	804,126
Write off	-	-	(49,454)	-	-	(49,454)
At 31 March 2013	5,630,000	3,890,000	92,412,798	36,650	1,300	101,970,748
Accumulated depreciation						
At 1 April 2011	-	-	-	-	-	-
Charge for the year	126,754	129,667	5,334,416	763	87	5,591,687
At 31 March 2012 and 1 April 2012	126,754	129,667	5,334,416	763	87	5,591,687
Charge for the year	126,754	129,667	5,412,135	4,833	130	5,673,519
At 31 March 2013	253,508	259,334	10,746,551	5,596	217	11,265,206
Net carrying amount						
At 31 March 2012	5,503,246	3,760,333	86,338,910	20,687	1,213	95,624,389
At 31 March 2013	5,376,492	3,630,666	81,666,247	31,054	1,083	90,705,542

12. Inventories

	2013 RM	2012 RM
At cost		
Chemicals	611,554	653,162
Consumables	1,450,795	1,190,665
Packing materials	253,064	405,865
Work-in-progress	900,309	1,698,666
Finished goods	526,124	3,757,142
	3,741,846	7,705,500

During the year, the amount of inventories recognised as an expense in cost of sales of the Company was RM114,952,915 (2012: 102,986,484).

13. Trade and other receivables

	2013 RM	2012 RM
Current		
Trade receivables		
Third parties	18,608,595	243,567
Amount due from ultimate holding company	312,027	10,389,478
	18,920,622	10,633,045
Other receivables		
Deposits	5,280,203	4,980,203
Sundry debtors	22,982	11,040
Others	17,541	22,966
	5,320,726	5,014,209
Total trade and other receivables	24,241,348	15,647,254
Add: Cash and bank balances (Note 14)	2,751,089	3,924,282
Total loans and receivables	26,992,437	19,571,536

(a) Trade receivables

The Company's normal trade credit term is 30 to 90 days (2012: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

At the reporting date, all of the Company's trade receivables were due from third parties and its ultimate holding company of which all balances are neither past due nor impaired and have not been renegotiated during the financial year.

(b) Other receivables

Included in deposits is RM4,910,203 that relates to deposits paid for raw materials and gas for its operations.

14. Cash and bank balances

	2013 RM	2012 RM
Cash in hand and at banks	2,647,784	3,824,282
Fixed deposit	103,305	100,000
Cash and cash equivalents	2,751,089	3,924,282

Fixed deposit with a licensed bank is pledged for bank guarantee facilities.

15. Share capital

	Number of ordinary shares of RM1 each 2013	Number of ordinary shares of RM1 each 2012	Amount 2013 RM	Amount 2012 RM
Authorised share capital				
At beginning of the year/ At end of the year	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid				
At beginning of the year/ At end of the year	10,000,000	10,000,000	10,000,000	10,000,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

16. Trade and other payables

	2013 RM	2012 RM
Current		
Trade payables		
Third parties	1,874,935	4,712,762
Amount due to ultimate holding company	1,618,151	522,744
	3,493,086	5,235,506
Other payables		
Accruals	62,000	55,000
Other payables	4,151,389	1,316,187
	4,213,389	1,371,187
	7,706,475	6,606,693
Total trade and other payables	7,706,475	6,606,693
Add: Borrowings (Note 18)	70,693,979	77,921,610
Total trade and other payables, representing total financial liabilities carried at amortised cost	78,400,454	84,528,303

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2012: 30 to 60 day) terms.

(b) Other payables

Included in other payables is RM1,697,448 (2012: RM788,987) which relates to interest payable on shareholders' advances.

17. Deferred revenue

	2013 RM	2012 RM
Advance payment from a third party for sale of goods	-	6,531,384

18. Borrowings

	2013 RM	2012 RM
Current		
Unsecured:		
Advances from holding company	-	5,176,888
Advances from ultimate holding company	6,245,000	-
	6,245,000	5,176,888
Non-current		
Unsecured:		
Advances from holding company	14,909,937	15,102,750
Advances from ultimate holding company	18,334,950	26,682,707
Advances from a third party	31,204,092	30,959,265
	64,448,979	72,744,722
Total advances	70,693,979	77,921,610

(a) Amount due to holding company (current)

The amount is unsecured, non-interest bearing and is repayable on demand.

(b) Amount due to ultimate holding company (current)

The amount is unsecured, bears interest at 6% per annum and is repayable on demand.

(c) Amount due to holding company (non-current)

The amount is unsecured, bears interest at 6% per annum and is not repayable within the period of twelve months after the end of the financial year.

(d) Amount due to ultimate holding company (non-current)

The amount is unsecured, bears interest at 6% per annum and is not repayable within the period of twelve months after the end of the financial year.

(e) Amount due to a third party

The amount is unsecured, non-interest bearing and is not repayable within the period of twelve months after the end of the financial year.

19. Deferred tax liabilities/(assets)

	2013 RM	2012 RM
At 1 April	(538,474)	-
Recognised in profit or loss (Note 10)	2,883,925	(538,474)
At 31 March	2,345,451	(538,474)

Presented after appropriate offsetting as follows:

	2013 RM	2012 RM
Deferred tax assets	(6,198,514)	(6,998,597)
Deferred tax liabilities	8,543,965	6,460,123
	2,345,451	(538,474)

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

Deferred tax assets:

	Unabsorbed capital allowances RM
At 1 April 2012	(6,998,597)
Recognised in profit or loss	800,083
At 31 March 2013	(6,198,514)
At 1 April 2011	-
Recognised in profit or loss	(6,998,597)
At 31 March 2012	(6,998,597)

Deferred tax liabilities:

	Property, plant and equipment RM
At 1 April 2012	6,460,123
Recognised in profit or loss	2,083,842
At 31 March 2013	8,543,965
At 1 April 2011	-
Recognised in profit or loss	6,460,123
At 31 March 2012	6,460,123

20. Related party disclosures

(a) Sale and purchase of goods

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2013 RM	2012 RM
Sale of finished goods to ultimate holding company	30,201,903	25,979,056
Purchase of raw materials from ultimate holding company	-	1,218,575
Purchase of services from ultimate holding company	276,283	-

(b) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

Key management personnels' remuneration (including Board of Directors) during the year was as follows:

	2013 RM	2012 RM
Directors' remuneration (Note 9)	561,284	476,949

21. Fair values of financial instruments

<u>Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value</u>

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

	Note
Trade and other receivables	13
Trade and other payables	16
Borrowings	18

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the relatively short-term nature and insignificant impact of discounting.

22. Financial risk management objectives and policies

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

It is, and has been throughout the current and previous financial year, the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objective, policies and process for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises mainly from trade and other receivables. For cash and bank balances, the Company minimises credit risk by dealing exclusively with reputable financial institutions.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increasing credit risk exposure. The Company trades only with recognised and creditworthy third parties. In addition, trade receivable balances are monitored on an on going basis to ensure that the Company's exposure to bad debts is not significant. At reporting date, the Company has no significant concentration of credit risk as the trade receivables balances are neither past due nor impaired as disclosed in Note 13.

(b) Liquidity risk

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

The Company manages liquidity risk by obtaining funding from its holding and ultimate holding companies to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contracted undiscounted repayment obligations.

22. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

	2013 (RM)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	7,706,475	-	7,706,475
Advances	6,245,000	64,448,979	70,693,979
Total undiscounted financial liabilities	13,951,475	64,448,979	78,400,454

	2012 (RM)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	6,606,693	-	6,606,693
Advances	5,176,888	72,744,722	77,921,610
Total undiscounted financial liabilities	11,783,581	72,744,722	84,528,303

(c) Foreign currency risk

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

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the entity which is RM. The foreign currency in which these transactions are denominated is United States Dollars ("USD").

All of the Company's sales are denominated in foreign currency. Other than that, all the costs incurred by the Company are denominated in its functional currency. The foreign currency fluctuation risk is minimised by the prompt collection from its customers.

23. Capital management

The primary objective of the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

23. Capital management (cont'd.)

The Company monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Company includes within its net debt, advances, other payable, amounts due to related companies, less cash and bank balances. Capital of the Company represents the total equity.

The debt to equity ratio as at 31 March 2013 and 31 March 2012 are as follows:

	Note	2013 RM	2012 RM
Borrowings	18	70,693,979	77,921,610
Trade and other payables	16	7,706,475	6,606,693
Less: Cash and bank balances	14	(2,751,089)	(3,924,282)
Net debt		75,649,365	80,604,021
Equity attributable to owner of the Company		40,927,381	32,596,576
Equity and net debt		116,576,746	113,200,597
Gearing ratio		65%	71%

24. Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 May 2013.