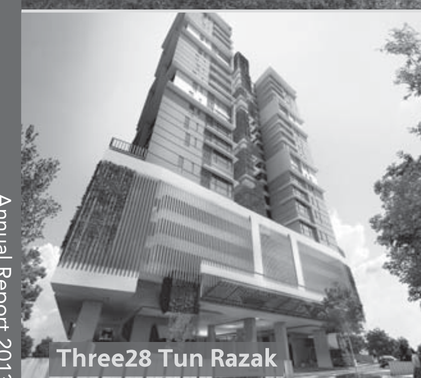
Mid Valley City

IGB Corporation Berhad (5745-A)

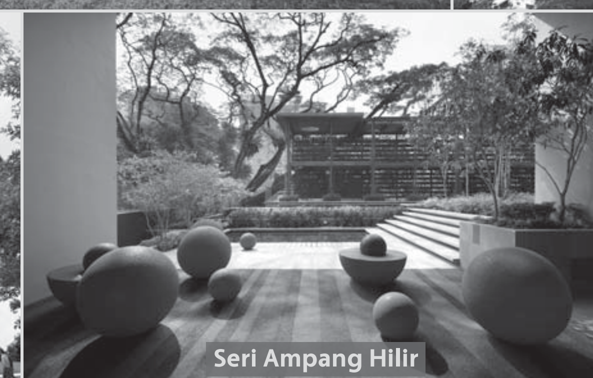
Annual Report 2013

Garden Manor

G Residence



Three28 Tun Razak



Seri Ampang Hilir

Park Manor

www.igbcorp.com

# IGB Corporation Berhad (5745-A)

Annual Report

2013

**IGB CORPORATION BERHAD** (5745-A)
Level 32, The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia
Tel: (603) 2289 8989 Fax: (603) 2289 8802

# Contents


| | |
|---|---|
| Notice of Annual General Meeting | **2 – 4** |
| Corporate Information | **5** |
| Profile of Directors | **6 – 7** |
| Letter to Shareholders | **8 – 11** |
| Governance Report | **12 – 20** |
| Audit Committee Report | **21 – 23** |
| Statement on Risk Management and Internal Control | **24** |
| Shareholding Statistics | **25 – 27** |
| List of Top Ten Major Properties by Value | **28** |
| Five-Year Group Financial Highlights | **29** |
| Reports and Financial Statements | **30 – 117** |
| Proxy Form | |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting ("50th AGM") of IGB Corporation Berhad ("IGB" or the "Company") will be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Wednesday, 28 May 2014 at 3.00 p.m. for the transaction of the following business:

**AGENDA**

**Ordinary Business**

1. To receive the Reports and Financial Statements for the year ended 31 December 2013 ("FY2013").

2. To re-elect/re-appoint retiring Directors:

   (a) Tan Boon Lee ***(Resolution 1)***
   (b) Tan Boon Seng ***(Resolution 2)***
   (c) Tan Sri Abu Talib bin Othman ***(Resolution 3)***
   (d) Yeoh Chong Swee ***(Resolution 4)***
   (e) Tan Kai Seng ***(Resolution 5)***

3. To re-appoint PricewaterhouseCoopers ("PwC") as auditors and to authorise the Directors to fix their remuneration. ***(Resolution 6)***

**Special Business**

4. To consider and if thought fit, to pass the following ordinary resolutions:

   **(a) Authority to issue shares pursuant to Section 132D of the Companies Act 1965 ("Act")**

   "THAT pursuant to Section 132D of the Act and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot and issue new shares in the capital of the Company, and upon such terms and conditions and for such purposes and to such person(s) as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company ("Section 132D Mandate") and that such authority, unless revoked or varied by the Company in general meeting, shall continue in force until the next annual general meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier." ***(Resolution 7)***

   **(b) Renewal of shareholders' mandate for share buy-back**

   "THAT subject to the Act, the Company's Articles of Association ("Articles") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company be and is hereby authorised to buy-back and/or hold from time to time and at any time such amount of ordinary shares of RM0.50 each in the Company ("Share Buy-Back Mandate") provided that:

   (i) the number of shares purchased and/or held by the Company at any point of time pursuant to the Share Buy-Back Mandate shall not exceed 10% of the issued and paid-up share capital of the Company for the time being quoted on Bursa Securities;
   (ii) the maximum amount of funds to be allocated by the Company pursuant to the Share Buy-Back Mandate shall not exceed the retained earnings and/or share premium of the Company as at 31 December 2013; and
   (iii) the shares so purchased by the Company pursuant to the Share Buy-Back Mandate to be cancelled and/or retained in treasury for distribution as dividends and/or resold on the market of Bursa Securities;

   AND THAT the Share Buy-Back Mandate, unless revoked or varied by the Company in general meeting, shall commence immediately upon passing of this resolution until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

   AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the Share Buy-Back Mandate." ***(Resolution 8)***

   **(c) Renewal of shareholders' mandate for recurrent related party transactions**

   "THAT the Company and/or its subsidiaries (the "Group") be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of the Related Parties as specified in Part B, Section 2.2.1 of the Statement/Circular to Shareholders dated 30 April 2014 ("Statement/Circular"), provided that such arrangements and/or transactions are:

# Notice of Annual General Meeting
(continued)

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
(iv) not detrimental to the minority shareholders of the Company

("RRPT Mandate");

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate." ***(Resolution 9)***

5. To consider any other business of which due notice shall have been given in accordance with the Act and the Articles.

By Order of the Board

Tina Chan
Company Secretary

Kuala Lumpur
30 April 2014

**Notes to the Agenda:**

(1) Reports and Financial Statements FY2013 are contained in the IGB Annual Report. The Agenda item is meant for discussion only as the Reports and Financial Statements FY2013 do not require formal approval of shareholders under Section 169(1) of the Act and hence, the matter will not be put forward for voting. However, shareholders or proxies will have the opportunity to ask questions on the Group's performance and business during the 50th AGM.

(2) Re-election/re-appointment of Directors:

(a) Re-election is pursuant to Article 85 of the Articles which requires 1/3 of the Directors to retire from office by rotation. Tan Boon Lee is obliged to retire from office but eligible for re-election on such retirement.

(b) Re-election is pursuant to Paragraph 7.26 of the MMLR and Article 86 of the Articles which require every Director to submit himself for re-election at least once in each 3-year period. Tan Boon Seng is obliged to retire from office but eligible for re-election on such retirement.

(c) Re-appointment is pursuant to Section 129(6) of the Act which requires Directors over the age of 70 years to be re-appointed by the shareholders every year and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG") to continue serving as an Independent Director of the Company until the conclusion of the next AGM. Tan Sri Abu Talib bin Othman is obliged to retire from office but eligible for re-appointment on such retirement.

(d) Re-appointment is pursuant to Section 129(6) of the Act which requires Directors over the age of 70 years to be re-appointed by the shareholders every year and pursuant to Recommendation 3.3 of the MCCG to continue serving as an Independent Director of the Company until the conclusion of the next AGM. Yeoh Chong Swee is obliged to retire from office but eligible for re-appointment on such retirement.

(e) Re-appointment is pursuant to Recommendation 3.3 of the MCCG to enable Tan Kai Seng to continue serving as an Independent Director of the Company until the conclusion of the next AGM.

An annual assessment on the effectiveness of each Director (including the independence of Independent Directors) had been undertaken. The justifications of the Board of Directors ("Board") for recommending and supporting Resolutions 1 to 5 inclusive for their continuing in office as Directors are set out under the Governance Report in the IGB Annual Report.

(3) The appointment of PwC as auditors terminates at the conclusion of the 50th AGM. They have indicated their willingness to stand for re-appointment as auditors of the Company until the conclusion of the next AGM.

# Notice of Annual General Meeting
(continued)

(4) (a) Resolution 7 is to renew, effective until the next AGM, the Section 132D Mandate for the Directors to allot and issue up to 10% of the total number of issued shares of the Company for any strategic acquisition opportunities involving equity or part equity or such purposes as the Directors consider to be in the interest of the Company. The approval is sought to give the Directors the authority and flexibility to raise funds more expediently without having to convene separate general meetings. No shares were allotted and issued up to date of this notice pursuant to the mandate obtained at the 2013 AGM.

(b) Resolution 8 is to renew, effective until the next AGM, the Share Buy-Back Mandate. The details of the proposal are set out in the Statement/Circular dated 30 April 2014 which is despatched together with the IGB Annual Report.

(c) Resolution 9 is to renew, effective until the next AGM, the RRPT Mandate. The details of the proposal are set out in the Statement/ Circular dated 30 April 2014 which is despatched together with the IGB Annual Report.

**Shareholder Notes:**

**(1) Appointment of proxy**

(a) A member is entitled to appoint one or two proxies and they need not be members.

(b) A member, who is an authorised nominee, may appoint up to two proxies in respect of each Securities Account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each Securities Account held.

(c) A member who appoints a proxy must execute the Proxy Form, and if two proxies are appointed, the number of shares to be represented by each proxy must be clearly indicated.

(d) A corporate member who appoints a proxy must execute the Proxy Form under seal or the hand of its officer or attorney duly authorised.

(e) Only members registered in the Record of Depositors as at 21 May 2014 shall be eligible to attend, speak and vote at the 50$^{th}$ AGM or appoint a proxy to attend and vote on his behalf.

(f) The executed Proxy Form must be deposited at the office of IGB's Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not later than 3.00 p.m. on 26 May 2014, being 48 hours before the time set for the 50$^{th}$ AGM.

(g) The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true indications of the appointer are not ascertainable from the instructions of the appointer specified in the Proxy Form.

(h) The IGB Annual Report and Proxy Form can be accessed at www.igbcorp.com

**(2) Registration of members/proxies**

(a) Registration will start at 1.00 p.m. on the day of the 50$^{th}$ AGM.

(b) Members/proxies are required to produce identification documents for registration, and parking tickets for endorsement (only applicable for parking at Mid Valley Megamall and The Gardens Mall; no reimbursement parking charges at anywhere else).

(c) You will be given wrist tags. No persons will be allowed to enter the meeting room without wrist tags. There will be no replacement in the event that you lose or misplace the tags.

(d) If you have any question, please proceed to the Help Desk Counter.

**(3) Enquiries**

If you have any enquiries prior to the 50$^{th}$ AGM, please contact the following persons during office hours on Mondays to Fridays:

(a) Shareholders' enquiries: Tina Chan, Company Secretary - 603-22898820/corporate-enquiry@igbcorp.com
(b) Investor relations: Terence Yeoh, Senior General Manager (Corporate & Legal Affairs)/Tan Chai Toong, Senior Group General Manager (Finance & Administration) - 603-22898886/8830/corporate-enquiry@igbcorp.com
(c) CD-ROM assistance: Ching Kar Heng, Senior IT Manager/Chai Voon Chung, Senior IT Executive - 603-22898910/8884

# Corporate Information

## BOARD OF DIRECTORS

**Independent Non-Executive Chairman**
Tan Sri Abu Talib bin Othman

**Group Managing Director**
Dato' Seri Robert Tan Chung Meng

**Executive Directors**
Tan Boon Seng
Tan Boon Lee

**Independent Non-Executive Directors**
Tan Kai Seng
Yeoh Chong Swee

**Non-Independent Non-Executive Directors**
Tan Lei Cheng
Pauline Tan Suat Ming
Tony Tan @ Choon Keat

**Alternate Directors**
Chua Seng Yong, Alternate to Dato' Seri Robert Tan Chung Meng
Daniel Yong Chen-I, Alternate to Pauline Tan Suat Ming
Tan Yee Seng, Alternate to Tan Boon Seng

## COMPANY SECRETARY
Tina Chan Lai Yin

## REGISTERED OFFICE
Level 32, The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Telephone : 603-2289 8989
Telefax : 603-2289 8802
Website : www.igbcorp.com

## AUDITORS
PricewaterhouseCoopers (AF1146)
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Telephone : 603-2173 1188
Telefax : 603-2173 1288

## REGISTRAR
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Telephone : 603-2264 3883
Telefax : 603-2282 1886

## PRINCIPAL BANKERS
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad

## STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
since 10 September 1981
Stock Name : IGB
Stock Code : 1597

# Profile of Directors

**TAN SRI ABU TALIB BIN OTHMAN**

Tan Sri Abu Talib, aged 75, is an Independent Non-Executive Chairman of IGB. He joined the Board on 18 July 1995 and was appointed the Chairman on 30 May 2001. He chairs both the Nomination Committee ("NC") and Remuneration Committee ("RC"), and a member of Audit Committee ("AC").

He qualified as a Barrister-in-law from Lincoln's Inn, United Kingdom and has served in various capacities in the judicial and legal service of the Malaysian Government. He was the Attorney-General of Malaysia from 1980 until his retirement in October 1993.

He is also the Chairman of CYL Corporation Berhad, MUI Continental Berhad, KAF Investment Funds Berhad and Sumatec Resources Berhad.

**DATO' SERI ROBERT TAN CHUNG MENG**

Dato' Seri Robert Tan Chung Meng, aged 61, was appointed the Group Managing Director ("Group MD") of IGB on 30 May 2001. Prior to that, he was the Joint MD of IGB since 1995. He is a member of the Executive Committee ("Exco"), RC, Risk Management Committee ("RMC") and Share Committee ("SC").

He has extensive experience in property development, hotel construction, retail design and development as well as corporate management with more than 30 years' experience in the property industry. After studying Business Administration in the United Kingdom, he was attached to a Chartered Surveyor's firm for a year. He also developed a housing project in Central London before returning to Malaysia.

He has been involved in various development projects carried out by IGB Group, in particular Mid Valley City. From inception to the realisation of Mid Valley Megamall and The Gardens Mall, he was actively involved in every stage of their developments. He is instrumental to the development and success of Mid Valley Megmall and The Gardens Mall and more importantly, in retaining their positions as prime retail players amidst increasingly competitive retail landscape. Through his management and leadership, Mid Valley Megamall and The Gardens Mall are now two of the most popular shopping malls in the Klang Valley, enjoying an almost full occupancy rate for the past few years.

He is also the Non-Executive Chairman of Wah Seong Corporation Berhad ("WSCB"), the Managing Director of IGB REIT Management Sdn Bhd ("IGB REIT Management") (the manager of IGB Real Estate Investment Trust) and a Director of Tan & Tan Developments Berhad ("Tan & Tan"), a property division of IGB.

**TAN BOON SENG**

Tan Boon Seng, aged 58, joined IGB in 1980 as General Manager. He was appointed to the Board on 20 December 1990, Managing Director in 1991, re-designated to Joint Managing Director in 1995 and subsequently, Executive Director ("ED") on 30 May 2001. He is chair of Exco and a member of RMC and SC.

He holds a Master of Arts from Cambridge University, United Kingdom.

He is presently the Chairman and Managing Director of Lee Hing Development Limited which is listed on The Stock Exchange of Hong Kong Limited.

**TAN BOON LEE**

Tan Boon Lee, aged 50, joined the Board of IGB on 10 June 2003 as ED. He is a member of Exco, RMC and SC.

He holds a Bachelor of Economics from Monash University, Australia and a Masters in Business Administration from Cranfield School of Management, United Kingdom.

He has 27 years' experience in the property and hotel industry, providing management and technical assistance to hotel and hospitality projects in Malaysia and Asia. He was President of the Malaysian Association of Hotel Owners ("MAHO") from 2002 to 2004. He spearheaded IGB Group's growth into emerging economies of Myanmar and Cambodia in 1990's via the Group's hotel division.

He is also an ED of IGB REIT Management, a Director of Goldis Berhad ("Goldis"), SW Homeowners Berhad and Dato' Tan Chin Nam Foundation, and the Chief Executive Officer of Tan & Tan.

**TAN LEI CHENG**

Tan Lei Cheng, aged 57, was appointed to the Board of IGB on 10 June 2003, and is a Non-Independent Non-Executive Director ("NINED").

She holds a Bachelor of Commerce from the University of Melbourne, Australia and a Bachelor of Law from King's College, London (LLB Hons.), England. She is also a member of Lincoln's Inn and was admitted to the English Bar in 1983.

She has more than 30 years of experience in the property industry and the corporate sector. She was the Chief Executive Officer of Tan & Tan from March 1995, a property development company that was listed on Bursa Securities until Goldis took over its listing on 8 May 2002, following the completion of the merger between IGB, Tan & Tan and Goldis. She is presently the Executive Chairman and Chief Executive Officer of Goldis.

She also sits on the boards of IGB REIT Management, Tan & Tan and Dato' Tan Chin Nam Foundation. She is a member of the World Presidents' Organisation, Malaysia Chapter.

**TONY TAN @ CHOON KEAT**

Tony Tan @ Choon Keat, aged 65, was appointed to the Board of IGB on 15 July 2003, and is a NINED. He is also a member of AC.

He holds a Bachelor of Chemical Engineering from the University of Surrey, England and a Masters in Business Administration from the University of California, Berkeley, USA. He was the founding Managing Director of Parkway Holdings Limited, Singapore until 2000 and Deputy Chairman until his retirement in 2005.

He is also the Chairman of Island Hospital Sdn Bhd, an ED of Napier Properties Pte Ltd and the Chairman of Singapore Medical Group Ltd, which is listed on Singapore Exchange Securities Trading Limited.

# Profile of Directors
(continued)

**PAULINE TAN SUAT MING**

Pauline Tan Suat Ming, aged 68, was appointed to the Board of IGB on 10 June 2003, and is a NINED. She is a member of Exco, RMC and NC.

She holds a Bachelor of Science (Honours) in Biochemistry from the University of Sussex, England and is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. She worked as a chemist in Malayan Sugar Manufacturing Co. Berhad from 1969 to 1972. She joined Tan Kim Yeow Sdn Bhd as an Executive Director in 1976 and Wah Seong group of companies in 1983.

She is also a Director of WSCB and Goldis.

**TAN KAI SENG**

Tan Kai Seng, aged 62, was appointed to the Board of IGB on 15 July 2003, and is an Independent Non-Executive Director ("INED"). He is chair of AC.

He holds a Bachelor of Accountancy from the University of Singapore. He is a member of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He started his career with Price Waterhouse, Singapore, and was Finance Director of Parkway Holdings Limited, Singapore, from 1988 until his retirement in 2005.

He is also a Director of AIMS AMP Capital Industrial REIT Management Limited, the manager of AIMS AMP Capital Industrial REIT, which is listed on Singapore Exchange Securities Trading Limited.

**YEOH CHONG SWEE**

Yeoh Chong Swee, aged 70, was appointed to the Board of IGB on 1 June 2004, and is an INED. He is a member of AC, RC and NC.

He is a Chartered Secretary and a Fellow of the Australian and Malaysian Institute of Taxation and a Fellow of the Association of Accounting Technicians, United Kingdom. He was the Managing Director and Chief Executive Officer of Deloitte KassimChan Tax Services Sdn Bhd and Deloitte Touche Tohmatsu Tax Services Sdn Bhd from 1977 to 2004. He is presently the Vice-Chairman of Tricor Services (Malaysia) Sdn Bhd.

**CHUA SENG YONG**

Chua Seng Yong, aged 51, is the Executive Assistant to the Group MD. He joined IGB as Financial Controller in 1994 and has 29 years' experience in the property and hotel industry. He was appointed the alternate Director to the Group MD on 30 November 1999. He is also the Head of Group Procurement, Group Information Technology and Corporate & Legal Affairs in IGB.

He graduated with an Economics degree from Monash University, Australia in 1984 and attained his Masters in Business Administration from Cranfield School of Management, United Kingdom in 1992.

**DANIEL YONG CHEN-I**

Daniel Yong Chen-I, aged 42, was appointed the alternate Director to Pauline Tan Suat Ming on 6 April 2011.

He is a law graduate from the University of Bristol, England. He joined Mid Valley City Sdn Bhd ("MVC") in 1999 as a member of the pre-opening retail development team. He was appointed an Executive Director of MVC in 2003 and is responsible for overseeing the management and operation of Mid Valley Megamall since. He was also involved in the design and pre-opening of The Gardens Mall from 2004 to 2007. His prior work experience includes the development of bespoke systems with BYG Systems Ltd in England and Operational Management with Wah Seong Engineering Sdn Bhd, the distributor and manufacturer for Toshiba Elevator and Escalator in Malaysia.

He is also an ED of IGB REIT Management and an alternate Director to Pauline Tan Suat Ming on the board of WSCB.

**TAN YEE SENG**

Tan Yee Seng, aged 34, was appointed the alternate Director to Tan Boon Seng on 17 May 2012.

He holds a professional Diploma of Architecture (Royal Institute of British Architects, Part 2) from the University of East London, United Kingdom. He joined IGB in 2010 as Senior General Manager (Property Development). His prior work experience includes being part of the pre-opening team member of G Tower which is presently owned by Goldis, where he oversaw the coordination of base building, fit out and operations. He was also extensively involved in the aesthetic realisation of The Gardens Mall while working at Ensignia Construction Sdn Bhd, IGB's construction arm, where he worked as a design architect. There he used his training to create and fine tune the facades and key elements of The Gardens Mall and Mid Valley Megamall. He has also been a design architect at Eric Kuhne Associates in London where he worked on several large mixed-use proposals.

He is a Director of IGB REIT Management and Tan & Tan.

**Notes:**

1. All Directors are Malaysian except Tan Kai Seng, who is a Singaporean.
2. Save for Dato' Seri Robert Tan Chung Meng, Tan Boon Seng, Tan Lei Cheng, Tan Boon Lee, Pauline Tan Suat Ming, Tony Tan @ Choon Keat, Daniel Yong Chen-I and Tan Yee Seng, the Directors have no family relationship with any Director and/or major shareholder of IGB.
3. Directors' interests in IGB are disclosed under Shareholding Statistics in the IGB Annual Report.
4. None of the Directors has any personal interests in any business arrangement involving IGB.
5. All Directors have not been convicted of any offence.

# Letter to Shareholders

## Dear Shareholders,

***On behalf of the Board of Directors ("Board") of IGB Corporation Berhad ("IGB"), we are pleased to present the Annual Report for the financial year ended 31 December 2013 ("FY2013").***

**FINANCIAL RESULTS**

2013 was another profitable year for the Group.

Group turnover at RM1,091.0 million was 10% higher than the RM994.0 million recorded in the previous financial year. Pre-tax profit was RM405.0 million, up 11% from RM366.0 million previously. Earnings per share ("EPS") for the year amounted to 15.1 sen, an increase of 21% when compared to the previous year.

Group turnover from the three main operating divisions was: RM542.0 million from Property Investment, RM370.0 million from the Hotel and RM149.0 million from Property Development.

In accordance with the Group's accounting policy on property, plant and equipment, The Gardens Hotel & Residences was revalued during FY2013 to RM515.0 million from RM194.0 million by an independent qualified valuer.

**DIVIDENDS**

During the year under review, IGB declared two interim dividends totaling 7.5 sen or 15% per ordinary share of RM0.50 each. The first interim dividend was paid on 24 December 2013, and the second interim dividend was paid on 28 March 2014.

The Board did not recommend a final dividend for FY2013.

**PROPERTY DEVELOPMENT**

G Residence, Ampang has exceeded expectations and sold more than 97% of the available 474 units with a total sales value of about RM369.0 million. Completion is scheduled for early 2015 and leasing preparations are underway for the retail podium 'G Village'. Since its launch in early October 2013, Three28 Tun Razak, a 22-storey boutique development on 0.28 hectares of freehold land, with a Gross Development Value ("GDV") of RM166.0 million, has thus far sold 85% of its 166 units.

In the pipeline, we have Park Manor in Sierramas, which is a 41-strata unit bungalow development, featuring linear gardens and a fine club house with a GDV of RM170.0 million, and a mixed development, 18@Medini in Johor.

Announced in early October 2013, Budget 2014 introduced a number of cooling measures for the property market. Coupled with the tightening of the lending guidelines by Bank Negara Malaysia, this has resulted in buyers taking a more passive stance.

However, despite a slowdown of sentiment in the industry, we continue to look to the future and have secured planning and building plan approvals for two new projects in the Jalan Damai and Lorong Stonor areas in Kuala Lumpur, which are expected to begin in the second half of 2014. In November 2013, we received approvals for our Joint Venture 506 acres tract in Kundang, Selangor. We have also acquired 3.5 acres of prime residential land in Damansara Heights for future development.

We are very happy to announce that for the 11th consecutive years, IGB received the prestigious "The Edge Top Ten Property Developer Award".

**HOTELS**

2013 was a good year for the Hotel division, with improved revenues from both our local and overseas properties. The division, including associates, reported a total gross operating revenue of RM610.0 million, with a gross operating profit of RM277.0 million. Total room inventory as of 31 December 2013 was 5,606 rooms, and we achieved a total of 2,866,057 occupied room nights.

Once completed, the Southkey Project in Johor will have three hotels, which are the Cititel Southkey consisting of 675 rooms, St Giles Premier Hotel and St Giles Luxury Gardens Hotel with 450 rooms each.

# Letter to Shareholders
(continued)

In 2013, we rebranded two of our hotels in Mid Valley City to the St Giles brand. The Gardens Hotel & Residences and Boulevard Hotel are now The Gardens Hotel & Residences-St Giles Luxury Hotel and The Boulevard-St Giles Premier Hotel, respectively. This rebranding further consolidates the St Giles brand and provides an improved synergy with our associate hotels in London, New York and Manila.

In Australia, the construction of the 281-room The Tank Stream-St Giles Premier Hotel Sydney is on-track, with completion scheduled by mid-2015.

The month of November saw the addition of 40 new rooms to the MiCasa Hotel Apartment in Yangon, bringing the total room inventory to 183 rooms. Closer to home, the 415-room The Wembley-St Giles Premier Hotel Penang, 234-room Cititel Express Penang and 210-room Cititel Express Ipoh are expected to be completed and soft-launched by the end of 2014.

By year end-2014, when all the above-mentioned hotel properties have come on-stream, the Group's total room inventory will increased by 20% to 6,746 rooms.

**ASSET MANAGEMENT**

Rental revenue from office buildings was satisfactory and within expectations, an increase of 6% to RM129.0 million when compared to the previous year of RM122.0 million. Most properties achieved average occupancy rates of above 90%.

The high occupancy for the office spaces in Mid Valley City also directly contributed to the Group's other activities via providing continuing business opportunities and a stable customer base for our retail and hospitality activities.

The last parcel of land in Mid Valley City, the Mid Valley Southpoint Office Tower, is currently under construction following planning approval from the relevant authorities. The 2.2 acres site will accommodate an office tower with approximately 900,000 square feet net of lettable area on 45 levels, on top of an 8-level podium car park. Completion for this office tower is scheduled for 2016.

**PROPERTY INVESTMENT**

18@Medini located in the prime Zone A in Iskandar Malaysia, Johor, with an estimated GDV of RM2.0 billion, will comprise of 4 blocks of 30-storey residential towers and 4-storey signature offices (Phase 1) and a neighbourhood mall together with a hotel and an office tower (Phase 2). The mixed development of more than 18 acres with retail spaces, offices, serviced apartments and a hotel is expected to be launched this year, pending authority approvals.

The Southkey Project, also located in Iskandar Malaysia, Johor, will comprise of a retail centre and mixed-use development with a GDV of RM6.0 billion. This project will be built on over 14.57 hectares of land, with a net lettable retail area of 2.5 million square feet. It will be developed in two phases. The first phase will include a shopping mall of net lettable area 1.5 million square feet, scheduled for completion in late 2016. Once completed, the project itself will comprise three hotels, four office towers, and one serviced apartment tower together with the shopping malls.

**CONSTRUCTION**

The Construction division achieved a turnover of RM205.0 million, mainly derived from in-house projects namely the IGB International School ("IGBIS") in Sierramas, G-Residence Condominium in Desa Pandan, The Wembley-St Giles Premier Hotel and Cititel Express in Penang and Mid Valley Southpoint Office Tower in Mid Valley City.

The Seri Ampang Hilir Condominium was handed over to purchasers in June 2013 while the IGBIS, G-Residence, The Wembley-St Giles Premier Hotel and Cititel Express in Penang will be completed by 2014. Work on the Southkey Project had since commenced in the last quarter of 2013. The shopping mall carries a construction cost of about RM1.2 billion.

**IGB REAL ESTATE INVESTMENT TRUST ("IGB REIT")**

For FY2013, IGB REIT posted a revenue of RM430.7 million and a net property income of RM285.7 million with a profit before tax of RM311.9 million. These were mainly from the rental income of Mid Valley Megamall ("MVM") and The Gardens Mall ("TGM"). The healthy performance in 2013 was largely attributable to asset enhancement initiatives at the two retail assets, and increased income from turnover rentals.

IGB REIT's distributable income for FY2013 totalled about RM241.1 million or 7.04 sen per unit for the year, translating into an annualised distribution yield of about 5.92% based on IGB REIT's units' closing price of RM1.19 as at 31 December 2013.

***MVM***

MVM's occupancy rate was 99% as at 31 December 2013. MVM continues to be a key shopping destination in the Klang Valley. The asset enhancement initiatives include upgrading of the mall water reticulation system, closed-circuit televisions and external facades. The reconfigurations of the junior anchor spaces at the ground floor (MPH Bookstores) and the third floor (Food Junction) which were completed in the second half of 2012 contributed positively in 2013.

# Letter to Shareholders
(continued)

***TGM***

Entering the second 3-year cycle when 70% of the tenancies were due for expiry, TGM underwent a repositioning exercise to upgrade and strengthen its tenancy mix.

Asset enhancement initiatives at TGM include the creation of a lounge area at the Riverview Entrance, reconfiguring the Rak Thai lot to create more variety for customers and upgrading the East Entrance. TGM also created additional lettable area and parking space on the lower ground floor.

In 2013, TGM was awarded the *Best Shopping Experience: Excellence Award 2013* by *Expatriate Lifestyle* for the second consecutive year.

**EDUCATION**

It is important to continue to grow and reach ever greater heights as a business that seeks sustainable growth and to provide value to our shareholders.

With this in mind, we have branched out into education with the IGBIS, a premier co-educational Pre-Kindergarten to Grade 12 day-school in Sierramas, Sungai Buloh. The school was in the planning and development stage for six years, and in 2013, IGBIS was authorised as an International Baccalaureate ("IB") World school to offer the IB Diploma Programme to prepare students for life in this fast-changing global community.

IGBIS' vision is to provide an outstanding international education which draws on the best of Asian, Western and other cultural traditions and contributes to a flourishing Malaysia and a sustainable, peaceful global society. The highly respected IB curriculum is integral to this vision. The school will open its doors to students in August 2014 and will work to ignite young minds and impact lives.

In addition to the facilities in the school, which include well-conceived cutting edge classrooms and laboratories, alongside dance and art studios and superlative sports facilities, the IGBIS leadership team has conducted an international search for highly qualified IB teachers and will offer cutting edge 21$^{st}$ century teaching and learning incorporating information technology to ensure the quality of education.

**CORPORATE SOCIAL RESPONSIBILITY ("CSR")**

While we continue our expansion plans for the Group, we remain committed to contribute to the well-being of our communities. We believe that CSR is not only about philanthropy and volunteerism, it is also about fostering a strong corporate governance culture and ensuring the sustainability of the community that we engage in. Therefore, we strive to find a balance to care for the community where we live and breathe in, and to protect and cultivate the environment that sustains our living.

Besides providing a conducive working environment to our employees, the Group continuously conducts development and training programmes to upgrade the skills of our people to achieve the organisation's overall goals. We are strong advocates of a healthy work-life balance for our employees and actively promote their involvement in exercise, sports, as well as organising annual health-check campaigns and other recreational activities throughout the year.

In collaboration with the Dato' Tan Chin Nam Foundation, we play an active role in nurturing youth development, both through their education, and during their internship on-the-job training programmes. At this stage, our senior leadership team acts to guide and mentor students to draw and achieve higher career objectives for their future.

The annual Dato' Arthur Tan Chess Festival continues its 10$^{th}$ year history of promoting chess awareness and friendly competition for chess enthusiasts to promote the development of an intellectually healthy hobby in Malaysia.

MVM and TGM also contribute to our CSR efforts via different initiatives. The malls have organised their own festive celebrations to bring much needed cheer to the less well-off members of our society. The beneficiaries include the citizens of Bellevue Residential Homecare, Persatuan Kebajikan Al-Shakur (Rawang), Dignity for Children Foundation (Sentul), Angel's Children's Home, and Precious Children Home. In addition, there were three levels of fundraising campaigns initiated, with the proceeds channeled to an international non-governmental organisation, SOLS 24/7 to build libraries for the underprivileged.

Preserving the environment is something that MVM and TGM take very seriously, and consequently the 'Beautiful Earth' campaign was launched during the first term school holiday in March 2013. Visitors to the malls were greeted with engaging displays of the country's rich natural heritage and were also given the opportunity to take home a uniquely-designed eco-friendly bag as part of the recycling programme.

As part of IGB's continuing energy conservation efforts, we have an on-going programme started in 2009 to change the more energy sapping fluorescent tubes to the T-5 type of energy efficient light tubes for the Group's properties in stages. We are also working with the Malaysian Nature Society (MNS) on waste recycling programmes that have been initiated throughout the organisation to obtain recyclable materials. The Group will continue its efforts to ensure fulfillment of its obligations as a socially responsible corporate citizen.

# Letter to Shareholders
(continued)

**THE YEAR AHEAD**

The local property market is expected to remain stable through the year ahead. However, we recognise that the Asian economies will somewhat be affected if the US and Europe do not perform according to market expectations in 2014.

We are making aggressive strides into the Johor property market with the new Southkey Project. Despite uncertainty on the impact of the proposed property assessment rate hike in Kuala Lumpur, our other projects in the Klang Valley Region continue to show a very encouraging take up rate and we expect Park Manor in Sierramas to be met with similarly positive response.

Moving forward, the Group will continue to improve its existing attractive investment grade properties and potential earnings growth from its new assets. Our belief that the education sector continues to be underserved has also driven our foray into the development of the IGBIS which will also provide an excellent platform for implementing our CSR. Concurrently, we are expanding our hotel assets with the addition of the Cititel Express in Penang and Ipoh, and the St Giles Hotels in Penang and Sydney.

We expect our discount to net asset value to be narrowed down within the following few years with potential earnings growth from the Southkey Project in Johor and Mid Valley Southpoint Office Tower.

**ACKNOWLEDGEMENT**

On behalf of the Board we would like to extend our sincere thanks and appreciation to members of the Board, the directors, the management and, the staff of the Group for their dedication, commitment and hard work throughout the years. They have delivered respectable results in difficult economic conditions while at the same time reinforcing the Group's growing reputation as a business committed to sustainable and equitable growth.

To all our shareholders, your Board, management and staff remain committed to adding value to your investment.

**TAN SRI ABU TALIB BIN OTHMAN**
*Chairman*

**DATO' SERI ROBERT TAN CHUNG MENG**
*Group Managing Director*

# Governance Report

The Board of Directors ("Board" or "Directors") of IGB remains committed towards ensuring that IGB implements and operates good governance practices in its overall management of the Group. In developing its system of corporate governance, the Board is guided by the measures set out in MMLR and MCCG. The policies and practices of the Group, supported by existing internal control processes, are regularly audited and reviewed, to ensure competency, accountability and transparency.

This report outlines the IGB's governance principles which sets out the role of the Board, its processes and its relationship with executive management as well as describes the work of the Board and its Committees during FY2013. Except where specifically identified in this report, the Board believes that IGB has complied substantially with the best practices of MCCG and the provisions in MMLR.

## I. BOARD

### (1) Directors' Code of Business Conduct and Ethics ("Code") and Board Charter

The Code provides a clear approach for how IGB expects all members of the Board to conduct themselves. The principles on which the Code relies are those that concern transparency, integrity and accountability. It provides clear direction on conducting business, guidance on disclosure of conflict of interest situations, maintaining confidentiality and disclosure of information, good practices and internal control, and the duty to report where there is a breach against the Code. The Code is reviewed from time to time to ensure new facts and circumstances and evolving governance issues are addressed and best practices are incorporated.

The Board Charter is aimed at ensuring that all Board members acting on behalf of IGB are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good governance are applied in their dealings in respect, and on behalf of IGB. The Board Charter comprises, among others, well-defined terms of reference as well as the authority limits for the Board and its Committees, and the various relevant internal process. The Board Charter is to be updated from time to time to reflect changes to the Board's policies, procedures and processes as well as amended relevant rules and regulations to ensure they remain consistent with the Board's objectives, current law and best practice.

### (2) Board Responsibility

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Group.

Other than as specifically reserved for the Board's decision in the Board Charter, the responsibility of managing the Group's business activities and affairs is delegated to the Group MD who operates in accordance with the Board approved policies and delegated limits of authority.

### (3) Board Composition and Balance

The Board currently has 9 members, comprising 6 Non-Executive Directors ("NEDs") and 3 Executive Directors ("EDs"), with 3 of the 6 NEDs are independent. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group. The current Board fulfils the requirement under MMLR which requires one-third of the Board to be independent. A brief profile of each Director is presented in the Profile of Directors.

Effective governance is fostered by the separation of the roles of the Board Chairman and the Group MD, as this division of responsibilities at the head of the Group ensures a balance of power and authority. The Board Chairman is an independent Director and is responsible for the leadership, effectiveness, conduct and governance of the Board. The Group MD is the chief executive of IGB and together with the EDs (collectively, "Executive Board") oversees the business operations and business development of the Group and ensures that strategies, policies and matters approved by the Board and/or the Exco are effectively implemented. The Group MD, by virtue of his position as a Board member, also functions as the intermediary between the Board and senior management.

The independent NEDs ("INEDs"), all of whom are persons of high calibre and integrity, play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. The presence of INEDs fulfils a pivotal role in corporate accountability to ensure that the interests of minority shareholders are properly safeguarded. The other non-INEDs ("NINEDs") also bring with them a wide range of essential business and financial experience relevant to the Group.

The size and composition of the Board are reviewed annually. The NC examines the size and composition of the Board with a view of determining the impact of the number upon effectiveness and makes recommendations to the Board on what it considers an appropriate size and composition for the Board. The Board is of the view that taking into account the nature and scope of the operations of the Group, the current number of 9 Directors remains optimum and conducive for effective deliberations and rapid decision-making process.

The Board is also of the view that it is not necessary to appoint a senior INED as the Board Chairman encourages full participation of all Directors at Board meetings which ensures objectivity in the Board deliberations and decisions.

# Governance Report
(continued)

**(4) Board Meetings and Access to Information**

Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable Board Committee meetings in order to discharge their obligations. Consistent with their fiduciary duties, Directors are expected to maintain the confidentiality of the deliberations of the Board and its Committees. The Directors are also fully apprised of the need to disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which come before the Board or its Committees.

The Board conducts at least 4 scheduled meetings annually, with special meetings convened as warranted by specific circumstances. To facilitate participation at Board meetings, Directors may attend in person, via telephone conference or video-conference. Board meetings are also supplemented by resolutions circulated to the Directors for decision between the scheduled meetings.

During FY2013, 4 Board meetings were held. All Directors have complied with the requirements in respect of Board meeting attendance. The attendance record of each Director was as follows:

| | Attendance | Percentage |
|---|---|---|
| Tan Sri Abu Talib bin Othman | 4/4 | 100 |
| Dato' Seri Robert Tan Chung Meng | 4/4 | 100 |
| Tan Boon Seng | 4/4 | 100 |
| Tan Boon Lee | 4/4 | 100 |
| Tan Lei Cheng | 3/4 | 75 |
| Pauline Tan Suat Ming | 3/4 | 75 |
| Tony Tan @ Choon Keat | 3/4 | 75 |
| Tan Kai Seng | 4/4 | 100 |
| Yeoh Chong Swee | 4/4 | 100 |
| Chua Seng Yong, Alternate to Dato' Seri Robert Tan Chung Meng | 4/4 | 100 |
| Daniel Yong Chen-I, Alternate to Pauline Tan Suat Ming | 4/4 | 100 |
| Tan Yee Seng, Alternate to Tan Boon Seng | 4/4 | 100 |

The agenda together with a comprehensive set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are circulated to all Directors ahead of the scheduled meetings to enable the Directors to peruse, obtain additional information and/or seek further explanations or clarification on the matters to be deliberated. The Board papers include, among others, information on the Group's financial and operational performance, corporate proposals, annual budgets, significant acquisitions and disposals, minutes of Board Committees, shareholding statistics, securities transactions of the Directors and substantial shareholders and other related matters that required the Board's deliberation and due approval. In order to maintain confidentiality, Board papers on issues that are deemed to be price-sensitive may be handed out to Directors during the Board meeting. The Chief Financial Officer ("CFO") and senior management officers are invited to attend the Board meetings to report on matters relating to their areas of responsibility, and to brief and provide details on recommendations or reports submitted to the Board. Where necessary or prudent, presentations and briefings by external consultants and legal advisors are on hand to provide further information and respond directly to the Directors' queries. In the event of potential conflict of interest, the Director in such position will make a declaration in the meeting and abstain from deliberation and decision of the Board on the subject proposal. A record of the Board's deliberations of the issues discussed and conclusions reached in discharging its duties and responsibilities is captured in the minutes of each meeting. Minutes of each Board meeting are circulated to each Director prior to confirmation of the minutes in the next meeting.

The Directors are notified of any corporate announcement released to Bursa Securities and the impending restriction in dealing with the securities of IGB prior to the announcement of financial results or corporate proposals. Directors are also expected to observe insider trading laws at all times when dealing with securities within the permitted trading period.

All Directors have full and unrestricted access to all information and records of the Group and the advice and services of senior management and company secretary in furtherance of their duties. Directors may seek external legal or independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate.

**(5) Board Committees**

The Board has entrusted specific responsibilities to certain Board Committees, which operate within defined terms of reference. The authority and role of the Board Committees are set out in the Board Charter. The Committees meet as circumstances dictate. The chairman of the respective Board Committees reports to the Board on any salient matters noted by the Committees and which require the Board's notice, direction or approval. The minutes of Committees' meetings are included in the Board papers. In common with the Board, each Committee has access to independent advice and counsel as required.

# Governance Report
(continued)

The composition of Board Committees, their attendance at the Committees' meetings and terms of reference were as follows:

**(a) Exco**

Exco comprises 2 EDs, the Group MD and a NINED, namely Tan Boon Seng (Chairman), Dato' Seri Robert Tan Chung Meng, Tan Boon Lee and Pauline Tan Suat Ming. Exco has full authority as delegated by the Board to oversee the conduct of the Group's businesses or existing investments and to review and/or implement strategic plans for the Group with restricted authority given by way of limits determined by the Board. Major investment decisions and management's proposals above certain limits are reserved for decision by the Board upon recommendation of Exco.

Exco met 4 times in FY2013 during which it reviewed management's reports on progress of business operations as well as assessed and approved management's recommendations on acquisitions, divestments, funding, capital expenditure, among other things.

**(b) AC**

AC comprises 3 INEDs and a NINED, namely Tan Kai Seng (Chairman), Tan Sri Abu Talib bin Othman, Yeoh Chong Swee and Tony Tan @ Choon Keat, all of whom have the appropriate accounting experience or related financial management expertise. With an independent component of 75% and comprised of NEDs, the composition of AC is fully compliant with MMLR.

AC meets at least quarterly. AC met 4 times in 2013 to assist the Board in discharging its responsibility for the integrity of the IGB's quarterly and year-end financial results, the assessment of the effectiveness and efficiency of the internal controls, risk management and governance processes of the Group and monitoring the effectiveness of the internal and external auditors. AC also met independently twice in 2013 with the external auditors without the presence of Executive Board and management.

Further details on terms of reference and the activities carried out by AC during FY2013 are set out in the Audit Committee Report.

**(c) RC**

RC comprises 2 INEDs and the Group MD, namely Tan Sri Abu Talib bin Othman (Chairman), Yeoh Chong Swee and Dato' Seri Robert Tan Chung Meng.

RC recommends to the Board the policy framework on terms of employment and on all elements of the remuneration of Executive Board; reviews and approves the annual salary increment and bonus of Executive Board and senior management of IGB; and reviews and recommends to the Board the remuneration framework for NEDs' annual fee and meeting allowance. In its deliberation, RC will take into consideration industry practices and norms in compensation in addition to the IGB's relative performance to the industry and performance of the individual Directors. No Directors will be involved in deciding his or her own remuneration.

RC met twice in 2013 during which it considered the extension of service contracts of the Group MD and an ED. RC recommended their re-appointment after having regard to their performances and contributions over the past several years as well as a range of other relevant factors, including the guidance required from them for the projects in progress as well as new ventures and acquisitions under consideration which were necessary to further expand the Group's activities and profit growth. The Board endorsed RC's recommendation on the terms of engagement and remuneration of the Group MD and the ED. As in every year, RC reviewed the quantum and structure of the NEDs' remuneration in line with the responsibilities and contributions made by them to the effective functioning of the Board. The review of NEDs' remuneration undertaken in 2013 benchmarked the structure and fees of NEDs of IGB against relevant market peer groups while ensuring competitiveness for its NEDs' talents. RC concluded that fee level, which had not been increased since 2010, RM60,000 for Board Chairman and RM40,000 each for NED, be revised respectively to RM70,000 and RM50,000 each, totaling RM320,000 for FY2013, which is still within the limit of RM340,000 per annum approved by the shareholders of IGB at the annual general meeting held on 26 May 2010, while the meeting allowance, to maintain status quo, of which the Board approved. At the end of each year, RC also undertook a review of the level of pay increases and annual bonus for Executive Board and employees across the Group. The Group MD is consulted on the underlying performance of the Group and on matters relating to other EDs and senior management who report to him. The Group Human Resource also attended the meeting to provide input on relevant aspects and remuneration practices of comparable companies. The decisions of RC have, for many years, been guided by performance-based system tied directly to the strategy of the Group. The annual bonus would be based on performance assessed against targets established at the start of the year while pay increases took account of both external and internal relativities. RC also considered other factors it deemed relevant and applied its judgement in determining a balanced fair outcomes.

**(d) NC**

NC comprises 2 INEDs and a NINED, namely Tan Sri Abu Talib bin Othman (Chairman), Yeoh Chong Swee and Pauline Tan Suat Ming.

# Governance Report
(continued)

NC recommends suitable candidates for appointments to the Board, including Committees of the Board; conducts annual review of the structure, size and composition of the Board (including skills, knowledge, experience and gender diversity), the performance of the Board, its Committees and individual Directors and those Directors who are due for re-election/re-appointment at the IGB's AGM; assesses the performance of INEDs based on the criteria for independence as defined in MMLR; and review Board's succession plans.

NC met twice in FY2013 during which it carried out a performance evaluation of the Board, its Committees and each of the Directors and an assessment of INEDs as well as Directors due for re-election/re-appointment at the IGB's 50th AGM. This process is discussed in more detail in the sections under Board Appointment and Re-election and Board Performance Evaluation. NC also considered and recommended to the Board, the re-appointment of Tan Boon Seng as chair of Exco having regard to the need for his continued invaluable contribution to the Board and the Group.

**(e) RMC**

RMC comprises the members of Exco. RMC reviews and articulates the strategies and policies relating to the management of the Group's risk and ensure that risk policies and procedures are aligned to the business strategies and risk return directions of the Board are properly implemented.

**(f) SC**

SC comprises Executive Board, namely Dato' Seri Robert Tan Chung Meng, Tan Boon Seng and Tan Boon Lee. SC is responsible for regulating and approving securities transactions and registrations, and for implementing, allocating and administering share issuance scheme (if any) and share buy-back.

SC met once in FY2013 during which it considered the treatment of the treasury shares whereupon the Board has endorsed SC's recommendation that the total treasury shares accumulated as at 28 November 2013 of 125,497,667 be cancelled. Announcement on the notice of cancellation of the treasury shares was made to Bursa Securities on 29 November 2013.

**(6) Board Appointment and Re-election**

Appointments to the Board are the responsibility of the full Board on the recommendation of NC. There is a formal and transparent procedure for appointment of new Directors to the Board, which is made on merit against objective criteria for the purpose. There were no new appointments to the Board during FY2013.

The Board Charter does not impose a term of limitation on the tenure of a Director. Term limits hold the disadvantage of losing Directors who have been able to develop, over a period of time, increasing insight into the Group and its operations and, therefore, provide an increasing contribution to the Board as a whole.

The Company's Articles provide that all Directors should submit themselves for re-election at least once every 3 years in compliance with MMLR. The Articles also provide that one-third of the Board shall retire from office and be eligible for re-election at every AGM. Directors over 70 years of age are required to submit themselves for re-appointment annually in compliance with Section 129(6) of the Act.

Prior to the appointment of a new Director or Directors standing for re-election/re-appointment, NC reviews the skills and contribution of the Directors concerned. The recommendation from NC would then be considered by the Board for support prior to the re-election/re-appointment by the shareholders at AGM. NC also assesses the independence of INEDs based on the criteria for independence as defined in MMLR and other governance standards as appropriate and presents its assessment to the Board for final determination.

NC at its meeting in February 2014 assessed and recommended that those Directors retiring under the Articles or Act at the 50th AGM be nominated for re-election/re-appointment having regard to the individual's experience, contributions and performance whereupon the Board has endorsed NC's recommendation. NC also assessed the independence of the 3 INEDS, all of whom remain free of any business or relationship with IGB, and is satisfied that they have and continue to provide check and balance to the Board in discharging their responsibilities in an independent manner notwithstanding that they have served as INEDs for more than 9 years. The Board concurred with NC and held the view that the suitability and ability of an Independent Director to carry out his roles and responsibilities effectively are very much a function of his calibre, qualifications, experience and personal qualities, despite his length of service as an Independent Director. The names and details of Directors seeking re-election/re-appointment at the 50th AGM are disclosed in the Notice of Annual General Meeting and the Profile of Directors.

In accordance with MMLR, each member of the Board holds not more than 5 directorships in public listed companies.

# Governance Report
(continued)

**(7) Board Performance Evaluation**

The Board under the guidance of NC reviews and evaluates its own performance and the performance of its Committees as well as the contribution of each Director on an annual basis against both measurable and qualitative indicators, thus ensuring IGB is under the oversight and guidance of an accountable and competent Board. The review allows each Director to individually express his/her personal assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insight into the functioning of the Board, while identifying areas that might need strengthening and development. Each Director is required to complete an assessment questionnaire. The questionnaire covers topics which include, among others, the responsibilities of the Board in relation to strategies and direction, accountability and oversight, risk management, performance management, compliance and corporate governance. Other areas being assessed include Board structure, Board decision-making and meeting processes. Upon completion of the evaluation process, NC chairman briefs the Board on the overall results of the evaluation conducted and improvements recommended where appropriate.

For the year under review, NC has conducted the process, and concluded that the Board as a whole and its Committees have performed well with the individual's creditability to add value to the Board and Board Committees' deliberations and exercise objective judgement in decision-making processes, and each of the Director has devoted the necessary time to appropriately discharge their responsibilities and contributed to the governance and operations of the Group. All INEDs as at the end of 2013 are considered by the Board to be wholly independent of any personal business connection with IGB.

**(8) Directors' Remuneration**

IGB's policy on Directors' remuneration is to attract, motivate and retain Directors of the calibre needed to assist in managing the Group efficiently. In the case of Executive Board, the components of Directors' remuneration are structured on the basis of linking rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans. NED's remuneration reflects the experience, expertise and level of responsibilities undertaken by the individual NED concerned. The fees payable to NEDs are determined by the Board, within the aggregate Directors' fee limit of not exceeding RM340,000 per annum, which had been approved by shareholders of IGB at the 46th AGM on 26 May 2010. All NEDs are paid meeting allowance for attending each Board or Committee meeting. The Directors do not participate in decision regarding their own remuneration.

The aggregate of Directors' remuneration, distinguishing between Executive Board and NEDs, categorised into appropriate components for FY2013 was as follows:

| | Salaries & EPF Contribution RM | Fee RM | *Meeting Allowance RM | **Other Emoluments RM | ***Benefits-in-kind RM | Total RM |
|---|---|---|---|---|---|---|
| Executive Board | 2,998,440 | - | - | 3,987,000 | 92,850 | 7,078,290 |
| NEDs | - | 320,000 | 128,500 | 84,000 | 11,280 | 543,780 |
| Total | 2,998,440 | 320,000 | 128,500 | 4,071,000 | 104,130 | 7,622,070 |

Notes:
- * Meeting Allowance for the chairman of the meeting and NED for each Board or Board Committee meeting, were respectively at RM3,000 and RM2,500.
- ** Other Emoluments include bonuses, incentives and retirement benefits.
- *** Benefits-in-kind include rental payments, cars, drivers, medical coverage, club memberships and reimbursement.

The aggregate of Directors' remuneration in respective bands of RM50,000 for FY2013 was as follows:

| Range of Remuneration | Executive Board | NEDs |
|---|---|---|
| RM50,000 to RM100,000 | | 5 |
| RM150,000 to RM200,000 | | 1 |
| RM450,000 to RM500,000 | 1 | |
| RM750,000 to RM800,000 | 1 | |
| RM5,050,000 to RM5,100,000 | 1 | |

The Board is of the view that it would be sufficient to disclose the remuneration of individual Directors and the transparency and accountability aspects of the governance on Directors' remuneration are appropriately served by the band disclosure made.

# Governance Report
(continued)

**(9) Directors' Continuing Education**

The Board firmly believes in the continuing education of individual Directors for maintaining a current and effective Board. Accordingly, the Board encourages Directors to participate in ongoing education as well as participation in accredited director education programmes.

During FY2013, all Directors had attended various training programmes, conferences and workshops which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors. The Directors had attended/participated in one or more of the following training programmes/conferences/workshops in 2013:

- IGB Group Board Session – "MCCG and MMLR Updates"
- IGB Group Board Session – "Budget 2014"
- The Tun Ismail Mohamed Ali Memorial Lecture Series 2012/13 – "Corporate Governance and Short-Termism"
- PricewaterhouseCoopers Board Agenda Series – "Boards and strategy – where are we?"
- Lee Kuan Yew School of Public Policy – "Politics and Business in ASEAN"
- Inland Revenue Board – "National Tax Conference 2013"
- Inland Revenue Board – "National Tax Seminar 2013"
- 9th Tricor Tax and Corporate Seminar
- Bursa Malaysia – "Advocacy sessions on Corporate Disclosure for Directors"
- Goldis Board Session – "Personal Data Protection Act 2010"

The Directors are also kept informed of the various requirements and updates issued by regulatory authorities.

**II. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION**

IGB is committed to a proactive and continuous dialogue with all shareholders and investors including appropriate disclosure and transparency of information to ensure that they can make informed assessment of the Group's value and prospects. In this respect, IGB has in place a Corporate Disclosure Policy ("CDP") that clearly outline the procedures and disclosure practices for the consistent, transparent and timely public disclosure and dissemination of material information about the Group. The CDP embraces the Corporate Disclosure Guide issued by Bursa Securities.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the CDP. All information reported to the market via the regulatory information service appears as soon as practicable on the corporate website at www.igbcorp.com to promote accessibility of information to all market participants.

IGB recognises the rights of shareholders and encourages the effective exercise of those rights in IGB's AGM. AGM is the principal forum for shareholders to have an open communication with the Directors and senior management. In every AGM, the Board encourages shareholders to participate in the proceedings and ask questions about the resolutions being proposed and corporate developments. The Board Chairman and Group MD respond to shareholders' questions, where appropriate, during the meeting. The external auditors also present to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report. In 2013, all Directors attended the AGM. A press conference was held after the AGM.

IGB also conducts regular dialogues, briefings and meetings with fund managers, financial analysts and the media to provide updates and new developments about the Group based on permissible disclosures. However, information that is price-sensitive or that may be regarded as undisclosed material information about the Group is not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

IGB's financial results as well as other relevant financial data are posted on the Investor Relations section of IGB's website. These include announcements to Bursa Securities, media releases, quarterly results, annual reports and other relevant information.

Whilst IGB aims to provide sufficient information to shareholders and investors about the Group's activities, it also recognises that shareholders and investors may have specific queries and require additional information. To ensure that shareholders and investors can obtain all relevant information to assist them in exercising their rights as shareholders, these queries may be directed to email address: corporate-enquiry@igbcorp.com. To better serve stakeholders of the Group, a feedback page on the website provides an avenue for stakeholders to suggest improvements via email address: feedback@igbcorp.com

**III. ACCOUNTABILITY AND AUDIT**

**(1) Financial Reporting**

The Board is committed to providing a balanced, clear and comprehensive assessment of the financial performance and prospects of the Group in all disclosures made to stakeholders and regulatory authorities.

The Board, assisted by AC, oversees the financial reporting process and the quality of the financial reporting of the Group. AC reviews and monitors the integrity of the annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with financial reporting standards and regulatory requirements.

# Governance Report
(continued)

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of IGB is set out in the Reports and Financial Statements FY2013.

**(2) Internal Control**

The Board has the ultimate responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. While acknowledging their responsibility for the system of internal control, the Directors are aware that the Group's system of internal control is designed to manage rather than eliminate risks and therefore cannot provide absolute assurance against material misstatement, fraud and loss.

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Group's assets, the Group has in place, an adequately resourced Group Internal Audit ("GIA") division and led by a senior manager. The activities of this division which reports to AC provides the Board with much assurance it requires regarding the adequacy and integrity of the system of internal control. As risk management is a significant component of a sound system of internal control, the management has also put in place a risk management process to help the Board in identifying, evaluating and managing risks.

The Board is satisfied that a continual process for identifying, evaluating and managing significant risks has been in place for FY2013 and up to date of this Annual Report.

An overview of the state of internal control of the Group is set out in the Statement on Risk Management and Internal Control.

**(3) Relationship with Auditors**

The Board maintains an active, transparent and professional relationship with the Group's auditors, both external and internal, through AC. Key features underlying the relationship of AC with the auditors are detailed in the Audit Committee Report.

**IV. ADDITIONAL COMPLIANCE INFORMATION**

**(1) Material Contracts**

There were no material contracts entered into by IGB or its subsidiaries involving Directors' and major shareholders' interests, either subsisting as at 31 December 2013 or entered into since the end of the previous financial year.

**(2) Non-audit Fees**

The non-audit fees paid to PricewaterhouseCoopers Taxation Services Sdn Bhd for FY2013 amounted to RM330, 570 were related to tax compliance and consultancy.

**(3) Share Buy-back**

During FY2013, the Company purchased a total of 60,103,000 of its ordinary shares of RM0.50 each from the open market at prices ranging from RM2.19 to RM2.72 per share. The total consideration of RM151,895,613.58 were financed by internal generated funds. A total of 125,497,667 treasury shares were cancelled on 29 November 2013. Details of the Company's share buy-back exercise for the year under review are set out in the Notes to the Financial Statement.

As at 31 March 2014, IGB held a total of 20,786,400 treasury shares.

**(4) Corporate Social Responsibility ("CSR")**

Information on the Group's CSR activities is disclosed in the Letter to Shareholders.

**(5) Related Party Transactions ("RPT")**

The Group has established the appropriate procedures to ensure that IGB complies with MMLR relating to RPT. All RPT are reviewed by AC on a quarterly basis. If a member of the Board and/or AC has an interest in a transaction, the Director concerned is to abstain from participating in the review and recommendation process in relation to that transaction.

The shareholders' mandate in respect of recurrent RPT ("RRPT Mandate") is obtained at the AGM of the Company on a yearly basis. At the last AGM held on 30 May 2013, the Company had obtained the approval for the renewal of RRPT Mandate. None of the actual value of the recurrent RPTs has exceeded the estimated value by 10% or more during the validity period of the mandate.

# Governance Report
(continued)

In accordance with Section 3.1.5 of Practice Note No. 12 of MMLR, the details of recurrent RPTs conducted pursuant to RRPT Mandate during FY2013 were as follows:

| Related Parties | Nature of Recurrent RPTs with IGB Group | Interested Related Parties | Amount transacted in FY2013 (RM'000) |
|---|---|---|---|
| Goldis Berhad group of companies ("Goldis Group") | • Purchase/procurement of information technology relating to products & consultancy services<br>• Lease/rental of properties/premises & related facilities including repair & maintenance services | Dato' Seri Robert Tan Chung Meng (RTCM)[a]<br>Tan Boon Seng (TBS)[b]<br>Tan Lei Cheng (TLC)[c]<br>Tan Boon Lee (TBL)[d]<br>Pauline Tan Suat Ming (PTSM)[e]<br>Tony Tan @ Choon Keat (TTCK)[f]<br>Dato' Tan Chin Nam (DTCN)[g]<br>Daniel Yong Chen-I (DYCI)[h]<br>Elizabeth Tan Hui Ning (ETHN)[i]<br>Gabrielle Tan Hui Chween (GTHC)[j]<br>Tan Yee Seng (TYS)[k]<br>Goldis Berhad (Goldis)[l]<br>Tan Chin Nam Sdn Bhd (TCNSB)[m]<br>Tan Kim Yeow Sdn Bhd (TKYSB)[n]<br>Wah Seong (Malaya) Trading Co. Sdn Bhd (WSTSB)[o] | 1,279 |
| IGB Real Estate Investment Trust ("IGB REIT") | • Lease/rental of properties/premises & related facilities including repair & maintenance works<br>• Receipt of chilled water & liquefied petroleum gas<br>• Provision of electricity supply<br>• Provision of upgrading, repair and maintenance works<br>• Provision of tenant's sales verification<br>• Management of real estate investment trust | RTCM[a]<br>TBS[b]<br>TLC[c]<br>TBL[d]<br>PTSM[e]<br>TTCK[f]<br>DTCN[g]<br>DYCI[h]<br>ETHN[i]<br>GTHC[j]<br>TYS[k]<br>Goldis[l]<br>TCNSB[m]<br>TKYSB[n]<br>WSTSB[0] | 44,868 |
| Wah Seong Corporation Berhad group of companies ("WSCB Group") | • Lease/rental of properties/premises & related facilities including repair & maintenance works | RTCM[a]<br>TBS[b]<br>TLC[c]<br>TBL[d]<br>PTSM[e]<br>TTCK[f]<br>DTCN[g]<br>DYCI[h]<br>ETHN[i]<br>GTHC[j]<br>TYS[k]<br>Goldis[l]<br>TCNSB[m]<br>TKYSB[n]<br>WSTSB[0] | 1,087 |

# Governance Report
(continued)

| Related Parties | Nature of Recurrent RPTs with IGB Group | Interested Related Parties | Amount transacted in FY2013 (RM'000) |
|---|---|---|---|
| Wah Seong (M) Trading Co. Sdn Bhd group of companies ("WSTSB Group") | • Lease/rental of properties/premises & related facilities including repair & maintenance works<br>• Provision of management & consultancy services<br>• Purchase of building materials, audio equipment, electrical equipment/ appliances & related products/services | RTCM[a]<br>TBS[b]<br>TLC[c]<br>TBL[d]<br>PTSM[e]<br>TTCK[f]<br>DTCN[g]<br>DYCI[h]<br>ETHN[i]<br>GTHC[j]<br>TYS[k]<br>Goldis[l]<br>TCNSB[m]<br>TKYSB[n]<br>WSTSB[o] | 2,571 |
| Subsidiaries of IGB<br><br>• Cititel Hotel Management Sdn Bhd ("CHM")<br>• Tan & Tan Realty Sdn Bhd ("TTR") | • Provision/receipt of management, consultancy & support services | RTCM[a]<br>TBS[b]<br>TLC[c]<br>TBL[d]<br>PTSM[e]<br>TTCK[f]<br>DTCN[g]<br>DYCI[h]<br>ETHN[i]<br>GTHC[j]<br>TYS[k]<br>Goldis[l]<br>TCNSB[m]<br>TKYSB[n]<br>WSTSB[o] | 8,647 |

Notes:

[a] RTCM is a Director of IGB Group, IGB REIT Management (the manager of IGB REIT), WSCB Group, WSTSB Group and TKYSB Group. He is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB and TKYSB. He is the father of ETHN and GTHC; and a brother of PTSM and TTCK.

[b] TBS is a Director of IGB and WSTSB Group. He is a substantial shareholder of Goldis. He is a son of DTCN, the father of TYS and a brother of TLC and TBL.

[c] TLC is a Director of IGB Group, IGB REIT Management, Goldis Group, TCNSB and WSTSB. She is a daughter of DTCN and a sister of TBS and TBL.

[d] TBL is a Director of IGB Group, IGB REIT Management, Goldis Group, TCNSB and WSTSB Group. He is a son of DTCN and a brother of TBS and TLC.

[e] PTSM is a Director of IGB, Goldis, WSCB, WSTSB Group and TKYSB Group. She is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB and TKYSB. She is the mother to DYCI and a sister of RTCM and TTCK.

[f] TTCK is a Director of IGB, WSTSB Group and TKYSB Group. He is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB and TKYSB. He is a brother of RTCM and PTSM.

[g] DTCN is a Director of TCNSB and WSTSB Group. DTCN is the father of TBS, TLC and TBL.

[h] DYCI is alternate to PTSM on the Board of IGB and WSCB, a Director of IGB Group and IGB REIT Management. He is a son of PTSM.

[i] ETHN is a Director of IGB Group and IGB REIT Management. She is a daughter of RTCM and a sister of GTHC.

[j] GTHC is a Director of IGB Group. She is a daughter of RTCM and a sister of ETHN.

[k] TYS is alternate to TBS on the Board of IGB, a Director of IGB Group and IGB REIT Management. He is the son of TBS.

[l] Goldis is a major shareholder of IGB and a major unitholder of IGB REIT; and a person connected to RTCM, TBS, PTSM, TTCK, TKYSB, TCNSB and WSTSB.

[m] TCNSB is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB and WSTSB; and a person connected to DTCN, TBS, TLC, TBL and TYS.

[n] TKYSB is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB and WSTSB; and a person connected to RTCM, PTSM and TTCK.

[o] WSTSB is a major shareholder of IGB and a major unitholder of IGB REIT; a substantial shareholder of Goldis, WSCB, TTR and CHM; and a person connected to RTCM, PTSM, TTCK, TCNSB and TKYSB.

# Audit Committee Report

**FORMATION**

The AC of IGB was established by the Board on 12 April 1994.

**COMPOSITION**

The AC as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to fulfil its duties and AC members during FY2013 are as follows:

Tan Kai Seng, AC Chairman (INED)
Tan Sri Abu Talib bin Othman (INED)
Yeoh Chong Swee (INED)
Tony Tan @ Choon Keat (NINED)

**OBJECTIVES**

The primary objectives of AC are:

(a) ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of shareholders.
(b) provide assistance to the Board in discharging its responsibilities relating to the Group's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements; and
(c) maintain through regularly scheduled meetings, a direct line of communication between the Board, senior management, internal and external auditors.

**TERMS OF REFERENCE**

AC is governed by the following terms of reference:

**(a) Membership**

AC members shall be appointed by the Board upon the recommendations of NC and shall consist of not less than 3 members, all of whom must be NEDs, with a majority of them, including the chairman, must be independent. AC members should be financially literate, and at least one of whom shall be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Securities. No alternate Director shall be appointed to AC.

**(b) Authority**

AC shall, within the limits of the policy determined and powers delegated by the Board, has the authority to -

(i) investigate any activity within its terms of reference;
(ii) obtain the resources required to perform its duties;
(iii) full and unrestricted access to information, records and documents relevant to its activities;
(iv) communicate directly with the external and internal auditors, as well as employees of the Group;
(v) engage, consult and obtain external legal or independent professional advice as necessary; and
(vi) convene meetings with the external and internal auditors whenever deemed necessary.

**(c) Responsibilities**

The responsibilities of AC include -

(i) review and recommend quarterly results and annual financial statements of IGB for the Board's approval, focusing primarily on:

- going concern assumptions;
- changes and implementation of new accounting policies and practices;
- major judgemental areas, significant and unusual events; and
- compliance with approved financial reporting standards and regulatory requirements

(ii) review with external auditors of the following:

- audit plans and audit reports and the extent of assistance rendered by employees of the Group;
- evaluation of the system of internal controls;
- issues and reservations arising from audits; and
- audit fee and any questions of resignation, dismissal or reappointment of external auditors.

# Audit Committee Report
(continued)

(iii) review with internal auditors of the following:

- internal audit's charter which defines the independent purpose, authority, scope and responsibility of the internal audit function;
- adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
- audit plan of work programme and results of the internal audit processes including recommendations and actions taken;
- effectiveness of the system of internal controls, risk management and governance processes including compliance with MMLR; and
- assessment of the performance of the internal audit function including that of senior staff and any matter concerning their appointment and termination.

(iv) review RPT and conflict-of-interest situations that may arise, including any transaction, procedure or course of conduct that raises questions of management integrity.

(v) review all prospective financial information provided to the regulators and/or the public.

(vi) verify allocation of options (if any) pursuant to a share issuance scheme is in compliance with the criteria for allocation of options under the scheme.

(vii) prepare reports, if the circumstances arise or at least once a year, summarising the work performed by AC for inclusion in the IGB Annual Report.

(viii) report promptly to Bursa Securities on any matter reported by it to the Board which has not been satisfactorily resolved resulting in breach of MMLR.

(ix) act on any matters as may be directed by the Board from time to time.

**(d) Meetings**

AC shall meet at least 4 times a year and its quorum must at all times comprised of at least 2 INEDs. AC meetings may be held by telephone or video-conference or by circular resolution. Other Board members and management staff may attend meetings upon invitation of AC, to assist in its deliberations and resolutions of matters raised.

At least twice a year, AC shall meet with external auditors without the presence of Executive Board and senior management of the Group. Additional meetings may be held upon request by any AC member, internal or external auditors.

Minutes shall be kept of the proceedings and the resolutions of AC. Minutes shall be signed by the chairman and made available prior to the next meeting and approved therein. AC chairman shall report to the Board on any salient matters noted by AC and which requires the Board's notice, direction and approval. AC minutes shall be included in the Board papers.

**MEETINGS FY2013**

AC met 4 times in FY2013 which were attended by all members except for Tony Tan @ Choon Keat who attended 3 out of 4 AC meetings.

The Group MD, CFO, GIA and Company Secretary were invited to all AC meetings to present their respective reports to AC. The external auditors attended 2 AC meetings in 2013 to present the Auditors' Report on the annual financial statements FY2012 and Auditors' Audit Plan FY2013. AC also met with PwC twice in 2013 without the presence of the Executive Board and senior management to make enquiries in relation to management's co-operation in financial reporting, and the state of affairs of internal audit function.

**ACTIVITIES FY2013**

The activities of AC during FY2013:

**(a) Financial Reporting**

Reviewed and recommended for the Board's approval the quarterly results and annual audited financial statements of IGB.

**(b) External Audit**

(i) Reviewed and approved PwC's audit plan and scope for the annual audit.
(ii) Reviewed and recommended for the Board's approval the appointment and remuneration of PwC.
(iii) Reviewed and directed follow-up action, when needed, the findings of PwC on the results of the external audits.
(iv) Reviewed the extent of assistance rendered by management and issues and reservations arising from statutory audit with PwC, without the presence of the Group MD and management staff.

# Audit Committee Report
(continued)

**(c) Internal Audit**

(i) Reviewed and approved GIA's charter as well as annual audit plan which covered projects and entities across all level operations within the Group.
(ii) Reviewed and directed follow-up action when needed, on GIA's reports on the Group and ad hoc assignments.
(iii) Reviewed GIA's reports on the effectiveness and adequacy of internal controls, risk management, operational, compliance and governance processes.

**(d) RPTs**

(i) Reviewed RPTs entered into by the Group.
(ii) Reviewed any conflict-of-interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.

**AC'S CONTINUING EDUCATION**

The details of training programme and seminars attended by each AC member during FY2013 are set out in the Governance Report under "Directors' Continuing Education".

**GIA FUNCTION**

The Group's internal audit function is carried out by GIA division. It reports to AC on its activities based on the approved annual audit plan. GIA adopts a risk-based auditing approach, taking into account global best practices and industry standards. The main role of GIA is to provide AC with independent and objective reports on the effectiveness of the system of internal control within the Group. GIA's reports arising from assignments were issued to management for their response, corrective actions and status of implementation of audit recommendations. GIA's reports were subsequently tabled to AC for their deliberation.

GIA together with senior management monitor the risk governance framework and the risk processes of the Group to ensure their adequacy and effectiveness.

The costs incurred for GIA function for FY2013 were RM964,776.35.

Further details of the activities of GIA are set out in the Statement on Risk Management and Internal Control.

# Statement on Risk Management and Internal Control

**RESPONSIBILITY**

The Board of Directors recognises the importance of a sound system of risk management and internal control to safeguard shareholders' investment and the Company's assets. Therefore, the Board affirms its overall responsibility for the Group's approach to assessing risks and the system of internal control, and for reviewing the adequacy and effectiveness of the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The review covers financial, operational and compliance controls, and risk management procedures of the Group. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, misstatement, losses or fraud.

**RISK MANAGEMENT**

The Board has established a risk management framework and communicated to the management on the risk appetite and tolerance that the Group is willing to accept in pursuit of its objectives. Risk management in the Group involves an on-going process for identifying, evaluating, managing and reviewing any changes in the significant risks faced by the business in the Group in its achievement of objectives and strategies. The risk management process involved the business and functional units of the Group in identifying significant risks impacting the achievement of business objectives of the Group. It also involved the assessment of the impact and likelihood of such risks and of the effectiveness of controls in place to manage them. The process also involved the enhancement of the system of internal controls when there are changes to business environment or regulatory guidelines. This process has been embedded in all aspects of the Group's activities and has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The management assists the Board in the implementation of the Board's policies and procedures on risks and internal controls by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. All employees are accountable for operating within these policies. The Group Internal Audit ("GIA") function provides further independent assurance on the adequacy and effectiveness of the risk management and internal control system.

**KEY INTERNAL CONTROL PROCESSES**

Whilst the Board maintained full control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated to management the implementation of the system of internal control.

The main elements in the system of internal control framework included:

- An organisational structure with formally defined lines of responsibility and delegation of authority for all business and functional departments within the Group;
- Structured limits of authority, which provides a framework of authority and accountability within the Group, and which facilitates timely corporate decision making at the appropriate levels in the Group.
- Preparation of annual operating budgets and capital expenditure plans by the business and functional departments which are reviewed and approved by the Group MD and the Board;
- Assessment of quarterly performance of the Group against approved budgets and reporting of significant variances to the Board;
- Establishment of standard operating policies and procedures to ensure compliance with internal controls and the relevant laws and regulations and which are reviewed regularly and approved by the management;
- Regular reporting of accounting and legal developments and significant issues to the Board;
- Implementation of proper guidelines for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

The GIA function evaluates the effectiveness of the governance, risk management and internal control framework and recommends enhancement, where appropriate. The work of the internal audit function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved each year by AC. The head of this function reports directly to AC. The AC receives reports on the function's work and findings and is updated regularly on issues that required further follow-up and rectification by management.

The Board, through AC, has reviewed the effectiveness of the Group's system of risk management and internal control. There were no significant internal control aspects that would have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the Group's Annual Report.

The Board has received assurances from the Group MD and the CFO that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

As required by Paragraph 15.23 of MMLR, PwC has reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require PwC to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

# Shareholding Statistics
as at 31 March 2014

| | | |
|---|---|---|
| Authorised Share Capital | : | RM1,200,000,000 divided into 2,000,000,000 Ordinary Shares of RM0.50 each and 200,000,000 1% Irredeemable Convertible Preference Shares of RM1.00 each |
| Issued and paid-up Capital * | : | RM672,005,970 |
| Class of Shares | : | Ordinary Shares of RM0.50 each |
| Voting Rights | : | On show of hands - 1 vote<br>On a poll - 1 vote for each Share held |

* Excluding 20,786,400 Shares bought-back by IGB and retained as treasury shares as at 31 March 2014.

## I. DISTRIBUTION OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | No. of Issued Shares | % of Issued Shares* |
|---|---|---|---|
| Less than 100 | 1,745 | 38,031 | 0.00 |
| 100 to 1,000 | 1,873 | 1,158,251 | 0.09 |
| 1,001 to 10,000 | 7,922 | 28,310,221 | 2.10 |
| 10,001 to 100,000 | 1,783 | 43,814,008 | 3.26 |
| 100,001 to less than 5% of Issued Shares | 314 | 861,450,113 | 64.10 |
| 5% and above of Issued Shares | 1 | 409,241,316 | 30.45 |
| | **13,638** | **1,344,011,940*** | **100.00** |

## II. SUBSTANTIAL SHAREHOLDERS

| Name | Direct | % of Issued Shares* | Deemed** | % of Issued Shares* |
|---|---|---|---|---|
| Goldis Berhad | 409,241,316 | 30.45 | 20,432,880 | 1.52 |
| Employees Provident Fund Board | 74,852,472 | 5.57 | - | - |
| Wah Seong (Malaya) Trading Co. Sdn Bhd | 55,588,037 | 4.14 | 451,168,597 | 33.57 |
| Tan Chin Nam Sendirian Berhad | 53,536,114 | 3.98 | 512,143,524 | 38.11 |
| Tan Kim Yeow Sendirian Berhad | 31,164,238 | 2.32 | 508,495,086 | 37.83 |
| Dato' Seri Robert Tan Chung Meng | 3,954,717 | 0.29 | 539,759,324 | 40.16 |
| Pauline Tan Suat Ming | 1,006,784 | 0.07 | 539,784,581 | 40.16 |
| Tony Tan @ Choon Keat | - | - | 539,759,324 | 40.16 |

** Deemed to have interests in IGB Shares held by other corporations by virtue of Section 6A(4) of the Act and/or person(s) connected as defined under Section 122A of the Act.

## III. TOP 30 SHAREHOLDERS

| | Name | No. of Issued shares | % of Issued Shares* |
|---|---|---|---|
| 1. | Goldis Berhad | 409,241,316 | 30.45 |
| 2. | Employees Provident Fund Board | 74,852,472 | 5.57 |
| 3. | Wah Seong (Malaya) Trading Co. Sdn Bhd | 55,588,037 | 4.14 |
| 4. | Tan Chin Nam Sendirian Berhad | 53,536,114 | 3.98 |
| 5. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for Citibank NA, Singapore (Julius Baer) | 51,895,937 | 3.86 |
| 6. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Public Regular Savings Fund | 48,005,732 | 3.57 |

# Shareholding Statistics
as at 31 March 2014
(continued)

**III. TOP 30 SHAREHOLDERS (continued)**

| | Name | No. of Issued shares | % of Issued Shares* |
|---|---|---|---|
| 7. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Credit Suisse (SG BR-TST-ASING) | 33,407,219 | 2.48 |
| 8. | Tan Kim Yeow Sendirian Berhad | 31,164,238 | 2.32 |
| 9. | HLB Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Wang Tak Company Limited | 30,342,483 | 2.26 |
| 10. | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>SSBT Fund KG67 for Invesco International Small Company Fund | 25,677,171 | 1.91 |
| 11. | Cartaban Nominees (Asing) Sdn Bhd<br>GIC Private Limited for Government of Singapore (C) | 23,093,519 | 1.72 |
| 12. | UOBM Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Montego Assets Limited (PCB) | 22,000,000 | 1.64 |
| 13. | Multistock Sdn Bhd | 20,432,880 | 1.52 |
| 14. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for The Bank of New York Mellon | 18,996,635 | 1.41 |
| 15. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL) | 16,611,858 | 1.23 |
| 16. | Maybank Nominees (Asing) Sdn Bhd<br>DBS Bank for Ripley Services Limited | 15,936,083 | 1.18 |
| 17. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Dimensional Emerging Markets Value Fund | 15,137,390 | 1.13 |
| 18. | Wah Seong Enterprises Sdn Bhd | 13,877,361 | 1.03 |
| 19. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL) | 13,184,228 | 0.98 |
| 20. | Maybank Nominees (Asing) Sdn Bhd<br>DBS Bank for Timbarra Services Limited | 13,111,496 | 0.97 |
| 21. | Dato' Tan Chin Nam | 10,434,803 | 0.78 |
| 22. | HSBC Nominees (Asing) Sdn Bhd<br>TNTC for Somerset Emerging Markets Small Cap Fund LLC | 9,923,227 | 0.74 |
| 23. | SLW Sdn Bhd | 8,585,279 | 0.64 |
| 24. | Cartaban Nominees (Asing) Sdn Bhd<br>GIC Private Limited for Monetary Authority of Singapore (H) | 7,862,223 | 0.58 |
| 25. | HSBC Nominees (Asing) Sdn Bhd<br>BNY Brussels for VFM Emerging Markets Trust | 7,070,800 | 0.53 |
| 26. | Pertubuhan Keselamatan Sosial | 6,724,230 | 0.50 |
| 27. | Tentang Emas Sdn Bhd | 6,448,471 | 0.48 |
| 28. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Credit Suisse (HK BR-TST-ASING) | 6,199,200 | 0.46 |
| 29. | Thong Weng Tim | 6,027,089 | 0.45 |
| 30. | Citigroup Nominees (Asing) Sdn Bhd<br>UBS AG for APS Asia Pacific Master Hedge Fund | 5,837,000 | 0.43 |
| | | **1,061,204,491** | **78.94** |

# Shareholding Statistics
as at 31 March 2014
(continued)

## IV. DIRECTORS' SHAREHOLDINGS IN IGB

| Name | Direct | % of Issued Shares* | Deemed** | % of Issued Shares* |
|---|---|---|---|---|
| Tan Sri Abu Talib bin Othman | 1,398,850 | 0.10 | - | - |
| Dato' Seri Robert Tan Chung Meng | 3,954,717 | 0.29 | 539,759,324 | 40.16 |
| Tan Boon Seng | - | - | 46,699,042 | 3.47 |
| Tan Boon Lee | 3,424,529 | 0.25 | - | - |
| Tan Lei Cheng | 2,318,118 | 0.17 | 1,707,038 | 0.13 |
| Pauline Tan Suat Ming | 1,006,784 | 0.07 | 539,784,581 | 40.16 |
| Tony Tan @ Choon Keat | - | - | 539,759,324 | 40.16 |
| Tan Kai Seng | 93,677 | 0.01 | - | - |
| Yeoh Chong Swee | - | - | 79,035 | 0.01 |
| Chua Seng Yong | 850,006 | 0.06 | - | - |

## V. DIRECTORS' UNITHOLDINGS IN IGB REIT

| Name | Direct | % of Issued Units^ | Deemed^^ | % of Issued Units^ |
|---|---|---|---|---|
| Tan Sri Abu Talib bin Othman | 1,111,908 | 0.03 | - | - |
| Dato' Seri Robert Tan Chung Meng | 7,289,081 | 0.21 | 1,816,027,481 | 52.96 |
| Tan Boon Seng | - | - | 5,519,604 | 0.16 |
| Tan Boon Lee | 1,989,725 | 0.06 | - | - |
| Tan Lei Cheng | 1,853,742 | 0.05 | 345,722 | 0.01 |
| Pauline Tan Suat Ming | 1,080,898 | 0.03 | 1,816,027,481 | 52.96 |
| Tony Tan @ Choon Keat | 1,000,000 | 0.03 | 1,816,027,481 | 52.96 |
| Tan Kai Seng | 224,852 | 0.01 | - | - |
| Yeoh Chong Swee | - | - | 14,322 | @ |
| Chua Seng Yong | 50,000 | @ | - | - |
| Daniel Yong Chen-I | 627,132 | 0.02 | - | - |
| Tan Yee Seng | 557,200 | 0.02 | - | - |

^ Based on issued and fully paid Units of 3,428,753,071 as at 31 March 2014.
^^ Deemed to have interests in Units held by other corporations by virtue of Section 6A(4) of the Act and/or person(s) connected as defined under Section 122A of the Act.
@ Less than 0.01%

# List of Top Ten Major Properties by Value

held by IGB Group as at 31 December 2013

| | Location/Address | Tenure | Age of Building (Years) | Description/ Existing use | Date of Acquisition/ Revaluation | Group Net Book Value As At 31 Dec 2013 RM'000 |
|---|---|---|---|---|---|---|
| 1 | Corner of Jalan Sultan Ismail and Jalan Ampang, Kuala Lumpur | Freehold | 17 | 910-rooms Renaissance Kuala Lumpur Hotel | 23-3-2012 | 662,686 |
| 2 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 7 | Shopping complex known as The Gardens Mall together with 4,128 car parking bays | 28-12-2004 | 562,155 |
| 3 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 6 | 627-keys The Gardens Hotel and Residences – St Giles Luxury Hotel at Mid Valley City | 27-12-2013 | 464,591 |
| 4 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 14 | Shopping complex known as Mid Valley Megamall together with 6,102 car parking bays | 17-12-1999 | 413,241 |
| 5 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 14 | 646-rooms Cititel Hotel Mid Valley | 31-12-2011 | 275,928 |
| 6 | PT 15 HS(D) 105028 Section 95A Kuala Lumpur | Leasehold expiring 2103 | - | Proposed commercial development under construction known as Mid Valley South Point at Mid Valley City | 28-12-2004 | 263,387 |
| 7 | HS(D) 493555 PTD 208568 and HS(D) 493556 PTD 208569 Mukim Plentong Daerah Johor Bahru | Leasehold expiring 2100 | - | 31.5 acres vacant land for proposed mixed commercial development at Southkey, Johor Bahru | 3-9-2013 | 243,482 |
| 8 | Micasa Hotel Apartments 386 Jalan Tun Razak Kuala Lumpur | Freehold | 24 | 245-keys MiCasa All Suite Hotel | 31-12-2010 | 167,214 |
| 9 | Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur | Leasehold expiring 2103 | 8 | 390-roooms The Boulevard – St Giles Premier Hotel at Mid Valley City | 31-12-2010 | 155,074 |
| 10 | Lot 15256 Mukim of Labu, District of Seremban, Negeri Sembilan | Freehold | - | 344.0 hectares approved mixed development for residential and commercial use and unsold completed units | 31-1-2002 | 152,017 |

# Five-Year Group Financial Highlights

| FINANCIAL YEAR ENDED | | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Revenue | RM '000 | **1,091,131** | 993,851 | 772,129 | 719,360 | 642,442 |
| Profit before tax | RM '000 | **404,559** | 366,198 | 357,504 | 277,922 | 221,536 |
| Profit attributable to equity holders of the Company | RM '000 | **210,079** | 180,190 | 237,650 | 174,617 | 158,978 |
| | | | | | | |
| Issued and paid-up share capital (RM0.50) | RM '000 | **682,399** | 745,148 | 745,148 | 745,148 | 745,148 |
| Capital and reserves attributable to equity holders of the Company | RM '000 | **4,415,331** | 4,140,642 | 3,424,000 | 3,105,589 | 2,856,493 |
| Total Assets | RM '000 | **6,931,747** | 7,114,207 | 5,342,904 | 4,685,846 | 4,467,175 |
| | | | | | | |
| Earnings per share (basic) | sen | **15.1** | 12.5 | 16.3 | 12.0 | 10.9 |
| Net assets per share | RM | **3.2** | 2.8 | 2.3 | 2.1 | 2.0 |
| Gross dividend per share | | | | | | |
| - cash dividend | sen | **7.50** | 7.50 | 7.50 | 2.50 | 2.50 |
| - share dividend * | sen | **-** | - | - | 2.15 | - |
| Share price as at 31 Dec | RM | **2.72** | 2.30 | 2.46 | 2.08 | 2.00 |
| Dividend yield | % | **2.8** | 3.3 | 3.0 | 2.2 | 1.3 |
| | | | | | | |
| Total borrowings | RM '000 | **1,558,369** | 1,696,694 | 1,105,640 | 832,197 | 974,845 |
| Net borrowings | RM '000 | **582,816** | (330,937) | 382,629 | 203,440 | 328,592 |
| Net debt to Capital and Reserves attributable to equity holders of the Company | Times | **0.13** | (0.08) | 0.11 | 0.07 | 0.12 |

* The share dividend distributed on 8 April 2011 from the treasury shares of the Company was made on the basis of one share for every one hundred existing shares held at the entitlement date. Based on the Company's share price of RM2.15 each on 8 April 2011, the value of the share dividend is equivalent to a gross cash dividend of 2.15 sen per share.

# Reports and Financial Statements


| | |
|---|---|
| Directors' Report | **32 – 38** |
| Financial Statements | |
| Income Statements | **39** |
| Consolidated Statements of Comprehensive Income | **40** |
| Statements of Financial Position | **41** |
| Consolidated Statement of Changes in Equity | **42 – 43** |
| Company Statement of Changes in Equity | **44** |
| Statements of Cash Flows | **45 – 46** |
| Notes to the Financial Statements | **47 – 114** |
| Statement by Directors | **115** |
| Statutory Declaration | **115** |
| Independent Auditors' Report | **116 – 117** |

# Directors' Report
## for the financial year ended 31 December 2013

The Directors are pleased to present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

**Principal activities and corporate information**

The principal activities of the Company during the financial year are those of investment holding and property development. The principal activities of the Group mainly consist of property development, property investment and management, owner and operator of malls, hotel operations, construction, investment holding and management of real estate investment trust.

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

The address of the principal place of business and registered office of the Company is as follows:

Level 32, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

**Financial results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | **307,540** | **93,386** |
| Attributable to: | | |
| Equity holders of the Company | **210,079** | **93,386** |
| Non-controlling interests | **97,461** | **-** |
| | **307,540** | **93,386** |

**Dividends**

Since the end of the previous financial year, dividends on ordinary shares paid, declared or proposed by the Company were as follows:

| | | RM'000 |
|---|---|---|
| (a) | In respect of the financial year ended 31 December 2012: | |
| | Interim dividend of 15% less tax at 25% paid on 8 April 2013 | **79,287** |
| (b) | In respect of the financial year ended 31 December 2013: | |
| | Interim dividend of 10% less tax at 25% paid on 24 December 2013 | **51,121** |
| (c) | In respect of the financial year ended 31 December 2013: | |
| | Second interim dividend of 5% single tier paid on 28 March 2014 | **33,699** |

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2013.

# Directors' Report
for the financial year ended 31 December 2013
(continued)

**Reserves and provisions**

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

**Treasury shares**

In the current financial year, shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 30 May 2013, approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 60,103,000 of its own shares from the open market for RM151,895,614. The average purchase price for the shares repurchased was RM2.53 per share. The repurchase transactions were financed by internally generated funds. On 29 November 2013, the Company cancelled 125,497,677 treasury shares. The balance of the shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and carried at purchase cost. The Company has the right to distribute these shares as dividends to reward shareholders and/or resell the shares. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As at 31 December 2013, the number of treasury shares held was 6,436,100 (2012: 71,830,767) ordinary shares of RM0.50 each.

**Directors**

The Directors in office since the date of the last report are:

Tan Sri Abu Talib Bin Othman
Dato' Seri Robert Tan Chung Meng
Tan Boon Seng
Tan Boon Lee
Tan Lei Cheng
Pauline Tan Suat Ming
Tony Tan @ Choon Keat
Tan Kai Seng
Yeoh Chong Swee
Chua Seng Yong (alternate to Dato' Seri Robert Tan Chung Meng)
Daniel Yong Chen-I (alternate to Pauline Tan Suat Ming)
Tan Yee Seng (alternate to Tan Boon Seng)

In accordance with Article 85 of the Company's Articles of Association, Tan Boon Lee retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 86 of the Company's Articles of Association and pursuant to paragraph 7.26 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Tan Boon Seng retires by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

Tan Sri Abu Talib Bin Othman and Yeoh Chong Swee, both being over the age of seventy years, retire in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves for re-appointment under Section 129(6) of the Companies Act, 1965 and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG") to hold office until the conclusion of the next Annual General Meeting.

Pursuant to Recommendation 3.3 of the MCCG, Tan Kai Seng retires at the forthcoming Annual General Meeting and offers himself for re-appointment to hold office until the conclusion of the next Annual General Meeting.

# Directors' Report
## for the financial year ended 31 December 2013
(continued)

**Directors' interests**

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares and units in the Company, its ultimate holding company and its subsidiaries were as follows:

| In the Company | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| | 1 January 2013 | Addition | Disposal | 31 December 2013 |
| Tan Sri Abu Talib Bin Othman | | | | |
| Direct | 1,398,850 | - | - | **1,398,850** |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 3,954,717 | - | - | **3,954,717** |
| Indirect | 537,598,424 | 171,700 | - | **537,770,124** |
| Tan Boon Seng | | | | |
| Indirect | 40,587,242 | 4,208,400 | - | **44,795,642** |
| Tan Boon Lee | | | | |
| Direct | 3,424,529 | - | - | **3,424,529** |
| Tan Lei Cheng | | | | |
| Direct | 2,318,118 | - | - | **2,318,118** |
| Indirect | 1,707,038 | - | - | **1,707,038** |
| Pauline Tan Suat Ming | | | | |
| Direct | 1,006,784 | - | - | **1,006,784** |
| Indirect | 537,623,681 | 171,700 | - | **537,795,381** |
| Tony Tan @ Choon Keat | | | | |
| Indirect | 537,598,424 | 171,700 | - | **537,770,124** |
| Tan Kai Seng | | | | |
| Direct | 93,667 | - | - | **93,667** |
| Yeoh Chong Swee | | | | |
| Indirect | 54,035 | 25,000 | - | **79,035** |
| Chua Seng Yong | | | | |
| Direct | 605,006 | 245,000 | - | **850,006** |

# Directors' Report
for the financial year ended 31 December 2013
(continued)

**Directors' interests (continued)**

| **In Goldis Berhad** (immediate and ultimate holding company) | **Number of ordinary shares of RM1.00 each** | | | |
|---|---|---|---|---|
| | **1 January 2013** | **Addition** | **Disposal** | **31 December 2013** |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 1,398,350 | 41,950 | - | **1,440,300** |
| Indirect | 168,117,625 | 5,043,522 | - | **173,161,147** |
| Tan Boon Seng | | | | |
| Direct | 1,320,412 | 39,612 | - | **1,360,024** |
| Indirect | 82,483,631 | 5,828,649 | - | **88,312,280** |
| Tan Boon Lee | | | | |
| Direct | 3,818,731 | 217,561 | - | **4,036,292** |
| Tan Lei Cheng | | | | |
| Direct | 8,388,775 | 251,663 | - | **8,640,438** |
| Indirect | 3,640,473 | 109,213 | - | **3,749,686** |
| Pauline Tan Suat Ming | | | | |
| Direct | 757,186 | 22,715 | - | **779,901** |
| Indirect | 168,117,625 | 5,043,522 | - | **173,161,147** |
| Tony Tan @ Choon Keat | | | | |
| Indirect | 168,117,625 | 5,043,522 | - | **173,161,147** |
| Tan Kai Seng | | | | |
| Direct | 18,750 | 562 | - | **19,312** |
| Chua Seng Yong | | | | |
| Direct | 870 | 26 | - | **896** |
| Tan Yee Seng | | | | |
| Direct | 50,000 | 1,500 | - | **51,500** |

# Directors' Report
for the financial year ended 31 December 2013
(continued)

**Directors' interests (continued)**

| **In KrisAssets Holdings Berhad ("KrisAssets")** (subsidiary) | **Number of ordinary shares*** | | | |
|---|---|---|---|---|
| | **1 January 2013** | **Addition** | **Disposal** | **31 December 2013** |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 662,730 | - | - | **662,730** |
| Indirect | 333,322,333 | - | - | **333,322,333** |
| Tan Boon Lee | | | | |
| Direct | 1,100 | - | - | **1,100** |
| Tan Lei Cheng | | | | |
| Direct | 51,201 | - | - | **51,201** |
| Indirect | 39,916 | - | - | **39,916** |
| Pauline Tan Suat Ming | | | | |
| Direct | 68 | - | - | **68** |
| Indirect | 333,322,333 | - | - | **333,322,333** |
| Tony Tan @ Choon Keat | | | | |
| Indirect | 333,322,333 | - | - | **333,322,333** |
| Tan Kai Seng | | | | |
| Direct | 4,743 | - | - | **4,743** |
| Chua Seng Yong | | | | |
| Direct | 377,511 | - | (377,511) | **-** |
| Daniel Yong Chen-I | | | | |
| Direct | 9,949 | - | - | **9,949** |
| Tan Yee Seng | | | | |
| Direct | 30,000 | - | - | **30,000** |

* *A Capital Reduction exercise in accordance with Sections 60 and 64 of the Companies Act, 1965 involving a reduction of the share capital and share premium via cancellation of the issued and paid-up share capital of KrisAssets was completed on 6 February 2013. The par value of KrisAssets' ordinary shares was reduced from RM1.00 to RM0.02. KrissAssets was subsequently delisted from the Official List of Bursa Malaysia Securities Berhad on 16 May 2013.*

# Directors' Report
## for the financial year ended 31 December 2013
(continued)

**Directors' interests (continued)**

| In IGB Real Estate Investment Trust ("IGB REIT") (subsidiary) | Number of units of RM1.00 each | | | |
|---|---|---|---|---|
| | **1 January 2013** | **Addition** | **Disposal** | **31 December 2013** |
| Tan Sri Abu Talib Bin Othman | | | | |
| Direct | 1,111,908 | - | - | **1,111,908** |
| Dato' Seri Robert Tan Chung Meng | | | | |
| Direct | 7,289,081 | - | - | **7,289,081** |
| Indirect | 1,788,285,023 | 22,619,566 | (924,500) | **1,809,980,089** |
| Tan Boon Seng | | | | |
| Indirect | - | 5,519,604 | - | **5,519,604** |
| Tan Boon Lee | | | | |
| Direct | 1,989,725 | - | - | **1,989,725** |
| Tan Lei Cheng | | | | |
| Direct | 1,853,742 | - | - | **1,853,742** |
| Indirect | 345,722 | - | - | **345,722** |
| Pauline Tan Suat Ming | | | | |
| Direct | 1,080,898 | - | - | **1,080,898** |
| Indirect | 1,788,285,023 | 22,619,566 | (924,500) | **1,809,980,089** |
| Tony Tan @ Choon Keat | | | | |
| Direct | 1,000,000 | - | - | **1,000,000** |
| Indirect | 1,788,285,023 | 22,619,566 | (924,500) | **1,809,980,089** |
| Tan Kai Seng | | | | |
| Direct | 1,024,852 | - | (800,000) | **224,852** |
| Yeoh Chong Swee | | | | |
| Indirect | 4,322 | 10,000 | - | **14,322** |
| Chua Seng Yong | | | | |
| Direct | 50,000 | - | - | **50,000** |
| Daniel Yong Chen-I | | | | |
| Direct | 802,132 | - | (175,000) | **627,132** |
| Tan Yee Seng | | | | |
| Direct | 707,200 | - | - | **707,200** |

By virtue of Dato' Seri Robert Tan Chung Meng, Pauline Tan Suat Ming and Tony Tan @ Choon Keat holding more than 15% interests in shares in the Company, they are deemed to have interest in the shares of all other subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the Directors in office at the end of the financial year held any interests in the shares in the Company or its related corporations during the financial year.

**Directors' benefits**

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments paid as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

Except as disclosed above, neither during nor at the end of the financial year was the Company a party to any arrangement whose object or objects was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Directors' Report
## for the financial year ended 31 December 2013
(continued)

**Statutory information on the financial statements**

Before the statements of comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors were not aware of any circumstances:

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

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

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there did not exist:

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

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

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

**Holding company**

The Directors regard Goldis Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the immediate and ultimate holding company.

**Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. The Directors had endorsed the recommendation of the Audit Committee for PricewaterhouseCoopers to be reappointed as auditors.

Signed in accordance with a resolution of the Directors dated 23 April 2014.

**Dato' Seri Robert Tan Chung Meng**
Group Managing Director

**Tan Kai Seng**
Director

# Income Statements
for the financial year ended 31 December 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | **1,091,131** | 993,851 | **102,780** | 2,540,459 |
| Cost of sales | | **(446,231)** | (372,534) | **(15,905)** | (3,930) |
| Gross profit | | **644,900** | 621,317 | **86,875** | 2,536,529 |
| Other operating income | | **28,161** | 39,075 | **31,553** | 3,821 |
| Administrative expenses | | **(240,503)** | (263,006) | **(39,863)** | (38,310) |
| Other operating expenses | | **(18,578)** | (3,737) | **(3,245)** | (533) |
| Profit from operations | 6 | **413,980** | 393,649 | **75,320** | 2,501,507 |
| Finance income | 8 | **45,357** | 31,719 | **48,369** | 19,603 |
| Finance costs | 8 | **(73,984)** | (69,588) | **(11,827)** | (12,059) |
| Share of results of associates | | **19,206** | 10,418 | **-** | - |
| Profit before tax | | **404,559** | 366,198 | **111,862** | 2,509,051 |
| Tax expense | 9 | **(97,019)** | (144,154) | **(18,476)** | (7,931) |
| Profit for the financial year | | **307,540** | 222,044 | **93,386** | 2,501,120 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **210,079** | 180,190 | **93,386** | 2,501,120 |
| Non-controlling interests | | **97,461** | 41,854 | **-** | - |
| Profit for the financial year | | **307,540** | 222,044 | **93,386** | 2,501,120 |
| | | | | | |
| Earnings per ordinary share (sen) | | | | | |
| Basic/Diluted | 10 | **15.08** | 12.47 | | |
| | | | | | |
| Gross dividends per ordinary share for the financial year (sen) | 11 | **12.50** | 2.50 | | |

# Consolidated Statements of Comprehensive Income
for the financial year ended 31 December 2013

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial year | **307,540** | 222,044 | **93,386** | 2,501,120 |
| Other comprehensive income: | | | | |
| Surplus on revaluation of hotel properties | **321,105** | - | - | - |
| Deferred tax on revaluation surplus in hotel properties | **(80,276)** | - | - | - |
| Items that will not be reclassified to profit or loss | **240,829** | - | - | - |
| Exchange differences on translating foreign operations: | | | | |
| Equity holders | **14,983** | 2,709 | - | - |
| Non-controlling interests | **(201)** | 149 | - | - |
| Items that may be subsequently reclassified to profit or loss | **14,782** | 2,858 | - | - |
| Total comprehensive income for the financial year | **563,151** | 224,902 | **93,386** | 2,501,120 |
| **Attributable to:** | | | | |
| Equity holders of the Company | **465,891** | 182,899 | **93,386** | 2,501,120 |
| Non-controlling interests | **97,260** | 42,003 | - | - |
| | **563,151** | 224,902 | **93,386** | 2,501,120 |

# Statements of Financial Position
as at 31 December 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 12 | **682,399** | 745,148 | **682,399** | 745,148 |
| Share premium | 13 | **112,641** | 404,112 | **112,641** | 404,112 |
| Treasury shares | 14 | **(17,439)** | (157,015) | **(17,439)** | (157,015) |
| | | **777,601** | 992,245 | **777,601** | 992,245 |
| Revaluation and other reserves | 15 | **648,927** | 515,929 | **62,749** | - |
| Retained earnings | 16 | **2,988,803** | 2,632,468 | **4,119,178** | 4,156,200 |
| | | **4,415,331** | 4,140,642 | **4,959,528** | 5,148,445 |
| **Non-controlling interests** | | **77,322** | 599,801 | **-** | - |
| **Total equity** | | **4,492,653** | 4,740,443 | **4,959,528** | 5,148,445 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 19 | **2,347,321** | 1,829,596 | **3,487** | 3,565 |
| Land held for property development | 20(a) | **238,549** | 248,059 | **-** | - |
| Investment properties | 21 | **2,175,094** | 1,965,079 | **-** | - |
| Long term prepaid lease | 22 | **3,697** | 3,703 | **-** | - |
| Investments in subsidiaries | 23 | **-** | - | **4,170,834** | 4,470,086 |
| Investments in associates | 24 | **390,598** | 355,784 | **9,642** | 9,642 |
| Deferred tax assets | 18 | **1,649** | 5,893 | **-** | - |
| Goodwill | 26 | **19,164** | 19,164 | **-** | - |
| Cash and bank balances | 33 | **95,000** | 95,000 | **95,000** | 95,000 |
| | | **5,271,072** | 4,522,278 | **4,278,963** | 4,578,293 |
| **Current assets** | | | | | |
| Property development costs | 20(b) | **300,883** | 229,131 | **11,681** | 15,067 |
| Inventories | 27 | **82,710** | 62,461 | **36,138** | 36,138 |
| Financial assets at fair value through profit or loss | 28 | **394** | 504 | **394** | 389 |
| Trade and other receivables | 29 | **221,352** | 209,600 | **20,511** | 40,052 |
| Amounts owing by subsidiaries | 30 | **-** | - | **415,661** | 458,741 |
| Amounts owing by associates | 31 | **76,708** | 59,080 | **30,749** | 30,713 |
| Amounts owing by related companies | | **22** | - | **-** | - |
| Tax recoverable | | **3,053** | 3,522 | **-** | - |
| Cash held under Housing Development Accounts | 32 | **32,984** | 5,259 | **10,081** | 45 |
| Cash and bank balances | 33 | **942,569** | 2,022,372 | **433,806** | 258,713 |
| | | **1,660,675** | 2,591,929 | **959,021** | 839,858 |
| **Less: Current liabilities** | | | | | |
| Trade and other payables | 34 | **471,214** | 352,531 | **20,067** | 10,120 |
| Amounts owing to subsidiaries | 30 | **-** | - | **47,233** | 49,355 |
| Amounts owing to associates | 31 | **4,107** | 22,487 | **-** | - |
| Borrowings | 17 | **163,460** | 263,312 | **1,282** | 1,279 |
| Current tax payable | | **67,690** | 59,148 | **9,080** | 8,952 |
| | | **706,471** | 697,478 | **77,662** | 69,706 |
| **Net current assets** | | **954,204** | 1,894,451 | **881,359** | 770,152 |
| **Less: Non-current liabilities** | | | | | |
| Trade and other payables | 34 | **65,692** | 55,178 | **794** | - |
| Borrowings | 17 | **1,394,909** | 1,433,382 | **200,000** | 200,000 |
| Deferred tax liabilities | 18 | **272,022** | 187,726 | **-** | - |
| | | **1,732,623** | 1,676,286 | **200,794** | 200,000 |
| | | **4,492,653** | 4,740,443 | **4,959,528** | 5,148,445 |

# Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2013

| | | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares of RM0.50 each | | Treasury shares | | | | | | | |
| Group | Note | Number of shares '000 | Nominal value RM'000 | Number of shares '000 | RM'000 | Share premium RM'000 | Revaluation and other reserves (Note 15) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2013** | | 1,490,296 | 745,148 | (71,831) | (157,015) | 404,112 | 515,929 | 2,632,468 | 4,140,642 | 599,801 | 4,740,443 |
| Total comprehensive income for the financial year | | - | - | - | - | - | 70,249 | 395,642 | 465,891 | 97,260 | 563,151 |
| Transactions with equity holders: | | | | | | | | | | | |
| Dividends on ordinary shares | 11 | - | - | - | - | - | - | (130,408) | (130,408) | - | (130,408) |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | (121,944) | (121,944) |
| Share buy back | 14 | - | - | (60,103) | (151,895) | - | - | - | (151,895) | - | (151,895) |
| Cancellation of treasury shares | 14 | (125,498) | (62,749) | 125,498 | 291,471 | (291,471) | 62,749 | - | - | - | - |
| Capital reduction and repayment in a subsidiary | | - | - | - | - | - | - | - | - | (505,757) | (505,757) |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | - | - | - | - | - | - | 91,101 | 91,101 | 7,962 | 99,063 |
| Total transactions with equity holders | | (125,498) | (62,749) | 65,395 | 139,576 | (291,471) | 62,749 | (39,307) | (191,202) | (619,739) | (810,941) |
| **At 31 December 2013** | | 1,364,798 | 682,399 | (6,436) | (17,439) | 112,641 | 648,927 | 2,988,803 | 4,415,331 | 77,322 | 4,492,653 |

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2012

(continued)

| | | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares of RM0.50 each | | Treasury shares | | | | | | | |
| Group | Note | Number of shares '000 | Nominal value RM'000 | Number of shares '000 | RM'000 | Share premium RM'000 | Revaluation and other reserves (Note 15) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 January 2012 | | 1,490,296 | 745,148 | (29,307) | (49,021) | 404,112 | 618,537 | 1,705,224 | 3,424,000 | 220,577 | 3,644,577 |
| Total comprehensive income for the financial year | | - | - | - | - | - | (102,608) | 285,507 | 182,899 | 42,003 | 224,902 |
| Transactions with equity holders: | | | | | | | | | | | |
| Share buy back | 14 | - | - | (42,524) | (107,994) | - | - | - | (107,994) | - | (107,994) |
| Dividends on ordinary shares | 11 | - | - | - | - | - | - | (27,385) | (27,385) | - | (27,385) |
| Issuance of new ordinary shares in a subsidiary due to conversion of redeemable convertible secured bonds and its dilution effect | | - | - | - | - | - | - | 54,500 | 54,500 | 223,411 | 277,911 |
| Effects arising from the listing of IGB REIT | | - | - | - | - | - | - | 614,522 | 614,522 | 222,978 | 837,500 |
| Dividends paid to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | - | (94,540) | (94,540) |
| Cancellation of equity portion of convertible bonds of a subsidiary, net of tax | | - | - | - | - | - | - | - | - | (14,628) | (14,628) |
| Cancellation of treasury shares in a subsidiary | | - | - | - | - | - | - | 100 | 100 | - | 100 |
| Total transactions with equity holders | | - | - | (42,524) | (107,994) | - | - | 641,737 | 533,743 | 337,221 | 870,964 |
| At 31 December 2012 | | 1,490,296 | 745,148 | (71,831) | (157,015) | 404,112 | 515,929 | 2,632,468 | 4,140,642 | 599,801 | 4,740,443 |

# Company Statement of Changes in Equity
for the financial year ended 31 December 2013

| | | Issued and fully paid ordinary shares of RM0.50 each | | Treasury shares | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Nominal value | Number of shares | | Share premium | Capital redemption reserve | Retained earnings | Total equity |
| **Company** | **Note** | **'000** | **RM'000** | **'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 1 January 2013** | | **1,490,296** | **745,148** | **(71,831)** | **(157,015)** | **404,112** | **-** | **4,156,200** | **5,148,445** |
| Total comprehensive income for the financial year | | - | - | - | - | - | - | **93,386** | **93,386** |
| Transactions with equity holders: | | | | | | | | | |
| Dividends on ordinary shares | 11 | - | - | - | - | - | - | **(130,408)** | **(130,408)** |
| Share buy back | 14 | - | - | **(60,103)** | **(151,895)** | - | - | - | **(151,895)** |
| Cancellation of treasury shares | 14 | **(125,498)** | **(62,749)** | **125,498** | **291,471** | **(291,471)** | **62,749** | - | - |
| Total transactions with equity holders | | **(125,498)** | **(62,749)** | **65,395** | **139,576** | **(291,471)** | **62,749** | **(130,408)** | **(282,303)** |
| **At 31 December 2013** | | **1,364,798** | **682,399** | **(6,436)** | **(17,439)** | **112,641** | **62,749** | **4,119,178** | **4,959,528** |
| At 1 January 2012 | | 1,490,296 | 745,148 | (29,307) | (49,021) | 404,112 | - | 1,682,465 | 2,782,704 |
| Total comprehensive income for the financial year | | - | - | - | - | - | - | 2,501,120 | 2,501,120 |
| Transactions with equity holders: | | | | | | | | | |
| Dividends on ordinary shares | 11 | - | - | - | - | - | - | (27,385) | (27,385) |
| Share buy back | 14 | - | - | (42,524) | (107,994) | - | - | - | (107,994) |
| Total transactions with equity holders | | - | - | (42,524) | (107,994) | - | - | (27,385) | (135,379) |
| At 31 December 2012 | | 1,490,296 | 745,148 | (71,831) | (157,015) | 404,112 | - | 4,156,200 | 5,148,445 |

# Statements of Cash Flows
for the financial year ended 31 December 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash receipts from customers | | **1,091,177** | 948,017 | **22,115** | 9,418 |
| Cash paid to contractors, suppliers and employees | | **(649,724)** | (579,221) | **(65,496)** | (99,104) |
| Cash flows from/(used in) operations | | **441,453** | 368,796 | **(43,381)** | (89,686) |
| Interest paid | | **(70,861)** | (51,406) | **(11,824)** | (12,062) |
| Income taxes paid | | **(79,744)** | (104,848) | **(15,000)** | - |
| Deposits held with trustee | | **(995)** | (8,651) | **-** | - |
| Net cash generated from/(used in) operating activities | | **289,853** | 203,891 | **(70,205)** | (101,748) |
| **Investing activities** | | | | | |
| Acquisition of subsidiaries | 38A | **(33,200)** | (101,849) | **(200)** | - |
| Proceeds from redemption of preference shares in subsidiaries | | **-** | - | **8,800** | 7,350 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **-** | 23,444 | **-** | 23,444 |
| Interest received | | **43,559** | 33,874 | **47,079** | 21,811 |
| Additions in property, plant and equipment | | **(104,410)** | (74,195) | **(1,222)** | (2,314) |
| Additions in investment properties | | **(230,073)** | (98,541) | **-** | - |
| Additions in land held for property development | | **(812)** | (4,155) | **-** | - |
| Cash arising from dilution of equity in a subsidiary | | **-** | 837,500 | **-** | - |
| Proceeds from sale of property, plant and equipment | | **22** | 275 | **22** | - |
| Proceeds from disposal of an associate | | **-** | 114,325 | **-** | - |
| Capital repayment of a subsidiary | | **-** | - | **880,043** | - |
| Subscription of additional shares in subsidiaries | | **-** | - | **(14,270)** | (102,659) |
| Dividends received from subsidiaries | | **-** | - | **107,493** | 149,657 |
| Dividends received from associates | | **4,186** | 16,465 | **323** | - |
| Advances to subsidiaries | | **-** | - | **(517,662)** | (174,185) |
| Repayments of advances from subsidiaries | | **-** | - | **56,342** | 273,434 |
| Advances from subsidiaries | | **-** | - | **135,623** | 4,102 |
| Repayments of advances to subsidiaries | | **-** | - | **(168,860)** | (8,843) |
| Settlement of shareholders advances arising from acquisition of subsidiaries | | **-** | (176,151) | **-** | (176,151) |
| Repayments of advances to associates | | **(664)** | - | **-** | - |
| Advances to associates | | **(17,628)** | (7,855) | **(37)** | (2,644) |
| Net repayment of advances from jointly controlled entity | | **-** | 249 | **-** | - |
| Net cash (used in)/from investing activities | | **(339,020)** | 563,386 | **533,474** | 13,002 |

# Statements of Cash Flows

for the financial year ended 31 December 2013
(continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financing activities** | | | | | |
| Repayments of borrowings | | **(132,500)** | (499,500) | - | - |
| Proceeds from borrowings | | - | 1,212,559 | - | - |
| Purchase of treasury shares | | **(153,251)** | (104,245) | **(153,251)** | (104,245) |
| Dividends paid | | **(130,408)** | (27,385) | **(130,408)** | (27,385) |
| Dividends paid to non-controlling interests of subsidiaries | | **(88,222)** | (76,993) | - | - |
| Capital repayment to non-controlling interests of a subsidiary | | **(505,757)** | - | - | - |
| Deposits pledged with licensed banks | | - | 26,593 | - | 24,610 |
| Net cash (used in)/from financing activities | | **(1,010,138)** | 531,029 | **(283,659)** | (107,020) |
| **Net (decrease)/increase in cash and cash equivalents during the financial year** | | **(1,059,305)** | 1,298,306 | **179,610** | (195,766) |
| Cash and cash equivalents at 1 January | | **2,001,190** | 705,221 | **258,758** | 456,712 |
| Foreign currencies exchange differences on opening balances | | **6,232** | (2,337) | **5,519** | (2,188) |
| **Cash and cash equivalents at 31 December** | 41 | **948,117** | 2,001,190 | **443,887** | 258,758 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013

## 1. General information

The principal activities of the Company during the financial year are those of investment holding and property development. The principal activities of the Group mainly consist of property development, property investment and management, owner and operator of malls, hotel operations, construction, investment holding and management of real investment property trust.

## 2. Summary of significant accounting policies

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in dealing with items that are considered material in relation to the financial statements.

### 2.1 Basis of preparation

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

The Group includes transitioning entities and has elected to continue to apply FRS in the current and next financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") when the MFRS Framework is mandated by the Malaysian Accounting Standards Board ("MASB"). In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

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

The preparation of financial statements in conformity with the FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

***(a) Standards, amendments and improvements to published standards and interpretations to existing standards that are effective and are applicable to the Group***

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group's and Company's financial year beginning on or after 1 January 2013 are as follows:

- FRS 10 "Consolidated Financial Statements"
- FRS 11 "Joint Arrangements"
- FRS 12 "Disclosures of Interests in Other Entities"
- FRS 13 "Fair Value Measurement"
- The revised FRS 127 "Separate Financial Statements"
- The revised FRS 128 "Investments in Associates and Joint Ventures"
- Amendments to FRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendments to FRS 119 "Employee Benefits"
- Amendments to FRS 7 "Financial Instruments: Disclosures"
- Amendments to FRS 10, 11 & 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Annual improvements 2009 – 2011 Cycle

The new accounting standards, amendments to published standards and interpretations on the financial statements of the Group and of the Company do not result in a significant change to the accounting policies and do not have a material impact on the financial statements of the Group and of the Company.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

***(b) Standards, amendments and improvements to published standards and interpretations to existing standards that are early adopted by the Group***

The new accounting standards, amendments and improvements to published standards and interpretations that are early adopted by the Group and Company are as follows:

- FRS 136 "Impairment of Assets"

***(c) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group but are not yet effective***

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial year beginning on or after 1 January 2014 or later periods, and the Group has not early adopted, are as follows:

(i) Financial year beginning on 1 January 2014

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

- Amendments to FRS 10, FRS 12 and FRS 127 introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

- IC Interpretation 21 "Levies" sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

(ii) Effective date yet to be determined by Malaysian Accounting Standards Board

- FRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the FRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statements, unless this creates an accounting mismatch.

  The Group is yet to assess FRS 9's full impact. The Group will also consider the impact of the remaining phases of FRS 9 when completed by MASB.

  Other than that, the Group is in the process of assessing the impact of the above standards, amendments and improvements to published standards and interpretations to existing standards on its financial statements and are not anticipated to have any significant impact on the financial position of the Group and the Company in the year of initial application.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

(continued)

2. **Summary of significant accounting policies (continued)**

**2.2 Consolidation**

***(a) Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of any asset transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable assets.

If the business combination is achieved in stages, the acquisition date for value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements (see Note 2.5).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

***(b) Transactions with non-controlling interests***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant shares acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

***(c) Joint Venture***

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

(continued)

## 2. Summary of significant accounting policies (continued)

### 2.2 Consolidation (continued)

***(c) Joint Venture* (continued)**

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

***(d) Associates***

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition (Note 2.5), net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profit or loss is recognised in the income statements, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates are recognised in the income statements.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. For an investment designated at fair value through profit or loss, the reversal resulting from the restatement to cost is made against retained earnings. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount adjacent to "share of profit/(loss) of an associate" in the income statements.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

2. **Summary of significant accounting policies (continued)**

**2.2 Consolidation (continued)**

***(e) Investment in subsidiaries, joint ventures and associates***

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statements.

**2.3 Property, plant and equipment**

Property, plant and equipment are initially stated at cost. Hotel properties (land, development rights and buildings) are subsequently shown at fair value, based on periodic valuations, but at least once in every five years, by external independent valuers, less subsequent depreciation and impairment losses. Additional valuations are performed in the intervening years when market conditions indicate that the carrying values on the revalued assets are materially different from the market values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see Note 2.15 on borrowings and borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the income statements during the financial period in which they are incurred.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statements. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset. The revaluation surplus included in equity is transferred directly to retained earnings as the asset is used. The amount of the revaluation surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective leases. Other property, plant and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts to their residual values over their estimated useful lives, summarised as follows:

| | % |
|---|---|
| • Buildings, including hotel buildings | 1-2 |
| • Plant and machinery | 10-20 |
| • Motor vehicles | 20 |
| • Office furniture, fittings and equipment | 10-33 1/3 |
| • Leasehold land | 1 |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period. The Group carries out assessment on residual values and useful lives of assets on an annual basis. There was no adjustment arising from the assessment performed in the financial year.

Depreciation on assets under construction commences when the assets are ready for their intended use.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2.6 on impairment of non-financial assets).

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.3 Property, plant and equipment (continued)**

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in income statements. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is disposed of.

**2.4 Investment properties**

Investment properties, comprising principally land, development rights and buildings are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by the Group. Investment properties are measured initially at cost, including related transaction costs. Building fittings that are attached to the buildings are also classified as investment properties.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (See Note 2.6 on impairment of non-financial assets). Freehold land is not depreciated as it has an infinite life. Other categories of investment properties are depreciated on the straight line basis to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

| | % |
|---|---|
| • Buildings | 2 |
| • Building fittings | 10-20 |

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised (eliminated from the statement of financial position) either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in the income statements.

**2.5 Goodwill**

Goodwill or negative goodwill represents the excess or deficit of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in the statement of financial position as intangible assets whereas negative goodwill is recognised immediately in the income statements.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment losses on goodwill is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment. (See Note 2.6 on impairment of non-financial assets).

Goodwill on acquisition of jointly controlled entities and associates is included in investments in jointly controlled entities and investment in associates. Such goodwill is tested for impairment as part of the overall balance.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.6 Impairment of non-financial assets**

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment is charged to the income statements unless it reverses a previous revaluation, in which case it is charged to revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

**2.7 Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

***(a) Operating lease***

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) is charged to the income statements on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the income statements when incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

***(b) Finance lease***

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the income statements over the lease term on the same basis as the lease expense.

**2.8 Inventories**

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

***(a) Unsold properties***

The cost of unsold properties is stated at the lower of historical cost and net realisable value. Historical cost includes, where relevant, cost associated with the acquisition of land, including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended case, related development costs to projects, direct building costs and other costs of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.8 Inventories (continued)**

***(b) Hotel operating supplies***

Cost is determined using the first-in, first-out method and comprises food and beverage, printing and stationeries and guestroom supplies.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

**2.9 Construction contracts**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention monies are included within 'trade and other receivables'. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

**2.10 Property development activities**

***(a) Land held for property development***

Land held for property development consists of cost of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and is stated at cost less accumulated impairment losses, if any.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate costs as allowed by FRS 201 "Property Development Activities". Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. (See Note 2.6 on impairment of non-financial assets).

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where development activities can be completed within the Group's normal operating cycle.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.10 Property development activities (continued)**

***(b) Property development costs***

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses in respect of development units sold are recognised by using the stage of completion method. The stage of completion is measured by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised as an expense when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

Where revenue recognised in the income statement exceeds billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under trade and other payables (within current liabilities).

**2.11 Trade and other receivables**

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. (See Note 2.21 (c) on impairment of financial assets).

**2.12 Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term and highly liquid investments with original maturity of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

**2.13 Share capital**

***(a) Classifications***

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. (See Note 2.15 on borrowings and borrowing costs and Note 2.23 on compound financial instruments).

***(b) Share issue costs***

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.13 Share capital (continued)**

***(c) Dividends to shareholders of the Company***

Interim dividends on ordinary shares are recognised as liabilities when declared before the reporting date. Proposed final dividends are accrued as liabilities only after approval by shareholders.

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

***(d) Purchase of own shares***

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the equity holders as treasury shares until they are cancelled, reissued or disposed. Where such shares are subsequently cancelled, reissued or disposed, their nominal amount will be eliminated, and the differences between their cost and their nominal amount will be taken to reserves, as appropriate.

**2.14 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

**2.15 Borrowings and borrowing costs**

***(a) Classification***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in the income statements over the period of the borrowings using the effective yield method.

Fees paid on the establishment of loan facilities are regarded as transaction costs of the loan to the extent that it is possible some or all of the facility will be drawdown. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility of which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in the income statements.

Options to extend borrowing facilities are accounted for as loan commitments.

***(b) Capitalisation of borrowing costs***

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statements in the period in which they are incurred.

# Notes to the Financial Statements

for the financial year ended 31 December 2013

(continued)

## 2. Summary of significant accounting policies (continued)

### 2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary and associate on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in the equity or other comprehensive income, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 Employee benefits

#### *(a) Short term employee benefits*

Wages, salaries, bonuses, paid annual leave and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.17 Employee benefits (continued)**

***(b) Defined contribution plans***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The defined contribution plan of the Group relates to the contribution to the Group by various defined contribution plans in accordance with local conditions and practices in the countries in which it operates the national defined contribution plan.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

***(c) Termination benefits***

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

**2.18 Contingent liabilities and contingent assets**

The Group does not recognise contingent assets and liabilities but discloses its existence in the financial statements. 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 the extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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 contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 "Revenue".

**2.19 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the income have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements unless collectability is in doubt, in which case the recognition of such income is suspended. Rental income is shown net of rebates and discounts. Rental income includes base rent turnover or percentage rent, service and promotional charges from tenants. Base rent is recognised on a straight line basis over the lease. Turnover or percentage rent is recognised based on sale reported by tenants. Car park income is recognised net of service. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Service and management charges are recognised in the accounting period in which the services are rendered. Other rent related and car park income is recognised upon services being rendered.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 2. Summary of significant accounting policies (continued)

### 2.19 Revenue recognition (continued)

Hotel revenue represents income derived from room rental and sales of food and beverage. Room rental income is accrued on a daily basis on customer-occupied rooms. Sales of food and beverage are recognised upon delivery to customers. Hotel revenue is recognised net of sales tax and discounts.

Income from property development is recognised on the stage of completion method based on units sold, and where the outcome of the development projects can be reliably estimated. Anticipated losses are recognised in full. The stage of completion is determined based on the proportion of property development costs incurred over the estimated total costs for the property development.

Income from construction contracts is recognised on the stage of completion method in cases where the outcome of the contract can be reliably estimated. The stage of completion of a construction contract is determined based on the proportion of construction contract costs incurred over the estimated total costs for the construction contract. In all cases, anticipated losses are recognised in full.

Revenue from electricity sales are recognised upon supply and distribution of electricity. Electricity income is recognised on an accrual basis. Revenue comprises the fair value of the consideration received or receivables for the electricity distributed in the ordinary course of activities.

Management fees and project management fees are recognised on an accrual basis. Revenue from the rendering of services is recognised based on performance of services.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Dividend income is recognised as income when the Group's right to receive payment is established.

### 2.20 Foreign currencies

#### *(a) 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 financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in income statement within 'other operating income or expense'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statements, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.20 Foreign currencies (continued)**

***(c) Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statements. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statements. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

**2.21 Financial instruments**

***(a) Financial assets***

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

Financial assets are recognised in the statement of financial position when, and only when, the Group 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 and loss, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) <u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

**2. Summary of significant accounting policies (continued)**

**2.21 Financial instruments (continued)**

***(a) Financial assets* (continued)**

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts owing by subsidiaries', 'amounts owing by associates', 'cash held under Housing Development Accounts' and 'cash and bank balances' in the statement of financial position. (Notes 29, 30, 31, 32 and 33).

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

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date.

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment loss. (See Note 2.21 (c) on impairment of financial assets and Note 2.20 (b) on foreign exchange gains and losses on monetary assets). The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in the income statements. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statements. Dividend income on available-for-sale equity instruments are recognised in the income statements when the Group's right to receive payments is established.

***(b) Financial liabilities***

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

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

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

The Group classifies its financial liabilities as other financial liabilities and financial guarantee contracts. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(i) Other financial liabilities

Other financial liabilities of the Group comprise 'borrowings', 'amounts owing to subsidiaries', 'amounts owing to associates' and 'trade and other payables' in the statement of financial position. (Notes 17, 30, 31 and 34).

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

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.21 Financial instruments (continued)**

***(b) Financial liabilities*** **(continued)**

(ii) Financial Guarantee Contracts

The Group has issued corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liabilities are initially recognised at their fair values plus transaction costs and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate, in the Group's statement of financial position.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantees are subsequently amortised to income statements over the period of the subsidiaries' borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's statement of financial position.

***(c) Impairment of financial assets***

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

Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.21 Financial instruments (continued)**

***(c) Impairment of financial assets*** **(continued)**

Assets carried at amortised cost **(continued)**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statements. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The carrying amount of the financial assets 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statements.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of loss has been determined.

Assets classified as available-for-sale

For debt securities, the Group uses the criteria of impairment loss applicable for 'asset carried at amortised cost' above. If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

In the case of equity securities classified as available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indication that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses that have been recognised directly in equity is removed from equity and recognised in the income statements. The amount of cumulative loss that is reclassified to the income statements is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statements. Impairment losses recognised in consolidated statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

Investment in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

***(d) Financial instruments recognised on the statement of financial position***

The particular recognition method adopted for financial instruments recognised on the statement of financial position is disclosed in the individual accounting policy statements associated with each item.

***(e) Fair value estimation for disclosure purposes***

The fair value of publicly traded securities is based on quoted market prices at the reporting date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the Group.

The face values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**2. Summary of significant accounting policies (continued)**

**2.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process.

**2.23 Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible notes that can be converted to equity share capital at the option of the holder, and the number of equity shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity compound is recognised initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable contribution costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the compound instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound instrument is redeemed or repurchased before maturity. The equity instrument component is subject to deferred tax liability which is charged directly to equity.

Upon conversion of the compound instrument into equity shares, the amount credited to ordinary share capital and share premium is the aggregate of the carrying amounts of the liability components classified within liability and equity component at the time of conversion. No gain or loss is recognised.

**3. Financial risk management objectives and policies**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and cash flow interest rate risk), credit risk and liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

**(a) Market risk**

***(i) Foreign currency exchange risk***

The Group and the Company is exposed to foreign currency risk as a result of advances from/(to) subsidiaries, advances from/(to) associates and deposits with licensed banks denominated in Great Britain Pound ("GBP"), US Dollar ("USD"), Australian Dollar ("AUD") and Hong Kong Dollar ("HKD"). Management regularly monitors the foreign exchange currency fluctuations.

The currency profile of the Group's and the Company's financial assets and financial liabilities is disclosed in the respective notes to the financial statements.

Currency risks as defined by FRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**3. Financial risk management objectives and policies (continued)**

**(a) Market risk (continued)**

***(i) Foreign currency exchange risk* (continued)**

As at 31 December 2013, the Group's and the Company's Ringgit Malaysia ("RM") functional entities had GBP, USD, AUD and HKD denominated net monetary assets as tabled below together with the effects to the Group's and the Company's profit before tax. During the financial year, the GBP, USD, AUD and HKD had strengthened/weakened by 9.20% (2012: 1.98%), 7.00% (2012: 1.94%), 8.59% (2012: 1.23%) and 6.99% (2012: 1.77%) respectively against RM.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Net monetary assets denominated in GBP | **22,066** | 20,195 | - | - |
| Effects to profit before tax if the GBP had strengthened/weakened against RM | | | | |
| - strengthened | **2,030** | 400 | - | - |
| - weakened | **(2,030)** | (400) | - | - |
| Net monetary assets denominated in USD | **4,959** | 70,254 | **4,951** | 70,247 |
| Effects to profit before tax if the USD had strengthened/weakened against RM | | | | |
| - strengthened | **347** | 1,363 | **347** | 1,363 |
| - weakened | **(347)** | (1,363) | **(347)** | (1,363) |
| Net monetary assets denominated in AUD | **130,797** | 59,452 | **121,445** | 66,917 |
| Effects to profit before tax if the AUD had strengthened/weakened against RM | | | | |
| - strengthened | **11,235** | 731 | **10,432** | 823 |
| - weakened | **(11,235)** | (731) | **(10,432)** | (823) |
| Net monetary assets/(liabilities) denominated in HKD | - | - | **(17,527)** | (17,548) |
| Effects to profit before tax if the HKD had strengthened/weakened against RM | | | | |
| - strengthened | - | - | **(1,225)** | (331) |
| - weakened | - | - | **1,225** | 331 |

Except as disclosed above, foreign currency exchange risks exposures are not material and did not have any significant impact on the financial statements of the Group and the Company at the reporting date, hence sensitivity analysis is not presented.

***(ii) Cash flow interest rate risk***

The Group's interest rate risk arises from fixed rate term loan and revolving credit.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. This is due to a significant portion of the borrowings is made up of fixed rate term loan taken by the Group which locks in the interest rate against any fluctuation. Hence, the Group has no significant exposure to cash flow interest rate risk.

Sensitivity analysis for interest rate changes is unrepresentative as the Group does not use variable rates in managing its interest rate risk.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**3. Financial risk management objectives and policies (continued)**

**(b) Credit risk**

Credit risk arises when sales are made on deferred credit terms. The Group and Company controls these risks by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's and Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group and Company management reporting procedures. The Group and Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

The credit quality of trade receivables that are neither past due nor impaired are substantially amounts due from customers with good collection track record with the Group and Company. Management will continuously monitor closely the trade receivables which are past due.

<u>Credit risk arising from property development</u>

The Group and Company does not have any significant credit risk from its property development activities as its services and products are predominantly rendered and sold to a large number of property purchasers using financing from reputable end-financiers.

Trade receivables are monitored on an on-going basis via Group and Company management reporting procedures. The Group and the Company does not have any significant exposure to any individual customer or counterparty nor does the Group and the Company have any major concentration of credit risk related to any financial instruments.

Credit risks with respect to trade receivables are limited as the ownership and rights to the properties revert to the Group and the Company in the event of default.

<u>Credit risk arising from property investment – office towers and malls</u>

Credit risks arising from outstanding receivables from the tenants are minimised and monitored by strictly limiting the Group's and the Company's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis. Credit risk with respect to trade receivables is limited due to the nature of business which is predominantly rental related and cash based. The Group and Company's historical experience in collection of trade receivables falls within the receivables allowance. Furthermore, the tenants have placed security deposits with the Group and the Company which acts as collateral. Due to these factors, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's and the Company's trade receivables.

<u>Credit risk arising from other activities of the Group</u>

Concentration of credit risk with respect to trade receivables is limited due to the Group's and the Company's large number of customers. The Group's and the Company's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's and the Company's trade receivables.

<u>Credit risk arising from deposits with licensed banks</u>

Credit risk also arises from deposits with licensed banks and financial institutions. The deposits are placed with credit-worthy financial institutions. The Group and the Company consider the risk of material loss in the event of non-performance by a financial counterparty to be unlikely. See Note 25(B) for further disclosure on credit risk.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statements of financial position, except as follows:

| | Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Corporate guarantees provided to banks on subsidiaries' facilities | **40,000** | 132,500 |

**3. Financial risk management objectives and policies (continued)**

**(c) Liquidity and cash flow risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

At 31 December 2013, the Group held cash and cash equivalents of RM948,117,000 (2012: RM2,001,190,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Group | Note | Less than 1 year RM'000 | Between 1 year and 2 years RM'000 | Between 2 years and 3 years RM'000 | Over 3 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2013** | | | | | | |
| Borrowings | 17 | **228,765** | **64,500** | **112,794** | **1,395,234** | **1,801,293** |
| Trade and other payables | 34 | **471,214** | **42,150** | **18,798** | **4,744** | **536,906** |
| At 31 December 2012 | | | | | | |
| Borrowings | 17 | 334,904 | 110,465 | 69,660 | 1,514,312 | 2,029,341 |
| Trade and other payables | 34 | 352,531 | 33,129 | 22,049 | - | 407,709 |
| **Company** | | | | | | |
| **At 31 December 2013** | | | | | | |
| Borrowings | 17 | **12,982** | **11,700** | **59,994** | **159,506** | **244,182** |
| Trade and other payables | 34 | **20,067** | - | - | **794** | **20,861** |
| Financial guarantee liabilities | 3(b) | **40,000** | - | - | - | **40,000** |
| At 31 December 2012 | | | | | | |
| Borrowings | 17 | 12,979 | 11,700 | 11,700 | 219,500 | 255,879 |
| Trade and other payables | 34 | 10,120 | - | - | - | 10,120 |
| Financial guarantee liabilities | 3(b) | 132,500 | - | - | - | 132,500 |

**(d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debt.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**3. Financial risk management objectives and policies (continued)**

**(d) Capital risk management (continued)**

Management monitors capital on the basis of the gearing ratio. The Group and the Company are also required by certain banks to maintain a debt to equity ratio not exceeding 50%. The Group's and the Company's strategy is to maintain a debt to equity ratio not exceeding 50%.

The debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (excluding trade and other payables) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net (cash)/debt.

The gearing ratios as at 31 December 2013 and 2012 were as follows:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Total borrowings (Note 17) | **1,558,369** | 1,696,694 |
| Less: cash and cash equivalents (Note 41) | **(975,553)** | (2,027,631) |
| Net debt/(cash) | **582,816** | (330,937) |
| Total equity | **4,492,653** | 4,740,443 |
| Total capital | **5,075,469** | 4,409,506 |
| Gearing ratio | **11%** | (8%) |

**(e) Fair values**

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the entity's assets and liabilities that are measured at fair value:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Level 1** | | | | |
| Financial assets at fair value through profit or loss | **394** | 504 | **394** | 389 |

Financial assets at fair value through profit or loss are investments in securities which has quoted market price.

The Group and Company does not hold any financial assets or liabilities that are fair valued at Level 2 and at Level 3.

**4. Critical accounting estimates and judgements**

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**(a) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions can significantly affect the results of the Group's test for impairment of assets.

**(b) Recognition of property development profits**

When the outcome of the development activity can be estimated reliably and the sale of the development unit is effected, the Group recognises property development profits and costs by reference to the stage of completion of the development activity at the reporting date. The stage of completion is determined based on the proportion that the property development costs incurred to-date bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probably will be recovered and the property development costs on the development units sold are recognised when incurred.

Where it is probable that total property development costs of a development phase will exceed total property development revenue of the development costs, the expected loss is recognised as an expense in the period in which the loss is identified.

Significant judgement is required in the estimation of total property development costs. Where the actual total property development costs is different from the estimated total property development costs, such difference will impact the property development profits/(losses) recognised.

**(c) Taxation**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome is different from the amount that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profits that will be available against which tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 5. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Rental income: | | | | |
| - retail malls | **306,005** | 288,140 | **-** | - |
| - office buildings | **129,750** | 116,106 | **-** | - |
| - rent and rent related | **93,969** | 91,989 | **2,742** | 2,491 |
| Hotel room revenue | **269,870** | 221,181 | **-** | - |
| Sale of food and beverages | **93,051** | 87,147 | **-** | - |
| Property development revenue | **141,592** | 105,253 | **20,600** | 5,660 |
| Contract revenue | **7,187** | 43,055 | **-** | - |
| Utilities | **19,137** | 12,683 | **-** | - |
| Investment income | **1,084** | 144 | **79,438** | 2,532,308 |
| Rendering of services | **29,486** | 28,153 | **-** | - |
| | **1,091,131** | 993,851 | **102,780** | 2,540,459 |

## 6. Profit from operations

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Profit from operations is stated after charging:** | | | | |
| Auditors' remuneration: | | | | |
| - Current financial year | **760** | 750 | **132** | 135 |
| - Under provision in prior financial year | **96** | - | **-** | - |
| - Other fees | **12** | 12 | **-** | 6 |
| Property development costs | **99,554** | 73,004 | **14,400** | - |
| Construction contract costs | **7,132** | 42,903 | **-** | - |
| Depreciation: | | | | |
| - Property, plant and equipment | **74,724** | 66,270 | **1,300** | 625 |
| - Investment properties | **50,729** | 52,055 | **-** | - |
| - Long term prepaid lease | **234** | 225 | **-** | - |
| Hire of plant and equipment | **689** | 186 | **-** | - |
| Operating lease rental | **1,166** | 1,086 | **-** | - |
| Listing expenses | **-** | 24,645 | **-** | - |
| Loss on revaluation of financial assets at fair value through profit or loss | **-** | 57 | **-** | 57 |
| Loss on disposal of property, plant and equipment | **162** | 66 | **-** | - |
| Rental of buildings | **10,584** | 9,819 | **3,596** | 3,730 |
| Staff costs (includes Directors' remuneration as disclosed in Note 7 but excludes defined contribution plan) | **105,881** | 95,556 | **24,375** | 24,784 |
| Defined contribution plan | **11,420** | 10,038 | **2,707** | 2,727 |
| Foreign exchange loss – unrealised | **3,272** | 2,247 | **3,272** | 476 |
| Foreign exchange loss – realised | **1,515** | - | **-** | - |
| Write - off of property, plant and equipment | **10,516** | 36 | **-** | - |
| Provision for impairment: | | | | |
| - Amounts owing by subsidiaries | **-** | - | **-** | 1,154 |
| - Amounts owing by associates | **295** | 1,811 | **-** | 1,811 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**6. Profit from operations (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **and crediting:** | | | | |
| Foreign exchange gain – realised | **5,804** | - | **-** | - |
| Foreign exchange gain - unrealised | **1,976** | 244 | **-** | - |
| Rental income on investment properties | **517** | 1,638 | **-** | - |
| Distribution upon member's voluntary liquidation | **-** | 1,330 | **-** | 1,330 |
| Write-back of provision for liquidated and ascertained damages | **-** | 2,614 | **-** | - |
| Reversal of impairment loss: | | | | |
| - Property, plant and equipment | **-** | 10,000 | **-** | - |
| - Land held for property development | **-** | 10,000 | **-** | - |
| Gain on disposal of an associate | **-** | 9,180 | **-** | - |
| Gain on disposal of property, plant and equipment | **22** | 153 | **22** | - |
| Advertisement and promotional income | **3,879** | 2,100 | **-** | - |
| Exhibition business | **1,666** | 1,675 | **-** | - |
| Leasing of storage | **1,868** | 1,700 | **-** | - |
| Recovery of liquidated and ascertain damages from a contractor | **1,020** | - | **1,020** | - |
| Gain on voluntary liquidation of subsidiary | **-** | - | **28,357** | - |

* *Direct operating expenses from investment properties that generated rental income of the Group during the financial year amounted to approximately RM213,234,000 (2012: RM226,784,000).*

Included in direct operating expenses of the Group were the following expenses:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Repairs and maintenance | **35,434** | 43,440 |
| Utilities | **45,728** | 51,179 |
| Staff costs | **29,680** | 27,433 |
| Depreciation of investment properties | **50,729** | 52,055 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 7. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fees: | | | | |
| Directors of the Company | **320** | 260 | **320** | 260 |
| Directors of subsidiaries | **261** | 440 | - | - |
| Other emoluments: | | | | |
| Directors of the Company | **6,450** | 5,955 | **6,450** | 5,955 |
| Directors of subsidiaries | **7,459** | 6,401 | - | - |
| Defined contribution plan | **1,612** | 1,445 | **748** | 704 |
| Benefits-in-kind | **219** | 328 | **104** | 76 |
| | **16,321** | 14,829 | **7,622** | 6,995 |

The Directors' remuneration has been included in staff costs as disclosed in Note 6.

## 8. Finance income and costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance costs: | | | | |
| Interest expense on term loans and revolving credits | **73,672** | 47,952 | **11,783** | 12,039 |
| Interest expense on amounts owing to subsidiaries | - | - | **44** | 20 |
| Redeemable secured bonds | - | 9,157 | - | - |
| Redeemable convertible secured bonds | - | 6,160 | - | - |
| Other financing costs | **312** | 6,319 | - | - |
| Total finance costs | **73,984** | 69,588 | **11,827** | 12,059 |
| Finance income: | | | | |
| Interest income on deposits with licensed banks | **40,702** | 30,220 | **25,661** | 9,838 |
| Interest income on late payment from tenants | **1,030** | 1,499 | - | - |
| Interest income from advances to subsidiaries | - | - | **22,705** | 9,765 |
| Others | **3,625** | - | **3** | - |
| Total finance income | **45,357** | 31,719 | **48,369** | 19,603 |
| Net finance costs/(income) | **28,627** | 37,869 | **(36,542)** | (7,544) |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 9. Tax expense

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax: | | | | | |
| Malaysian tax | | **84,254** | 123,298 | **18,476** | 7,931 |
| Foreign tax | | **4,501** | 634 | **-** | - |
| | | **88,755** | 123,932 | **18,476** | 7,931 |
| Deferred tax | 18 | **8,264** | 20,222 | **-** | - |
| | | **97,019** | 144,154 | **18,476** | 7,931 |
| Current tax: | | | | | |
| Current financial year | | **92,051** | 126,469 | **18,476** | 7,931 |
| Over accrual in prior financial years | | **(3,296)** | (2,537) | **-** | - |
| | | **88,755** | 123,932 | **18,476** | 7,931 |
| Deferred tax: | | | | | |
| Origination and reversal of temporary differences | 18 | **8,264** | 20,222 | **-** | - |
| | | **97,019** | 144,154 | **18,476** | 7,931 |

The reconciliation between the average effective tax rate and the Malaysian income tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | % | % | % | % |
| Malaysian income tax rate | **25** | 25 | **25** | 25 |
| Tax effects of: | | | | |
| Share of results of associates | **(1)** | (2) | **-** | - |
| Expenses not deductible for tax purposes | **6** | 22 | **2** | - |
| Income not subject to tax | **(5)** | (7) | **(10)** | (25) |
| Current financial year's tax loss and deductible temporary differences not recognised | **-** * | 1 | **-** | - |
| Over accrual in prior financial years | **(1)** | - * | **-** | - |
| Average effective tax rate | **24** | 39 | **17** | - |

* *The tax effects of these reconciling items are less than 1%.*

Pursuant to Section 61A of Malaysia Income Tax Act, 1967 ("Act"), income of IGB REIT will be exempted from tax provided that at least 90% of its taxable income (as defined in the Act) is distributed to the investors in the basis period of IGB REIT for that year of assessment within two (2) months after the close of financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of IGB REIT's financial year which forms the basis period for a year of assessment, then IGB REIT will be subject to income tax at the prevailing rate on its total income. Income which has been taxed at the IGB REIT level will have tax credits attached when subsequently distributed to unit holders.

# Notes to the Financial Statements
## for the financial year ended 31 December 2013
(continued)

### 10. Earnings per ordinary share

**Basic/diluted earnings per ordinary share**

Basic earnings per ordinary share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 14).

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| Profit attributable to the equity holders of the Company (RM'000) | **210,079** | 180,190 |
| Weighted average number of ordinary shares in issue ('000) | **1,393,432** | 1,445,180 |
| Basic/diluted earnings per share (sen) | **15.08** | 12.47 |

### 11. Dividends

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

| | Group and Company | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | **Gross dividend per share** | **Amount of dividend, net of tax** | **Gross dividend per share** | **Amount of dividend, net of tax** |
| | **Sen** | **RM'000** | **Sen** | **RM'000** |
| Ordinary shares: | | | | |
| Paid interim dividend of 10.0% less tax at 25% for financial year ended 31 December 2013 | **5.0** | **51,121** | - | - |
| Paid interim dividend of 15.0% less tax at 25% for financial year ended 31 December 2012 | **7.5** | **79,287** | - | - |
| Paid interim dividend of 5.0% less tax at 25% for financial year ended 31 December 2011 | - | - | 2.5 | 27,385 |
| Dividend per share recognised as distribution to ordinary equity holders | **12.5** | **130,408** | 2.5 | 27,385 |

On 28 February 2013, the Directors declared an interim dividend in respect of the financial year ended 31 December 2012 of 15% less tax at 25% which was paid on 8 April 2013 to every member who was entitled to receive the dividend as at 4.00 pm on 15 March 2013.

On 29 November 2013, the Directors declared an interim dividend in respect of the financial year ended 31 December 2013 of 10% less tax at 25% which was paid on 24 December 2013 to every member who was entitled to receive the dividend as at 4.00 pm on 16 December 2013.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 12. Share capital

| | Group and Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Ordinary shares of RM0.50 each: | | |
| Authorised | | |
| **At 1 January/31 December** | **1,000,000** | 1,000,000 |
| 1% Irredeemable Convertible Preference Shares of RM1.00 each: | | |
| Authorised | | |
| **At 1 January/31 December** | **200,000** | 200,000 |
| Ordinary shares of RM0.50 each: | | |
| Issued and fully paid | | |
| **At 1 January** | **745,148** | 745,148 |
| Less: | | |
| Cancellation of treasury shares | **(62,749)** | - |
| **At 31 December** | **682,399** | 745,148 |

## 13. Share premium

| | Group and Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Relating to ordinary shares: | | |
| **At 1 January** | **404,112** | 404,112 |
| Less: | | |
| Cancellation of treasury shares | **(291,471)** | - |
| **At 31 December** | **112,641** | 404,112 |

## 14. Treasury shares

Shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 30 May 2013, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**14. Treasury shares (continued)**

During the financial year, the Company repurchased 60,103,000 of its own shares. The average price paid for the shares repurchased was RM2.53 per share. As at 31 December 2013, a total of 6,436,100 (2012: 71,830,767) ordinary shares of RM0.50 each were held as treasury shares.

| **2013** | **Number of shares** | **Total cost RM** | **Purchase price per share RM** | | **Average cost per share RM** |
|---|---|---|---|---|---|
| | | | **Lowest** | **Highest** | |
| **At 1 January** | **71,830,767** | **157,014,548** | | | 2.19 |
| Repurchased in 2013: | | | | | |
| January | 2,520,700 | 5,921,792 | 2.31 | 2.40 | 2.35 |
| February | 5,147,100 | 11,809,728 | 2.25 | 2.34 | 2.29 |
| March | 3,743,900 | 8,407,732 | 2.19 | 2.34 | 2.25 |
| April | 2,490,800 | 5,833,286 | 2.24 | 2.39 | 2.34 |
| May | 1,740,000 | 4,090,255 | 2.32 | 2.37 | 2.35 |
| June | 5,534,700 | 13,409,206 | 2.36 | 2.59 | 2.42 |
| July | 2,524,500 | 6,370,029 | 2.44 | 2.55 | 2.52 |
| August | 7,089,900 | 18,090,933 | 2.41 | 2.63 | 2.55 |
| September | 9,721,900 | 25,286,142 | 2.50 | 2.62 | 2.60 |
| October | 7,005,000 | 18,639,411 | 2.59 | 2.68 | 2.66 |
| November | 6,533,900 | 17,646,654 | 2.66 | 2.72 | 2.70 |
| December | 6,050,600 | 16,390,446 | 2.66 | 2.72 | 2.71 |
| Total repurchased in 2013 | **60,103,000** | **151,895,614** | | | 2.53 |
| Treasury shares cancelled | **(125,497,667)** | **(291,471,362)** | | | |
| **At 31 December** | **6,436,100** | **17,438,800** | | | 2.71 |
| 2012 | | | | | |
| At 1 January | 29,306,467 | 49,020,578 | 1.15 | 2.82 | 1.67 |
| Repurchased in 2012: | | | | | |
| February | 431,400 | 1,169,024 | 2.70 | 2.70 | 2.71 |
| March | 1,782,200 | 4,896,261 | 2.69 | 2.77 | 2.75 |
| April | 2,873,700 | 7,901,148 | 2.71 | 2.77 | 2.75 |
| May | 3,027,400 | 8,314,114 | 2.71 | 2.76 | 2.75 |
| June | 3,646,900 | 9,987,302 | 2.69 | 2.78 | 2.74 |
| July | 1,087,700 | 2,974,154 | 2.70 | 2.75 | 2.73 |
| August | 7,207,200 | 18,660,371 | 2.42 | 2.72 | 2.59 |
| September | 13,428,100 | 32,430,014 | 2.20 | 2.61 | 2.42 |
| October | 3,663,900 | 8,870,958 | 2.28 | 2.50 | 2.42 |
| November | 2,160,900 | 5,179,038 | 2.36 | 2.43 | 2.40 |
| December | 3,214,900 | 7,611,586 | 2.30 | 2.45 | 2.37 |
| At 31 December | 71,830,767 | 157,014,548 | | | 2.19 |

The repurchase transactions were financed by internally generated funds. On 29 November 2013, the Company cancelled 125,497,677 treasury shares. The balance of the shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and carried at purchase cost. The Company has the right to distribute these shares as dividends to reward shareholders and/or resell the shares. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As at 31 December 2013, the number of outstanding shares in issue after setting off treasury shares against equity was 1,358,362,240 (2012: 1,418,465,240).

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 15. Revaluation and other reserves

| Group | Surplus on revaluation of properties RM'000 | Share of revaluation reserves in an associate RM'000 | Capital distribution-in-specie of KrisAssets shares RM'000 | Exchange fluctuation reserve RM'000 | Capital redemption reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **At 1 January** | **366,489** | **-** | **183,019** | **(33,579)** | **-** | **515,929** |
| Currency translation differences | **-** | **-** | **-** | **14,983** | **-** | **14,983** |
| Surplus on revaluation of property, plant and equipment | **321,105** | **-** | **-** | **-** | **-** | **321,105** |
| Deferred tax on revaluation surplus of property, plant and equipment | **(80,276)** | **-** | **-** | **-** | **-** | **(80,276)** |
| Capital distribution-in-specie of KrisAssets shares, on voluntary liquidation | **-** | **-** | **(183,019)** | **-** | **-** | **(183,019)** |
| Capital redemption reserve arising from cancellation of treasury shares | **-** | **-** | **-** | **-** | **62,749** | **62,749** |
| Realisation of revaluation surplus on property, plant and equipment, net of tax | **(2,544)** | **-** | **-** | **-** | **-** | **(2,544)** |
| **At 31 December** | **604,774** | **-** | **-** | **(18,596)** | **62,749** | **648,927** |
| 2012 | | | | | | |
| At 1 January | 370,657 | 104,181 | 183,019 | (39,613) | 293 | 618,537 |
| Currency translation differences | - | - | - | 2,709 | - | 2,709 |
| Recycling of reserves to retained earnings | - | (104,181) | - | 3,325 | (293) | (101,149) |
| Realisation of revaluation surplus on property, plant and equipment, net of tax | (4,168) | - | - | - | - | (4,168) |
| At 31 December | 366,489 | - | 183,019 | (33,579) | - | 515,929 |

| | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|
| At 1 January | - | - |
| Capital redemption reserve arising from cancellation of treasury shares | **62,749** | - |
| At 31 December | **62,749** | - |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**16. Retained earnings**

Under the single-tier tax system which comes into effect from the year of assessment 2008, companies are not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Subject to the agreement by the Inland Revenue Board, the Company has tax exempt income as at 31 December 2013 amounting to RM59,282,000 (2012: RM59,282,000) available for distribution as tax exempt dividends to shareholders.

**17. Borrowings**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Secured: | | | | | |
| Term loans | 17(a) | **1,451,287** | 1,449,939 | **201,282** | 201,279 |
| Revolving credits | 17(b) | **107,082** | 246,755 | **-** | - |
| Total repayable | | **1,558,369** | 1,696,694 | **201,282** | 201,279 |

The weighted average effective interest rates for borrowings were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **% per annum** | **% per annum** | **% per annum** | **% per annum** |
| Term loans | **4.61** | 4.61 | **5.85** | 5.85 |
| Revolving credits | **3.62** | 4.07 | **-** | - |

The carrying amounts and fair values of term loans and revolving credits were as follows:

| | Group | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| Term loans | **1,451,287** | **1,397,538** | 1,449,939 | 1,445,297 |
| Revolving credits | **107,082** | **107,082** | 246,755 | 246,755 |
| | **1,558,369** | **1,504,620** | 1,696,694 | 1,692,052 |

| | Company | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| Term loan | **201,282** | **195,229** | 201,279 | 196,637 |

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. It is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile and is within level 2 of the fair value hierarchy.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**17. Borrowings (continued)**

**(a) Term loans**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Secured: | | | | |
| Current | **56,378** | 16,557 | **1,282** | 1,279 |
| Non-current | **1,394,909** | 1,433,382 | **200,000** | 200,000 |
| Total repayable | **1,451,287** | 1,449,939 | **201,282** | 201,279 |

Term loans and revolving credits obtained by the Group and the Company comprise of the following:

A. AmTrustee Berhad ("the Trustee"), on behalf of IGB REIT, as borrower, has obtained the Syndicated Financing Facilities ("SFF") comprising the following:

(a) A fixed rate term loan facility ("FRTL") of up to RM1,200 million; and
(b) A standby revolving credit facility of ("SBRC") of up to RM20 million.

The FRTL has a tenure of five (5) years from the date of first drawdown with an option to extend the same for a further two (2) years exercisable by the Trustee. For the first five (5) years, the FRTL bears a fixed interest rate of 4.4% per annum. In the event the FRTL is extended, the interest rates for the sixth and the seventh year shall be stepped up to 5.0% per annum.

The SBRC has tenure of seven (7) years from the date of fulfilment of all conditions precedent. The SBRC bears a floating interest rate of the aggregate effective costs of funds and a margin of 0.7% per annum.

The SFF are secured against, among others, the following:

(i) a first party assignment by the Trustee of its rights, title, interests and benefits in Mid Valley Megamall and under the sale and purchase agreement in relation to Mid Valley Megamall pursuant to the Acquisitions and all other documents evidencing the Trustee's interest in Mid Valley Megamall. In the event the subdivision of master title is completed and a separate strata title is issued for Mid Valley Megamall ("Megamall Strata Title"), a first party first legal charge shall be created by the Trustee on the Megamall Strata Title for the benefit of the syndicated lenders;

(ii) an undertaking from the Trustee and IGB REIT Management Sdn Bhd ("the Manager");

(a) to deposit all cash flows generated from Mid Valley Megamall into the revenue account; and

(b) that it shall not declare or make any dividends or distributions out of the cash flow derived from Mid Valley Megamall to the Unit holders if an event of default has occurred under the terms of the SFF, and is continuing and has not been waived;

(iii) a first party legal assignment and charge by the Trustee over all rights, interests, title and benefits relating to the following designated accounts:

(a) the revenue account into which the Trustee shall credit, among others, all income and insurance proceeds derived from or in relation to Mid Valley Megamall;

(b) the operating account which is to capture funds transferred from the revenue account for the purpose of managing the operating expenditure of Mid Valley Megamall; and

(c) the debt service reserve account which is to capture funds transferred from the revenue account for purposes of meeting the debt service requirement;

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**17. Borrowings (continued)**

**(a) Term loans (continued)**

A. AmTrustee Berhad ("the Trustee"), on behalf of IGB REIT, as borrower, has obtained the Syndicated Financing Facilities ("SFF") comprising the following: **(continued)**

The SFF are secured against, among others, the following: **(continued)**

(iv) a first party legal assignment by the Trustee of all the proceeds under the tenancy/lease agreements in relation to Mid Valley Megamall; and

(v) a first party legal assignment over all of the Trustee's rights, interests, titles and benefits and all the insurance policies in relation to Mid Valley Megamall and the security agent (acting for and on behalf of the syndicated lenders) being named as the loss payee and beneficiary of the insurance policies.

As at 31 December 2013, the outstanding amount of the SFF including accrued interest was RM1,222,515,000 (2012: RM1,220,987,000).

B. A term loan ("TL") of RM40 million (2012: RM40 million) of a subsidiary with a tenure of five (5) years from the date of first drawdown and bears a floating interest rate of the aggregate effective cost of funds and a margin of 1.35% per annum.

The TL is secured against the following:

(i) A first party charge over hotel properties (Note 19A);

(ii) Debenture over assets of the subsidiary; and

(iii) Assignment of all insurance policies of the subsidiary.

As at 31 December 2013, the outstanding amount of the TL including accrued interest was RM40,196,000 (2012: RM112,437,000).

C. Term loan obtained by the Company comprise a FRTL of RM200 million (2012: RM200 million) with a tenure of ten (10) years from the date of first drawdown and bears a fixed interest rate of 5.85% per annum.

The FRTL is secured against the hotel property of a subsidiary (Note 19A).

As at 31 December 2013, the outstanding amount of the FRTL including accrued interest was RM201,282,000 (2012: RM201,279,000).

**17. Borrowings (continued)**

**(a) Term loans (continued)**

The maturity profile of term loans was as follows:

| | Fixed interest rate | | | | | | Floating interest rate | | |
|---|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 – 2 years | 2 – 3 years | 3 – 4 years | 4 – 5 years | > 5 years | < 1 year | 1 – 2 years | Total |
| **Group** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 31 December 2013** | | | | | | | | | |
| Secured: | | | | | | | | | |
| Term loans | **16,182** | **-** | **50,000** | **1,244,909** | **100,000** | **-** | **40,196** | **-** | **1,451,287** |
| At 31 December 2012 | | | | | | | | | |
| Secured: | | | | | | | | | |
| Term loans | 16,557 | - | - | 50,000 | 1,243,382 | 100,000 | - | 40,000 | 1,449,939 |
| **Company** | | | | | | | | | |
| **At 31 December 2013** | | | | | | | | | |
| Secured: | | | | | | | | | |
| Term loans | **1,282** | **-** | **50,000** | **50,000** | **100,000** | **-** | **-** | **-** | **201,282** |
| At 31 December 2012 | | | | | | | | | |
| Secured: | | | | | | | | | |
| Term loans | 1,279 | - | - | 50,000 | 50,000 | 100,000 | - | - | 201,279 |

**(b) Revolving credits**

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Secured: | | |
| Current | **107,082** | 246,755 |

The revolving credits, other than as disclosed in Note 17(a), are secured by way of:
(a) Corporate guarantee by the Company to its subsidiaries;
(b) Deposit of master title of a piece of land held for property development (Note 20(b));
(c) Deposits pledged with licensed banks (Note 33).

As at 31 December 2013, the total revolving credits outstanding was RM106,723,000 (2012: RM239,463,000).

# Notes to the Financial Statements
## for the financial year ended 31 December 2013
(continued)

### 18. Deferred taxation

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 taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | | Group | |
|---|---|---|---|
| | | 2013 | 2012 |
| | Note | RM'000 | RM'000 |
| Subject to income tax | | | |
| Deferred tax assets: | | | |
| Property, plant and equipment | | - | 4,232 |
| Provisions | | **1,649** | 1,661 |
| Deferred tax assets | | **1,649** | 5,893 |
| Deferred tax liabilities: | | | |
| Property, plant and equipment | | **(266,010)** | (183,198) |
| Property development costs | | **(5,064)** | (3,345) |
| Land held for property development | | **(831)** | (1,066) |
| Others | | **(117)** | (117) |
| Deferred tax liabilities | | **(272,022)** | (187,726) |
| **At 31 December** | | **(270,373)** | (181,833) |
| **At 1 January** | | **(181,833)** | (161,611) |
| Credited/(charged) to income statement: | | | |
| Property, plant and equipment | | **(6,768)** | (20,056) |
| Property development costs | | **(1,719)** | 34 |
| Land held for property development | | **235** | (76) |
| Provisions | | **(12)** | (124) |
| | 9 | **(8,264)** | (20,222) |
| Charged to statement of comprehensive income: | | | |
| Deferred tax on revaluation surplus on property, plant and equipment | 15 | **(80,276)** | - |
| **At 31 December** | | **(270,373)** | (181,833) |

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deductible temporary differences | **287** | 262 | **7,690** | 6,081 |
| Unused tax losses | **50,706** | 47,132 | - | - |
| | **50,993** | 47,394 | **7,690** | 6,081 |
| Deferred tax assets not recognised at 25% (2012: 25%) | **12,748** | 11,849 | **1,923** | 1,520 |

No deferred tax assets has been recognised in respect of the above deductible temporary differences and unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

## 19. Property, plant and equipment

| Group 2013 | Note | Freehold land RM'000 | Leasehold land RM'000 | Hotel properties (Note 19A) RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Office furniture, fittings and equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January** | | | | | | | | | | |
| At cost | | 1,616 | 1,558 | 1,099,222 | 992 | 11,217 | 7,472 | 57,681 | 88,192 | 1,267,950 |
| At valuation | | 18,200 | - | 816,381 | - | - | - | - | - | 834,581 |
| Additions | | - | - | 13,375 | - | 9,118 | 2,829 | 2,332 | 86,535 | 114,189 |
| Surplus on revaluation | | - | - | 321,105 | - | - | - | - | - | 321,105 |
| Currency translation differences | | - | - | (5,589) | - | - | 18 | - | (311) | (5,882) |
| Transferred from accumulated depreciation on revaluation surplus | | - | - | (100,568) | - | - | - | - | - | (100,568) |
| Transferred from investment properties | 21 | 12,533 | - | 123,378 | - | - | - | - | 798 | 136,709 |
| Transferred from land held for property development | 20(a) | 28,797 | - | - | - | - | - | - | 14,367 | 43,164 |
| Reclassification | | - | - | 1,388 | - | - | - | - | (1,388) | - |
| Write-offs | | - | - | (10,437) | - | - | (121) | (300) | (3,282) | (14,140) |
| Disposals | | - | - | (2,624) | - | - | (1,776) | (21,918) | - | (26,318) |
| **At 31 December** | | 61,146 | 1,558 | 2,255,631 | 992 | 20,335 | 8,422 | 37,795 | 184,911 | 2,570,790 |
| Accumulated depreciation | | | | | | | | | | |
| **At 1 January** | | - | 253 | 217,346 | 361 | 4,520 | 5,992 | 37,038 | - | 265,510 |
| Charge for the financial year | | - | 16 | 67,496 | 20 | 631 | 1,961 | 4,600 | - | 74,724 |
| Currency translation differences | | - | - | 1,976 | - | - | 18 | - | - | 1,994 |
| Transferred to cost on revaluation surplus | | - | - | (100,568) | - | - | - | - | - | (100,568) |
| Transferred from investment properties | 21 | - | - | 1,715 | - | - | - | - | - | 1,715 |
| Write-offs | | - | - | (3,225) | - | - | (121) | (278) | - | (3,624) |
| Disposals | | - | - | (15) | - | - | (1,776) | (21,916) | - | (23,707) |
| **At 31 December** | | - | 269 | 184,725 | 381 | 5,151 | 6,074 | 19,444 | - | 216,044 |
| Accumulated impairment losses | | | | | | | | | | |
| **At 1 January/31 December** | | - | - | 7,425 | - | - | - | - | - | 7,425 |
| Net book value | | | | | | | | | | |
| At cost | | 42,946 | 1,289 | 829,563 | 611 | 15,184 | 2,348 | 18,351 | 184,911 | 1,095,203 |
| At valuation | | 18,200 | - | 1,233,918 | - | - | - | - | - | 1,252,118 |
| **At 31 December** | | 61,146 | 1,289 | 2,063,481 | 611 | 15,184 | 2,348 | 18,351 | 184,911 | 2,347,321 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

| **Group** **2012** | **Note** | **Freehold land RM'000** | **Leasehold land RM'000** | **Hotel properties (Note 19A) RM'000** | **Buildings RM'000** | **Plant and machinery RM'000** | **Motor vehicles RM'000** | **Office furniture, fittings and equipment RM'000** | **Capital work-in-progress RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January | | | | | | | | | | |
| At cost | | 35,286 | 1,558 | 371,247 | 992 | 11,498 | 7,794 | 59,222 | 42,369 | 529,966 |
| At valuation | | 18,200 | - | 859,642 | - | - | - | - | - | 877,842 |
| Acquisition of subsidiary | | - | - | 709,258 | - | - | - | (1,343) | 222 | 708,137 |
| Additions | | 103 | - | 23,905 | - | 20 | 827 | 2,717 | 46,623 | 74,195 |
| Currency translation differences | | - | - | (1,964) | - | - | (9) | - | - | (1,973) |
| Transferred from accumulated depreciation on revaluation surplus | | - | - | (45,876) | - | - | - | - | - | (45,876) |
| Transferred to investment properties | 21 | - | - | - | - | - | - | - | (584) | (584) |
| Transferred to property development costs | 20(b) | (33,773) | - | - | - | - | - | - | (438) | (34,211) |
| Write-offs | | - | - | (26) | - | (301) | (8) | (2,238) | - | (2,573) |
| Disposals | | - | - | (583) | - | - | (1,132) | (677) | - | (2,392) |
| At 31 December | | 19,816 | 1,558 | 1,915,603 | 992 | 11,217 | 7,472 | 57,681 | 88,192 | 2,102,531 |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January | | - | 237 | 203,703 | 341 | 4,416 | 6,347 | 35,793 | - | 250,837 |
| Charge for the financial year | | - | 16 | 59,640 | 20 | 405 | 715 | 4,131 | - | 64,927 |
| Acquisition of subsidiary | | - | - | 1,343 | - | - | - | - | - | 1,343 |
| Currency translation differences | | - | - | (972) | - | - | (8) | - | - | (980) |
| Transferred to cost on revaluation surplus | 21 | - | - | (45,876) | - | - | - | - | - | (45,876) |
| Write-offs | | - | - | (17) | - | (301) | (8) | (2,211) | - | (2,537) |
| Disposals | | - | - | (475) | - | - | (1,054) | (675) | - | (2,204) |
| At 31 December | | - | 253 | 217,346 | 361 | 4,520 | 5,992 | 37,038 | - | 265,510 |
| Accumulated impairment losses | | | | | | | | | | |
| At 1 January | | - | - | 17,425 | - | - | - | - | - | 17,425 |
| Reversal of impairment loss | | - | - | (10,000) | - | - | - | - | - | (10,000) |
| At 31 December | | - | - | 7,425 | - | - | - | - | - | 7,425 |
| Net book value | | | | | | | | | | |
| At cost | | 1,616 | 1,305 | 958,308 | 631 | 6,697 | 1,480 | 20,643 | 88,192 | 1,078,872 |
| At valuation | | 18,200 | - | 732,524 | - | - | - | - | - | 750,724 |
| At 31 December | | 19,816 | 1,305 | 1,690,832 | 631 | 6,697 | 1,480 | 20,643 | 88,192 | 1,829,596 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

**19A. Hotel properties**

| Group<br>2013 | Note | Freehold land<br>RM'000 | Hotel buildings<br>RM'000 | Plant and machinery<br>RM'000 | Office furniture, fittings and equipment<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **At 1 January** | | | | | | |
| At cost | | 160,000 | 726,257 | 42,288 | 170,677 | 1,099,222 |
| At valuation | | 143,000 | 577,100 | 10,690 | 85,591 | 816,381 |
| Additions | | - | 2,797 | 2,172 | 8,406 | 13,375 |
| Surplus on revaluation | | - | 321,105 | - | - | 321,105 |
| Currency translation differences | | (4,554) | (2,924) | 1,404 | 485 | (5,589) |
| Transferred from accumulated depreciation on revaluation surplus | | - | (14,441) | (15,234) | (70,893) | (100,568) |
| Transferred from investment properties | 21 | 57,119 | 66,259 | - | - | 123,378 |
| Reclassification | | - | (2,786) | 124 | 4,050 | 1,388 |
| Write-offs | | - | (8,652) | (410) | (1,375) | (10,437) |
| Disposals | | - | (2,589) | (18) | (17) | (2,624) |
| **At 31 December** | | 355,565 | 1,662,126 | 41,016 | 196,924 | 2,255,631 |
| | | | | | | |
| Accumulated depreciation | | | | | | |
| **At 1 January** | | - | 60,114 | 29,389 | 127,843 | 217,346 |
| Charge for the financial year | | - | 28,660 | 5,678 | 33,158 | 67,496 |
| Currency translation differences | | - | 863 | 712 | 401 | 1,976 |
| Transferred to cost on revaluation surplus | | - | (14,441) | (15,234) | (70,893) | (100,568) |
| Reclassification | | - | (1,701) | 306 | 1,395 | - |
| Transferred from investment properties | 21 | - | 1,715 | - | - | 1,715 |
| Write-offs | | - | (1,751) | (399) | (1,075) | (3,225) |
| Disposals | | - | - | (1) | (14) | (15) |
| **At 31 December** | | - | 73,459 | 20,451 | 90,815 | 184,725 |
| | | | | | | |
| Accumulated impairment losses | | | | | | |
| **At 1 January/31 December** | | - | 7,425 | - | - | 7,425 |
| | | | | | | |
| **Net book value** | | | | | | |
| At cost | | 212,565 | 578,780 | 11,182 | 27,036 | 829,563 |
| At valuation | | 143,000 | 1,002,462 | 9,383 | 79,073 | 1,233,918 |
| **At 31 December** | | 355,565 | 1,581,242 | 20,565 | 106,109 | 2,063,481 |

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

**19A. Hotel properties (continued)**

| **Group** | **Freehold land** | **Hotel buildings** | **Plant and machinery** | **Office furniture, fittings and equipment** | **Total** |
|---|---|---|---|---|---|
| **2012** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 January | | | | | |
| At cost | - | 199,280 | 42,093 | 129,874 | 371,247 |
| At valuation | 143,000 | 577,667 | 24,043 | 114,932 | 859,642 |
| Acquisition of subsidiary | 160,000 | 520,838 | - | 28,420 | 709,258 |
| Additions | - | 11,687 | 1,449 | 10,769 | 23,905 |
| Currency translation differences | - | (1,057) | (671) | (236) | (1,964) |
| Transferred from accumulated depreciation on revaluation surplus | - | - | (13,936) | (31,940) | (45,876) |
| Reclassification | - | (4,908) | 22 | 4,886 | - |
| Write-offs | - | - | - | (26) | (26) |
| Disposals | - | (150) | (22) | (411) | (583) |
| At 31 December | 303,000 | 1,303,357 | 52,978 | 256,268 | 1,915,603 |
| | | | | | |
| Accumulated depreciation | | | | | |
| At 1 January | - | 39,991 | 37,602 | 126,110 | 203,703 |
| Charge for the financial year | - | 24,665 | 5,217 | 29,758 | 59,640 |
| Acquisition of subsidiary | - | - | - | 1,343 | 1,343 |
| Currency translation differences | - | (453) | (325) | (194) | (972) |
| Transferred to cost on revaluation surplus | - | - | (13,936) | (31,940) | (45,876) |
| Reclassification | - | (3,991) | 1,041 | 2,950 | - |
| Write-offs | - | - | - | (17) | (17) |
| Disposals | - | (98) | (210) | (167) | (475) |
| At 31 December | - | 60,114 | 29,389 | 127,843 | 217,346 |
| | | | | | |
| Accumulated impairment losses | | | | | |
| At 1 January | - | 17,425 | - | - | 17,425 |
| Reversal of impairment loss | - | (10,000) | - | - | (10,000) |
| At 31 December | - | 7,425 | - | - | 7,425 |
| | | | | | |
| Net book value | | | | | |
| At cost | 160,000 | 684,485 | 17,454 | 96,369 | 958,308 |
| At valuation | 143,000 | 551,333 | 6,135 | 32,056 | 732,524 |
| At 31 December | 303,000 | 1,235,818 | 23,589 | 128,425 | 1,690,832 |

The reversal of impairment in hotel buildings in financial year 2012 was due to the improvement in the hotel performance of Earning Edge Sdn Bhd.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

**19A. Hotel properties (continued)**

| **Company** | **Plant and machinery** | **Motor vehicles** | **Office furniture, fittings and equipment** | **Total** |
|---|---|---|---|---|
| **2013** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At cost** | | | | |
| **At 1 January** | **5,206** | **1,621** | **9,200** | **16,027** |
| Additions | **-** | **467** | **755** | **1,222** |
| Disposals | **-** | **(217)** | **(32)** | **(249)** |
| **At 31 December** | **5,206** | **1,871** | **9,923** | **17,000** |
| Accumulated depreciation | | | | |
| **At 1 January** | **5,206** | **1,608** | **5,648** | **12,462** |
| Charge for the financial year | **-** | **75** | **1,225** | **1,300** |
| Disposals | **-** | **(217)** | **(32)** | **(249)** |
| **At 31 December** | **5,206** | **1,466** | **6,841** | **13,513** |
| Net book value | | | | |
| **At 31 December** | **-** | **405** | **3,082** | **3,487** |
| 2012 | | | | |
| At cost | | | | |
| At 1 January | 5,206 | 1,621 | 6,894 | 13,721 |
| Additions | - | - | 2,314 | 2,314 |
| Write-offs | - | - | (8) | (8) |
| At 31 December | 5,206 | 1,621 | 9,200 | 16,027 |
| Accumulated depreciation | | | | |
| At 1 January | 5,206 | 1,513 | 5,126 | 11,845 |
| Charge for the financial year | - | 95 | 530 | 625 |
| Write-offs | - | - | (8) | (8) |
| At 31 December | 5,206 | 1,608 | 5,648 | 12,462 |
| Net book value | | | | |
| At 31 December | - | 13 | 3,552 | 3,565 |

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

**Hotel properties**

In accordance with the Group's accounting policy on property, plant and equipment, hotel properties (land and building) are revalued on a periodic basis, but at least once every five years, by external independent valuers. The following were the valuations performed on hotel properties during the current and preceding financial years:

(i) The hotel building of Mid Valley City Hotels Sdn. Bhd., a subsidiary of the Company, stated at cost was revalued during the financial year ended 31 December 2013 by an independent qualified valuer, Mr Long Tian Chek, a member of the Institute of Surveyors, Malaysia, a registered valuer of Henry Butcher Malaysia Sdn. Bhd. The valuation was arrived at by the Comparison Method of Valuation where reference was made to similar properties that were sold recently and those that are currently offered for sale in the vicinity.

Based on this valuation, the value of the hotel building was RM515,000,000, as compared to the carrying value of RM193,894,674. The resultant surplus of RM321,105,326 had been credited to revaluation reserve and adjusted to the hotel building by eliminating the accumulated depreciation of RM14,441,115.

(ii) The hotel building and freehold land of Pangkor Island Resort Sdn. Bhd., a subsidiary of the Company, stated at valuation was revalued during the financial year ended 31 December 2011 by an independent qualified valuer, Mr Thoo Sing Choon, a member of the Institute of Surveyors, Malaysia and a registered valuer of Jordan Lee & Jaafar Sdn. Bhd. The valuation was arrived at by the Profits Method of Valuation to derive at the present market value of the hotel property and a combination of the Comparison Method for the land and the Cost Method of Valuation for the building as cross-check method.

Based on this valuation, the value of the hotel building was RM46,000,000, as compared to the carrying value of RM49,754,142. The resultant deficit of RM3,754,142 had been accounted for by reversing previous revaluation surplus for the same asset and adjusted to the hotel building by eliminating the accumulated depreciation of RM5,000,000.

Based on this valuation, the value of the freehold land was RM17,000,000 as compared to its carrying value of RM15,500,000. The surplus of RM1,500,000 had been credited to revaluation reserve.

(iii) The hotel building of Tanah Permata Sdn. Bhd., a subsidiary of the Company, stated at valuation was revalued during the financial year ended 31 December 2011 by an independent qualified valuer, Mr Yap Kian Ann, a member of the Institute of Surveyors, Malaysia, a registered valuer of Jordan Lee & Jaafar Sdn. Bhd. using the Comparison and Profits Methods of Valuation to derive at the market value of the hotel building.

Based on this valuation, the value of the hotel building was RM290,000,000, as compared to its carrying value of RM101,842,608. The resultant surplus of RM188,157,392 had been credited to revaluation reserve.

(iv) The hotel building of Mid Valley City Enterprise Sdn. Bhd., a subsidiary of the Company, stated at cost was revalued during the financial year ended 31 December 2010 by an independent qualified valuer, Mr Yap Kian Ann, a member of the Institute of Surveyors, Malaysia, a registered valuer of Jordan Lee & Jaafar Sdn. Bhd. The valuation was arrived at by the Comparison and Profits Methods of Valuation where reference was made to similar properties that were sold recently and those that are currently offered for sale in the vicinity.

Based on this valuation, the value of the hotel building was RM162,132,000, as compared to the carrying value of RM48,903,000. The resultant surplus of RM113,229,000 had been credited to revaluation reserve and adjusted to the hotel building by eliminating the accumulated depreciation of RM3,995,000.

(v) The hotel building and freehold land of TTD Sdn. Bhd., a subsidiary of the Company, stated at valuation was revalued during the financial year ended 31 December 2010 by an independent qualified valuer, Mr Yap Kian Ann, a member of the Institute of Surveyors, Malaysia, a registered valuer of Jordan Lee & Jaafar Sdn. Bhd. The valuation was arrived at by the Comparison Method of Valuation where reference was made to similar properties that were sold recently and those that are currently offered for sale in the vicinity.

Based on this valuation, the value of the hotel building was RM56,541,000, as compared to the carrying value of RM53,536,000. The resultant surplus of RM3,005,000 had been credited to revaluation reserve and adjusted to the hotel building by eliminating the accumulated depreciation of RM3,005,000.

Based on this valuation, the value of the freehold land was RM110,000,000 as compared to its carrying value of RM65,025,000. The resultant surplus of RM44,975,000 had been credited to revaluation surplus.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**19. Property, plant and equipment (continued)**

**Hotel properties (continued)**

(vi) The hotel building and freehold land of Central Review Sdn. Bhd., a subsidiary of the Company, stated at valuation was revalued during the financial year ended 31 December 2009 by an independent qualified valuer, Mr Yap Kian Ann, a member of the Institute of Surveyors, Malaysia, a registered valuer of Jordan Lee & Jaafar Sdn. Bhd. The valuation was arrived at by the Comparison and Profits Methods of Valuation where reference was made to similar properties that were sold recently and those that are currently offered for sale in the vicinity.

Based on this valuation, the value of the hotel building was RM24,000,000, as compared to the carrying value of RM18,824,000. The resultant surplus of RM5,176,000 had been accounted for by reversing the revaluation of RM3,936,000 previously recognised in income statement. The balance of RM1,240,000 had been credited to revaluation reserve and adjusted to the hotel building by eliminating the accumulated depreciation of RM1,583,000.

Based on this valuation, the value of the freehold land was RM16,000,000 as compared to its carrying value of RM8,200,000. The resultant surplus of RM7,800,000 had been credited to revaluation surplus.

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Net book value of revalued property, plant and equipment had these assets been carried at cost less accumulated depreciation: | | |
| Freehold land | **1,040** | 1,040 |
| Hotel properties: | | |
| Land | **74,892** | 74,892 |
| Buildings | **328,312** | 191,557 |
| | **403,204** | 266,449 |
| Net book value of assets pledged as security for borrowings (Note 17): | | |
| Hotel properties | **704,820** | 716,114 |
| | **704,820** | 716,114 |

The level 3 hotel properties' fair value is determined by external valuations based on the comparison approach using significant unobservable inputs. The comparison approach entails comparing hotel properties with similar properties that were sold recently and those that are currently being offered for sale in the vicinity. The location of the hotel property, time element, merits and demerits of the hotel properties are taken into consideration to arrive at an acceptable degree of comparability and the value of the hotel properties. The valuation results will be reviewed by management and deliberated during management's executive committee meetings.

Changes in fair value are recognised in the statement of comprehensive income during the period in which they are reviewed.

| **Hotel properties** | **Valuation technique** | **Fair value** | **Range of average price per room** | **Parameters - Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|
| | | **RM '000** | **RM '000** | |
| - 3 and 4 star ratings | Comparison approach | 471,900 | 165 - 450 | The higher the average price per room, the higher the fair value |
| - 5 star ratings | Comparison approach | 762,018 | 330 - 805 | The higher the average price per room, the higher the fair value |
| | | 1,233,918 | | |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 20. Property development activities

### (a) Land held for property development

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| **At 1 January** | | | | | |
| Freehold land, at cost | | **207,580** | 213,925 | - | 6,345 |
| Leasehold land, at cost | | **333** | 333 | - | - |
| Development costs | | **102,988** | 101,526 | - | 2,693 |
| | | **310,901** | 315,784 | - | 9,038 |
| Costs incurred during the financial year: | | | | | |
| Development costs | | **812** | 4,155 | - | - |
| Transferred from property development costs: | | | | | |
| Freehold land | 20(b) | **28,753** | - | - | - |
| Development costs | 20(b) | **4,089** | - | - | - |
| | | **344,555** | 319,939 | - | 9,038 |
| Transferred to property, plant and equipment: | | | | | |
| Freehold land | 19 | **(28,797)** | - | - | - |
| Development costs | 19 | **(14,367)** | - | - | - |
| Transferred to property development costs: | | | | | |
| Freehold land | 20(b) | - | (6,345) | - | (6,345) |
| Development costs | 20(b) | - | (2,693) | - | (2,693) |
| Accumulated impairment losses | | **(62,842)** | (62,842) | - | - |
| **At 31 December** | | **238,549** | 248,059 | - | - |
| | | | | | |
| Land held for property development is analysed as follows: | | | | | |
| Freehold land, at cost | | **207,536** | 207,580 | - | - |
| Leasehold land, at cost | | **333** | 333 | - | - |
| Development costs | | **93,522** | 102,988 | - | - |
| | | **301,391** | 310,901 | - | - |
| Accumulated impairment losses | | **(62,842)** | (62,842) | - | - |
| **At 31 December** | | **238,549** | 248,059 | - | - |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**20. Property development activities (continued)**

**(b) Property development costs**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 1 January** | | | | | |
| Freehold land, at cost | | **134,502** | 96,067 | **6,345** | - |
| Leasehold land, at cost | | **81,816** | 84,652 | **-** | - |
| Development costs | | **130,209** | 66,850 | **8,722** | - |
| | | **346,527** | 247,569 | **15,067** | - |
| Costs incurred during the financial year: | | | | | |
| Freehold land | | **120,975** | - | **-** | - |
| Development costs | | **103,115** | 61,656 | **11,014** | 6,029 |
| Transferred (to)/from land held for property development: | | | | | |
| Freehold land | 20(a) | **(28,753)** | 6,345 | **-** | 6,345 |
| Development costs | 20(a) | **(4,089)** | 2,693 | **-** | 2,693 |
| Transferred from property, plant and equipment: | | | | | |
| Freehold land | 19 | **-** | 32,090 | **-** | - |
| Development costs | 19 | **-** | 2,121 | **-** | - |
| Charge out of costs in respect of completed developments during the financial year: | | | | | |
| Freehold land | | **(9,204)** | - | **-** | - |
| Development costs | | **(60,237)** | - | **-** | - |
| | | **468,334** | 352,474 | **26,081** | 15,067 |
| Costs recognised to income statement in previous financial years | | **(117,396)** | (44,392) | **-** | - |
| Costs recognised to income statement in current financial year | | **(99,554)** | (73,004) | **(14,400)** | - |
| Transferred to investment properties: | | | | | |
| Leasehold land | 21 | **-** | (2,836) | **-** | - |
| Development costs | 21 | **-** | (3,111) | **-** | - |
| Transferred to inventories | | **(20,033)** | - | **-** | - |
| Charge out of costs recognised in income statement in respect of completed developments | | **69,532** | - | **-** | - |
| **At 31 December** | | **300,883** | 229,131 | **11,681** | 15,067 |
| Property development costs are analysed as follows: | | | | | |
| Freehold land, at cost | | **147,169** | 134,502 | **6,345** | 6,345 |
| Leasehold land, at cost | | **152,167** | 81,816 | **-** | - |
| Development costs | | **168,998** | 130,209 | **19,736** | 8,722 |
| Accumulated costs recognised as an expense in income statement | | **(167,451)** | (117,396) | **(14,400)** | - |
| **At 31 December** | | **300,883** | 229,131 | **11,681** | 15,067 |
| Leasehold land at cost charged as security for borrowings (Note 17(b)) | | **70,263** | 68,922 | **-** | - |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**21. Investment properties**

| Group<br>2013 | Note | Leasehold land<br>RM'000 | Freehold land<br>RM'000 | Buildings<br>RM'000 | Building fittings<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| At cost | | | | | | | |
| **At 1 January** | | **248,985** | **177,663** | **1,518,761** | **366,131** | **176,060** | **2,487,600** |
| Acquisition of a subsidiary | 38A | **44,956** | **-** | **-** | **-** | **-** | **44,956** |
| Transferred to property, plant and equipment | 19 | **-** | **(69,652)** | **(66,259)** | **-** | **(798)** | **(136,709)** |
| Reclassification | | **2,162** | **-** | **(2,162)** | **-** | **-** | **-** |
| Additions | | **288,921** | **-** | **2,880** | **1,423** | **57,558** | **350,782** |
| **At 31 December** | | **585,024** | **108,011** | **1,453,220** | **367,554** | **232,820** | **2,746,629** |
| Accumulated depreciation | | | | | | | |
| **At 1 January** | | **19,589** | **-** | **232,899** | **270,033** | **-** | **522,521** |
| Charge for the financial year | | **2,688** | **-** | **28,686** | **19,355** | **-** | **50,729** |
| Transferred to property, plant and equipment | 19 | **-** | **-** | **(1,715)** | **-** | **-** | **(1,715)** |
| **At 31 December** | | **22,277** | **-** | **259,870** | **289,388** | **-** | **571,535** |
| **Net book value** | | | | | | | |
| **At 31 December** | | **562,747** | **108,011** | **1,193,350** | **78,166** | **232,820** | **2,175,094** |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**21. Investment properties (continued)**

| **Group** **2012** | **Note** | **Leasehold land** **RM'000** | **Freehold land** **RM'000** | **Buildings** **RM'000** | **Building fittings** **RM'000** | **Capital work-in-progress** **RM'000** | **Total** **RM'000** |
|---|---|---|---|---|---|---|---|
| At cost | | | | | | | |
| At 1 January | | 246,149 | 178,308 | 1,502,856 | 365,790 | 90,791 | 2,383,894 |
| Transferred from property development costs | 20(b) | 2,836 | - | - | - | 3,111 | 5,947 |
| Transferred from property, plant and equipment | 19 | - | - | - | - | 584 | 584 |
| Reclassification | | - | - | (310) | 310 | - | - |
| Additions | | - | - | 16,936 | 31 | 81,574 | 98,541 |
| Currency translation differences | | - | (645) | (721) | - | - | (1,366) |
| At 31 December | | 248,985 | 177,663 | 1,518,761 | 366,131 | 176,060 | 2,487,600 |
| Accumulated depreciation | | | | | | | |
| At 1 January | | 16,535 | - | 203,157 | 250,780 | - | 470,472 |
| Charge for the financial year | | 3,054 | - | 29,748 | 19,253 | - | 52,055 |
| Currency translation differences | | - | - | (6) | - | - | (6) |
| At 31 December | | 19,589 | - | 232,899 | 270,033 | - | 522,521 |
| Net book value | | | | | | | |
| At 31 December | | 229,396 | 177,663 | 1,285,862 | 96,098 | 176,060 | 1,965,079 |

The fair value of the investment properties above were estimated at RM6,857,927,000 (2012: RM6,030,434,000) based on either valuations by independent qualified valuers or management's estimates. Valuations were based on current prices in an active market for certain properties and where appropriate, the investment method reflecting receipt of contractual rentals, expected future market rentals, current market yields, void periods, sinking funds and maintenance requirements and approximate capitalisation rates is used.

The Group uses assumptions that are mainly based on market conditions existing at each reporting date. Investment property with net book value RM413,241,000 (2012: RM423,216,000) have been charged as security for borrowings as disclosed in Note 17.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

## 22. Long term prepaid lease

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At cost | | |
| **At 1 January** | **6,613** | 6,827 |
| Foreign exchange difference | **439** | (214) |
| **At 31 December** | **7,052** | 6,613 |
| Accumulated amortisation | | |
| **At 1 January** | **2,910** | 2,778 |
| Current year amortisation | **234** | 225 |
| Foreign exchange difference | **211** | (93) |
| **At 31 December** | **3,355** | 2,910 |
| Net book value | | |
| **At 31 December** | **3,697** | 3,703 |

## 23. Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At cost | | |
| Quoted shares | **2,375,056** | 3,233,208 |
| Unquoted shares | **1,801,747** | 1,242,847 |
| | **4,176,803** | 4,476,055 |
| Less: Accumulated impairment losses | **(5,969)** | (5,969) |
| **At 31 December** | **4,170,834** | 4,470,086 |
| Market value of quoted shares | **2,063,005** | 3,152,670 |

Details of subsidiaries are set out in Note 39.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**24. Investments in associates**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| At cost | | | | |
| Unquoted shares in Malaysia | **137,364** | 124,135 | **13,701** | 13,701 |
| Unquoted shares outside Malaysia | **41,941** | 41,941 | **-** | - |
| | **179,305** | 166,076 | **13,701** | 13,701 |
| Group's share of post acquisition reserves less losses | **220,717** | 207,616 | **-** | - |
| | **400,022** | 373,692 | **13,701** | 13,701 |
| Less: Accumulated impairment losses | **(9,424)** | (17,908) | **(4,059)** | (4,059) |
| **At 31 December** | **390,598** | 355,784 | **9,642** | 9,642 |

The Group's share of revenue, profit, assets and liabilities of associates was as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RM'000** | RM'000 |
| Revenue | **172,004** | 158,730 |
| Profit after tax | **19,206** | 10,418 |
| Non-current assets | **542,085** | 454,011 |
| Current assets | **393,331** | 311,760 |
| Current liabilities | **(448,917)** | (218,102) |
| Non-current liabilities | **(86,477)** | (173,977) |
| Net assets | **400,022** | 373,692 |
| Less: Accumulated impairment losses | **(9,424)** | (17,908) |
| **At 31 December** | **390,598** | 355,784 |

Details of associates are set out in Note 40.

# Notes to the Financial Statements
## for the financial year ended 31 December 2013
(continued)

**25(A). Financial instruments by category**

| Group | Financial assets at fair value through profit or loss RM'000 | Loans and receivables at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|
| **2013** | | | |
| Assets as per statement of financial position: | | | |
| Financial assets at fair value through profit or loss (marketable securities) | **394** | **-** | **394** |
| Trade and other receivables excluding prepayments and accrued billings (including intercompany balances) | **-** | **207,223** | **207,223** |
| Cash held under Housing Development Accounts | **-** | **32,984** | **32,984** |
| Cash and bank balances | **-** | **1,037,569** | **1,037,569** |
| Total financial assets | **394** | **1,277,776** | **1,278,170** |

| | Other financial liabilities at amortised cost RM'000 |
|---|---|
| Liabilities as per statement of financial position: | |
| Borrowings | **1,558,369** |
| Trade and other payables excluding statutory liabilities (including intercompany balances) | **541,013** |
| Total financial liabilities | **2,099,382** |

| Group | Financial assets at fair value through profit or loss RM'000 | Loans and receivables at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|
| 2012 | | | |
| Assets as per statement of financial position: | | | |
| Financial assets at fair value through profit or loss (marketable securities) | 504 | - | 504 |
| Trade and other receivables excluding prepayments and accrued billings (including intercompany balances) | - | 210,787 | 210,787 |
| Cash held under Housing Development Accounts | - | 5,259 | 5,259 |
| Cash and bank balances | - | 2,117,372 | 2,117,372 |
| Total financial assets | 504 | 2,333,418 | 2,333,922 |

| | Other financial liabilities at amortised cost RM'000 |
|---|---|
| Liabilities as per statement of financial position: | |
| Borrowings | 1,696,694 |
| Trade and other payables excluding statutory liabilities (including intercompany balances) | 430,196 |
| Total financial liabilities | 2,126,890 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**25(A). Financial instruments by category (continued)**

| Company | Financial assets at fair value through profit or loss RM'000 | Loans and receivables at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|
| **2013** | | | |
| Assets as per statement of financial position: | | | |
| Financial assets at fair value through profit or loss (marketable securities) | **394** | **-** | **394** |
| Trade and other receivables excluding prepayments and accrued billings (including intercompany balances) | **-** | **457,075** | **457,075** |
| Cash held under Housing Development Accounts | **-** | **10,081** | **10,081** |
| Cash and bank balances | **-** | **528,806** | **528,806** |
| Total financial assets | **394** | **995,962** | **996,356** |

| | Other financial liabilities at amortised cost RM'000 |
|---|---|
| Liabilities as per statement of financial position: | |
| Borrowings | **201,282** |
| Trade and other payables excluding statutory liabilities (including intercompany balances) | **68,094** |
| Total financial liabilities | **269,376** |

| Company | Financial assets at fair value through profit or loss RM'000 | Loans and receivables at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|
| 2012 | | | |
| Assets as per statement of financial position: | | | |
| Financial assets at fair value through profit or loss (marketable securities) | 389 | - | 389 |
| Trade and other receivables excluding prepayments and accrued billings (including intercompany balances) | - | 529,506 | 529,506 |
| Cash held under Housing Development Accounts | - | 45 | 45 |
| Cash and bank balances | - | 353,713 | 353,713 |
| Total financial assets | 389 | 883,264 | 883,653 |

| | Other financial liabilities at amortised cost RM'000 |
|---|---|
| Liabilities as per statement of financial position: | |
| Borrowings | 201,279 |
| Trade and other payables excluding statutory liabilities (including intercompany balances) | 59,475 |
| Total financial liabilities | 260,754 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**25(B). Credit quality of financial assets**

The credit quality of trade receivables that are past due but not impaired are substantially amounts due from customers with good collection track record with the Group. Management will also continuously monitor closely the trade receivables which are past due with outstanding balances exceeding the security deposits.

Bank deposits are mainly deposits with banks with high credit ratings assigned by international credit rating agencies.

**26. Goodwill**

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| **At 1 January/31 December** | **19,164** | 19,164 |

During the financial year ended 31 December 2012, an amount of RM19,164,000 was recognised as goodwill arising from the acquisition of 50,000,000 ordinary shares of RM1.00 each representing 50% equity interest in Great Union Properties Sdn. Bhd.

**27. Inventories**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Inventories of unsold properties | **80,525** | 60,481 | **36,138** | 36,138 |
| Hotel operating supplies | **2,185** | 1,980 | - | - |
| | **82,710** | 62,461 | **36,138** | 36,138 |

**28. Financial assets at fair value through profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Quoted shares - held for trading: | | | | |
| In Malaysia | **394** | 504 | **394** | 389 |

Changes in fair values of financial assets at fair value through profit or loss are recorded in the income statement (Note 6). The fair value of equity securities is based on their current quoted prices in an active market as at 31 December 2013.

**29. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Trade receivables | **80,206** | 85,907 | **20** | 5,234 |
| Less: Provision for impairment | **(4,685)** | (7,145) | **-** | - |
| | **75,521** | 78,762 | **20** | 5,234 |
| Other receivables | **32,141** | 44,855 | **9,256** | 3,293 |
| Less: Provision for impairment | **(3,863)** | (2,234) | **(356)** | (2,234) |
| | **28,278** | 42,621 | **8,900** | 1,059 |
| Dividend receivable | **-** | - | **-** | 31,725 |
| Sundry deposits | **26,694** | 30,324 | **1,745** | 2,034 |
| | **130,493** | 151,707 | **10,665** | 40,052 |
| Accrued billings in relation to property development | **58,278** | 31,928 | **9,758** | - |
| Prepayments | **32,581** | 25,965 | **88** | - |
| | **221,352** | 209,600 | **20,511** | 40,052 |

The carrying amounts of trade and other receivables as at 31 December 2013 and 31 December 2012 approximated their fair values.

Credit terms of trade receivables of the Group and the Company ranged from 7 to 30 days (2012: 7 to 30 days).

As at 31 December 2013, trade receivables for the Group of RM62,692,000 (2012: RM75,977,000) and the Company of RM20,000 (2012 : RM3,759,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, have met the Group's credit approval policies and are monitored on an on-going basis.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Trade receivables past due: | | | | |
| Up to 3 months | **60,459** | 73,722 | **20** | 3,705 |
| 3 to 6 months | **1,516** | 1,802 | **-** | - |
| Above 6 months | **717** | 453 | **-** | 54 |
| | **62,692** | 75,977 | **20** | 3,759 |

As at 31 December 2013, trade and other receivables for the Group of RM8,548,000 (2012: RM9,379,000) and the Company of RM356,000 (2012 : RM2,234,000) were provided for impairment. The ageing of these receivables was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Above 6 months | **8,548** | 9,379 | **356** | 2,234 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**29. Trade and other receivables (continued)**

Movements on the Group's and the Company's provision for impairment of trade and other receivables were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 1 January** | **9,379** | 12,195 | **2,234** | 2,617 |
| Provision for impairment of receivables | **5,086** | 610 | - | - |
| Receivables recovered | - | (23) | - | - |
| Receivables written off during the financial year as uncollectible | **(5,263)** | (2,844) | **(1,878)** | (383) |
| Unused amount reversed upon re-assessment of provision | **(654)** | (559) | - | - |
| **At 31 December** | **8,548** | 9,379 | **356** | 2,234 |

The creation and reversal of provision for impairment have been included in the income statement. Amounts charged to the provision account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk as at 31 December 2013 is the carrying value of each class of receivables mentioned above.

**30. Amounts owing by/(to) subsidiaries**

| | Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Amounts owing by subsidiaries | **418,879** | 461,959 |
| Less: Provision for impairment | **(3,218)** | (3,218) |
| | **415,661** | 458,741 |
| Amounts owing to subsidiaries | **47,233** | 49,355 |

The amounts owing by subsidiaries represent advances which are unsecured and are repayable on demand. The amounts owing by subsidiaries are interest free (2012: interest free) except for an amount of RM405,620,000 (2012: RM214,883,000), which carries interest at a rate of 4.30% (2012: 3.75%) per annum. The amounts owing to subsidiaries are interest free (2012: interest free).

The currency profile of amounts owing by/(to) subsidiaries was as follows:

| | Company | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Amounts owing by subsidiaries: | | |
| Singapore Dollar | **61** | 75 |
| Australian Dollar | **14,480** | - |
| Amounts owing to subsidiaries: | | |
| Hong Kong Dollar | **17,527** | 17,537 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**31. Amounts owing by/(to) associates**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Amounts owing by associates | **83,445** | 65,522 | **37,191** | 37,155 |
| Less: Provision for impairment | **(6,737)** | (6,442) | **(6,442)** | (6,442) |
| | **76,708** | 59,080 | **30,749** | 30,713 |
| Amounts owing to associates | **4,107** | 22,487 | - | - |

The amounts owing by associates represent advances which are unsecured and are repayable on demand. The amounts owing by associates are interest free (2012: interest free) except for an amount of RM19,439,000 (2012: Nil), which carries interest at a rate of 15.0% (2012: Nil) per annum. The amounts owing to associates are interest free (2012: interest free).

The currency profile of amounts owing by/(to) associates was as follows:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Amounts owing by associates: | | |
| Great Britain Pound | **22,070** | 20,199 |
| Thai Baht | **306** | 295 |
| Australian Dollar | **23,832** | 7,801 |
| US Dollar | **8** | 7 |
| | **46,216** | 28,302 |
| Amounts owing to associates: | | |
| Australian Dollar | - | 15,266 |
| Great Britain Pound | **4** | 4 |
| | **4** | 15,270 |

**32. Cash held under Housing Development Accounts**

Bank balances held under the Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002 held at call with banks and are denominated in Ringgit Malaysia.

The weighted average effective interest rates of bank balances under Housing Development Accounts during the financial year were 2% per annum (2012: 2% per annum).

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 33. Cash and bank balances

Cash and bank balances included in the statements of cash flows comprise the following statement of financial position amounts:

Non-current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed banks | **95,000** | 95,000 | **95,000** | 95,000 |
| Cash and bank balances | **95,000** | 95,000 | **95,000** | 95,000 |
| Less: Restricted cash | **(95,000)** | (95,000) | **(95,000)** | (95,000) |
| Cash and cash equivalents | **-** | - | **-** | - |

Deposits with licensed banks amounting to RM95,000,000 (2012: RM95,000,000) are pledged as security for a revolving credit facility (Note 17(b)).

Current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed banks | **730,956** | 1,785,466 | **427,769** | 146,451 |
| Cash in hand | **3,008** | 1,927 | **8** | 7 |
| Bank balances | **208,605** | 234,979 | **6,029** | 112,255 |
| | **942,569** | 2,022,372 | **433,806** | 258,713 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| The currency profile of cash and bank balances was as follows: | | | | |
| US Dollar | **4,951** | 70,247 | **4,951** | 70,247 |
| Australian Dollar | **106,965** | 66,917 | **106,965** | 66,917 |
| | **111,916** | 137,164 | **111,916** | 137,164 |

Included in deposits placed with licensed banks is an amount of RM27,436,000 (2012: 26,441,000) which is maintained as a Debt Service Reserve Account with a facility agent to cover a minimum of 6 months interest for a Syndicated Financing Facility granted to IGB REIT (Note 17(a)).

Deposits with licensed banks of the Group and Company as at 31 December 2013 both have an average maturity period of 34 days (2012: 14 days) and 39 days (2012: 46 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

**33. Cash and bank balances (continued)**

The weighted average effective interest rates of deposits with licensed banks as at 31 December were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **% per annum** | **% per annum** | **% per annum** | **% per annum** |
| Deposits with licensed banks: | | | | |
| Ringgit Malaysia | **3.03** | 2.93 | **3.02** | 2.99 |
| US Dollar | - | 0.01 | - | 0.01 |
| Australian Dollar | **2.16** | 2.56 | **2.16** | 2.52 |

**34. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Trade payables | **120,747** | 79,643 | **2,892** | 75 |
| Accruals | **184,463** | 126,895 | **4,692** | 5,994 |
| Other payables | **79,550** | 75,884 | **10,821** | 3,012 |
| Deposits received from tenants | **152,146** | 125,287 | **2,456** | 1,039 |
| | **536,906** | 407,709 | **20,861** | 10,120 |
| Less: Non-current portion: | | | | |
| Deposit received from tenants | **(65,692)** | (55,178) | **(794)** | - |
| Current portion | **471,214** | 352,531 | **20,067** | 10,120 |

Credit term of trade payables is 30 days (2012: 30 days). Included in trade payables of the Group is retention on contract sum of RM35,297,000 (2012: RM19,675,000). The fair value of the non-current portion of deposits received from tenants at the reporting date was approximately RM65,692,000 (2012: RM55,178,000).

**35. Segment reporting – Group – By business segments**

Management has determined the operating segments based on the various reports prepared for the Board of Directors that are used to make strategic decisions.

The Group is organised into four main business segments:

- Property development - development and sale of condominiums, bungalows, linked houses, shoplots and office suites
- Property investment and management - rental income and service charge from retail and office building
- Hotel - income from hotel operations
- Construction - civil and building construction

Other operations of the Group mainly comprise investment holding and project management services; none of which are of a significant size to be reported separately.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**35. Segment reporting – Group – By business segments (continued)**

Inter segment revenues comprise construction work for internal projects and office rental under terms and conditions negotiated amongst the parties.

| 2013 | Note | Property development RM'000 | Property investment and management RM'000 | Hotel RM'000 | Construction RM'000 | Others RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Total revenue | | 148,959 | 585,948 | 377,668 | 205,159 | 58,786 | 1,376,520 |
| Intersegment revenue | | - | (44,434) | (7,799) | (197,972) | (35,184) | (285,389) |
| External revenue | | 148,959 | 541,514 | 369,869 | 7,187 | 23,602 | 1,091,131 |
| **Results** | | | | | | | |
| Segment results (external) | | 77,476 | 291,404 | 92,723 | 2,346 | (4,707) | 459,242 |
| Unallocated corporate expenses | | - | - | - | - | - | (45,262) |
| Interest income | | - | - | - | - | - | 45,357 |
| Profit from operations | | - | - | - | - | - | 459,337 |
| Finance costs | | - | - | - | - | - | (73,984) |
| Share of results of associates | | 7,742 | 34 | 11,098 | - | 332 | 19,206 |
| Profit before tax | | | | | | | 404,559 |
| Tax expense | | | | | | | (97,019) |
| Profit for the financial year | | | | | | | 307,540 |
| **Other information** | | | | | | | |
| Segment assets | | 437,014 | 2,358,835 | 2,402,328 | 132,563 | 138,207 | 5,468,947 |
| Associates | | 152,658 | 18,842 | 202,694 | - | 16,404 | 390,598 |
| Unallocated assets | | - | - | - | - | - | 1,072,202 |
| Total assets | | | | | | | 6,931,747 |
| Segment liabilities | | 274,082 | 1,542,560 | 179,778 | 81,090 | 21,872 | 2,099,382 |
| Unallocated liabilities | | - | - | - | - | - | 339,712 |
| Total liabilities | | | | | | | 2,439,094 |
| Capital expenditure: | | | | | | | |
| Property, plant and equipment | 19 | 1,283 | 1,565 | 55,195 | 28 | 56,118 | 114,189 |
| Investment properties | 21 | - | 350,782 | - | - | - | 350,782 |
| Depreciation: | | | | | | | |
| Property, plant and equipment | 19 | 1,504 | 3,281 | 69,077 | 37 | 825 | 74,724 |
| Investment properties | 21 | - | 50,729 | - | - | - | 50,729 |
| Long term prepaid lease | 22 | - | - | 234 | - | - | 234 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**35. Segment reporting – Group – By business segments (continued)**

| 2012 | Note | Property development RM'000 | Property investment and management RM'000 | Hotel RM'000 | Construction RM'000 | Others RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | |
| Total revenue | | 114,327 | 526,887 | 331,389 | 187,931 | 38,058 | 1,198,592 |
| Intersegment revenue | | - | (28,453) | (6,698) | (144,876) | (24,714) | (204,741) |
| External revenue | | 114,327 | 498,434 | 324,691 | 43,055 | 13,344 | 993,851 |
| Results | | | | | | | |
| Segment results (external) | | 62,570 | 265,457 | 90,833 | 2,516 | 1,304 | 422,680 |
| Unallocated corporate expenses | | - | - | - | - | - | (38,211) |
| Interest income | | - | - | - | - | - | 31,719 |
| Profit from operations | | | | | | | 416,188 |
| Finance costs | | - | - | - | - | - | (69,588) |
| Share of results of associates | | 3,360 | 560 | 7,808 | - | (1,310) | 10,418 |
| Gain on disposal of an associate | | - | - | 9,180 | - | - | 9,180 |
| Profit before tax | | | | | | | 366,198 |
| Tax expense | | | | | | | (144,154) |
| Profit for the financial year | | | | | | | 222,044 |
| Other information | | | | | | | |
| Segment assets | | 338,748 | 2,111,045 | 1,691,169 | 152,307 | 471,771 | 4,765,040 |
| Associates | | 95,372 | 21,456 | 206,136 | - | 32,820 | 355,784 |
| Unallocated assets | | - | - | - | - | - | 1,993,383 |
| Total assets | | | | | | | 7,114,207 |
| Segment liabilities | | 90,263 | 1,553,241 | 172,422 | 4,831 | 106,132 | 1,926,889 |
| Unallocated liabilities | | - | - | - | - | - | 446,875 |
| Total liabilities | | | | | | | 2,373,764 |
| Capital expenditure: | | | | | | | |
| Property, plant and equipment | 19 | 2,398 | 1,298 | 55,943 | 37 | 14,519 | 74,195 |
| Investment properties | 21 | - | 98,541 | - | - | - | 98,541 |
| Depreciation: | | | | | | | |
| Property, plant and equipment | 19 | 779 | 5,169 | 59,861 | 170 | 291 | 66,270 |
| Investment properties | 21 | - | 52,055 | - | - | - | 52,055 |
| Long term prepaid lease | 22 | - | - | 225 | - | - | 225 |
| Reversal of impairment loss: | | | | | | | |
| Property, plant and equipment | 6 | - | - | 10,000 | - | - | 10,000 |
| Land held for property development | 6 | 10,000 | - | - | - | - | 10,000 |

# Notes to the Financial Statements
## for the financial year ended 31 December 2013
(continued)

**35. Segment reporting – Group – By business segments (continued)**

**Geographical segment**

The segmental financial information by geographical segment is not presented as the Group's activities are mainly carried out in Malaysia.

**36. Capital commitment**

Capital expenditure not provided for in the financial statements was as follows:

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| Authorised by Directors and contracted: | | |
| Investment property | **52,779** | 19,222 |
| Property, plant and equipment | **316,440** | 2,955 |
| | **369,219** | 22,177 |
| Authorised by Directors but not contracted: | | |
| Investment property | **4,918** | - |
| Property, plant and equipment | **19,555** | 82,676 |
| | **24,473** | 82,676 |

**37. Significant related party disclosures**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions negotiated amongst the parties.

**(i) Group**

| **Other related parties** | **Relationship** |
|---|---|
| Cahaya Utara Sdn. Bhd. | An associate of Wah Seong (Malaya) Trading Co. Sdn. Bhd., a company in which Dato' Seri Robert Tan Chung Meng, Pauline Tan Suat Ming and Tony Tan @ Choon Keat, Directors of the Company, have substantial financial interest. |
| Strass Media Sdn. Bhd. | A subsidiary of Wah Seong (Malaya) Trading Co. Sdn. Bhd., a company in which Dato' Seri Robert Tan Chung Meng, Pauline Tan Suat Ming and Tony Tan @ Choon Keat, Directors of the Company, have substantial financial interest. |

| | **2013** | **2012** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Light boxes rental, pedestrian bridge and office rental: | | |
| Strass Media Sdn. Bhd. | **2,104** | 1,600 |
| Management/marketing fee income: | | |
| Cahaya Utara Sdn. Bhd. | **1,373** | 1,347 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**37. Significant related party disclosures (continued)**

**(ii) Company**

| | 2013 | 2012 |
|---|---|---|
| | RM'000 | RM'000 |
| Interest charged to subsidiaries | **22,705** | 9,763 |

**(iii) Remuneration of key management personnel compensation for the financial year was as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, bonus and allowance | **29,307** | 23,362 | **10,926** | 6,651 |
| Defined contribution plan | **3,169** | 2,899 | **1,210** | 1,171 |
| Other short term benefits | **290** | 396 | **165** | 106 |
| | **32,766** | 26,657 | **12,301** | 7,928 |

Key management comprises management personnel having authority and responsibility for planning, directing and controlling the activities of the Group.

**38. Changes in Group structure**

**A. Acquisition of subsidiaries during the financial year**

(i) On 5 March 2013, the Company announced to Bursa Malaysia that the Company had acquired the entire issued shares of The Gardens Theatre Sdn. Bhd. for cash consideration of RM2.00.

(ii) On 15 March 2013, the Company announced to Bursa Malaysia that the Company had entered into two Share Sale Agreements with KrisAssets Holdings Berhad for the acquisitions of the entire issued and paid-up share capital of Mid Valley City Sdn. Bhd. ("MVC") and Mid Valley City Gardens Sdn. Bhd. ("MVCG") for cash consideration of RM100,000 each. MVC and MVCG are service providers for IGB Real Estate Investment Trust.

(iii) On 10 April 2013, the Company announced to Bursa Malaysia that the Company had acquired the entire issued shares of Megan Prestasi Sdn. Bhd. for cash consideration of RM2.00.

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**38. Changes in Group structure (continued)**

**A. Acquisition of subsidiaries during the financial year (continued)**

(iv) Distinctive Ace Sdn. Bhd. ("DASB")

On 19 June 2013, the Company announced to Bursa Malaysia that the Company had acquired 1,000,001 ordinary shares of RM1.00 each representing 50% and 1 share of the issued and paid-up share capital of DASB for a cash consideration of RM33,000,000.

Details of the net assets acquired were as follows:

| | Note | Fair value of identifiable assets and liabilites acquired RM'000 |
|---|---|---|
| Non-current assets: | | |
| Investment property | 21 | **44,956** |
| Current assets: | | |
| Prepayments | | **90** |
| Cash and bank balances | | **3** |
| | | **93** |
| Current liabilities: | | |
| Other creditors | | **674** |
| Amount owing to holding company | | **10,392** |
| | | **11,066** |
| Net assets acquired | | **33,983** |

(v) On 25 October 2013, the Company announced to Bursa Malaysia that Pacific Land Sdn. Bhd., a wholly-owned subsidiary of the Company, had acquired the entire issued shares of Eastwind Alliance Sdn. Bhd. for cash consideration of RM2.00.

**39. Subsidiaries**

| | Name of company | Principal activities | Place of incorporation | Group's effective interest (%) 2013 | 2012 |
|---|---|---|---|---|---|
| | Abad Flora Sdn. Bhd. [1] | Property Investment | Malaysia | **100.0** | 100.0 |
| | Amandamai Dua Sdn. Bhd. [2] | Property Holding | Malaysia | **100.0** | 100.0 |
| | Amandamai Satu Sdn. Bhd. [3] | Property Development | Malaysia | **100.0** | 100.0 |
| | Angkasa Gagah Sdn. Bhd. [4] | Property Development | Malaysia | **100.0** | 100.0 |
| | Arabayu Sepakat Sdn. Bhd. [5] | Property Development | Malaysia | **100.0** | 0.0 |
| * | Asian Equity Limited [6] | Investment Holding | British Virgin Islands | **55.0** | 55.0 |
| | Atar Deras Sdn. Bhd. [7] | Property Development | Malaysia | **100.0** | 100.0 |
| * | Auspicious Prospects Ltd. [8] | Investment Holding | Liberia | **100.0** | 100.0 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

## 39. Subsidiaries (continued)

| | Name of company | Principal activities | Place of incorporation | Group's effective interest (%) 2013 | 2012 |
|---|---|---|---|---|---|
| | Belimbing Hills Sdn. Bhd. [9] | Property Development | Malaysia | **100.0** | 100.0 |
| * | Beswell Limited [10] | Investment Holding | Hong Kong | **100.0** | 100.0 |
| | Bintang Buana Sdn. Bhd. [11] | Property Development | Malaysia | **90.0** | 90.0 |
| | Central Review (M) Sdn. Bhd. [12] | Hotelier | Malaysia | **100.0** | 100.0 |
| | Cipta Klasik (M) Sdn. Bhd. [13] | Property Development | Malaysia | **100.0** | 100.0 |
| | Cititel Hotel Management Sdn. Bhd. | Provision of Hotel Management Services | Malaysia | **60.0** | 60.0 |
| * | Cititel Hotels Pty Ltd [14] | Investment Holding | Australia | **100.0** | 100.0 |
| | Corpool Holdings Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | Danau Bidara (M) Sdn. Bhd. [15] | Property Holding | Malaysia | **100.0** | 100.0 |
| | Detik Harapan Sdn. Bhd. | Operator of Educational Institutions | Malaysia | **60.0** | 60.0 |
| | Dian Rezki Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | Dimensi Magnitud Sdn. Bhd. | Property Investment | Malaysia | **70.0** | 100.0 |
| | Distinctive Ace Sdn. Bhd. [16] | Property Development and Property Investment | Malaysia | **50.0 + 1 share** | 0.0 |
| | Earning Edge Sdn. Bhd. [17] | Investment Holding | Malaysia | **65.0** | 65.0 |
| | Eastwind Alliance Sdn. Bhd. [18] | Investment Holding | Malaysia | **100.0** | 0.0 |
| | Ensignia Construction Sdn. Bhd. | Investment Holding and Construction | Malaysia | **100.0** | 100.0 |
| * | Grapevine Investments Pte. Ltd. | Investment Holding | Singapore | **100.0** | 100.0 |
| | Great Union Properties Sdn. Bhd. | Hotelier | Malaysia | **100.0** | 100.0 |
| | Harta Villa Sdn. Bhd. [19] | Property Development | Malaysia | **100.0** | 100.0 |
| | ICDC Holdings Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | ICDC Management Sdn. Bhd. [20] *(Application for strike-off completed during the year)* | Property Management | Malaysia | **0.0** | 100.0 |
| | Idaman Spektra Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | IGB International School Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | IGB International Ventures Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | IGB Management Services Sdn. Bhd. | Property Management Services | Malaysia | **100.0** | 100.0 |
| | IGB Project Management Services Sdn. Bhd. | Project Management Services | Malaysia | **100.0** | 100.0 |
| | IGB Properties Sdn. Bhd. | Property Investment and Management | Malaysia | **100.0** | 100.0 |
| | IGB REIT Management Sdn. Bhd. | Management of Real Estate Investment Trust | Malaysia | **100.0** | 100.0 |
| | IGB Real Estate Investment Trust | Real Estate Investment Trust | Malaysia | **51.0** | 51.0 |
| | Innovation & Concept Development Co. Sdn. Bhd. [21] | Property Development | Malaysia | **100.0** | 100.0 |
| | Intercontinental Aviation Services Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | IST Building Products Sdn. Bhd. | Trading of Building Materials | Malaysia | **100.0** | 100.0 |
| | IT&T Engineering & Construction Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | Kemas Muhibbah Sdn. Bhd. [22] | Property Development | Malaysia | **100.0** | 100.0 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**39. Subsidiaries (continued)**

| | Name of company | Principal activities | Place of incorporation | Group's effective interest (%) 2013 | 2012 |
|---|---|---|---|---|---|
| | KennyVale Sdn. Bhd. [23] | Property Development | Malaysia | **100.0** | 100.0 |
| | Kondoservis Sdn. Bhd. [24] | Provision of Management Services to Condominiums | Malaysia | **100.0** | 100.0 |
| | KrisAssets Holdings Berhad *(Under members' voluntary liquidation)* | Investment Holding | Malaysia | **63.5** | 63.5 |
| | Lagenda Sutera (M) Sdn. Bhd. [25] | Hotelier | Malaysia | **100.0** | 100.0 |
| * | Lingame Company Limited | Investment Holding | Hong Kong | **100.0** | 100.0 |
| | Megan Prestasi Sdn. Bhd. | Property Development and Property Investment | Malaysia | **100.0** | 0.0 |
| * | MiCasa Hotel Limited [26] | Hotelier | Myanmar | **65.0** | 65.0 |
| | Mid Valley Capital Sdn. Bhd. [27] *(Under members' voluntary liquidation)* | Special Purpose Vehicle for Issuance of Bonds | Malaysia | **63.5** | 63.5 |
| | Mid Valley City Sdn. Bhd. | Service Provider for IGB REIT | Malaysia | **100.0** | 63.5 |
| | Mid Valley City Developments Sdn. Bhd. | Property Development | Malaysia | **100.0** | 100.0 |
| | Mid Valley City Energy Sdn. Bhd. | Distribution of Utilities | Malaysia | **100.0** | 100.0 |
| | Mid Valley City Enterprise Sdn. Bhd. | Hotelier | Malaysia | **100.0** | 100.0 |
| | Mid Valley City Gardens Sdn. Bhd. | Service Provider for IGB REIT | Malaysia | **100.0** | 63.5 |
| | Mid Valley City Hotels Sdn. Bhd. | Hotelier | Malaysia | **100.0** | 100.0 |
| | Mid Valley City North Tower Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | Mid Valley City Property Services Sdn. Bhd. [28] | Provision of Building and Maintenance Services | Malaysia | **100.0** | 100.0 |
| | Mid Valley City South Tower Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | Mid Valley City Southpoint Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | Murni Properties Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | MVC Centrepoint North Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | MVC Centrepoint South Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| | MVC CyberManager Sdn. Bhd. | Operation of MSC cyber centre in Mid Valley City | Malaysia | **100.0** | 100.0 |
| | MVEC Exhibition and Event Services Sdn. Bhd. | Provision of Exhibition Services | Malaysia | **100.0** | 100.0 |
| | Nova Pesona Sdn. Bhd. [29] | Property Development | Malaysia | **100.0** | 100.0 |
| | OPT Ventures Sdn. Bhd. [30] | Property Development | Malaysia | **70.0** | 70.0 |
| | Outline Avenue (M) Sdn. Bhd. [31] | Property Development | Malaysia | **89.6** | 89.6 |
| | Pacific Land Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| * | Pacific Land Pte. Ltd. [32] | Investment Holding | Singapore | **100.0** | 100.0 |
| | Pangkor Island Resort Sdn. Bhd. | Hotelier | Malaysia | **100.0** | 100.0 |
| | Pekeliling Land Sdn. Bhd. | Property Holding | Malaysia | **100.0** | 100.0 |
| | Pekeliling Property Sdn. Bhd. | Property Management Services | Malaysia | **100.0** | 100.0 |
| | Penang Garden Sdn. Bhd. | Dormant | Malaysia | **100.0** | 100.0 |
| | Permata Efektif (M) Sdn. Bhd. [33] | Property Development | Malaysia | **100.0** | 100.0 |
| | Plaza Permata Management Services Sdn. Bhd. | Property Management Services | Malaysia | **100.0** | 100.0 |
| | Prima Condominium Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| | Primanah Property Sdn. Bhd. | Property Development | Malaysia | **100.0** | 100.0 |

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**39. Subsidiaries (continued)**

| Name of company | Principal activities | Place of incorporation | Group's effective interest (%) 2013 | 2012 |
|---|---|---|---|---|
| Puncak Megah (M) Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| Rapid Alpha Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| Reka Handal Sdn. Bhd. [34] | Property Development | Malaysia | **75.0** | 75.0 |
| Riraiance Enterprise Sdn. Bhd. | Investment Holding | Malaysia | **100.0** | 100.0 |
| Salient Glory City Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| Southkey Megamall Sdn. Bhd. | Property Investment & Development | Malaysia | **70.0** | 100.0 |
| St Giles Hotels (Asia) Limited [35] | Provision of Hotel Management Services | Labuan | **60.0** | 60.0 |
| Tanah Permata Sdn. Bhd. [36] | Hotelier | Malaysia | **100.0** | 100.0 |
| Tan & Tan Developments Berhad | Property Development, Provision of Project Management Services and Investment Holding | Malaysia | **100.0** | 100.0 |
| Tan & Tan Realty Sdn. Bhd. [37] | Property Investment and Provision of Related Services and Operating of Food Court | Malaysia | **80.0** | 80.0 |
| The Gardens Theatre Sdn. Bhd. | Organiser and Co-ordinator of Stage Performances | Malaysia | **100.0** | 0.0 |
| TTD Sdn. Bhd. [38] | Hotelier | Malaysia | **100.0** | 100.0 |
| Verokey Sdn. Bhd. | Property Investment | Malaysia | **100.0** | 100.0 |
| Wilmer Link Limited [39] | Dormant | British Virgin Islands | **58.0** | 58.0 |
| X-Speed Sdn. Bhd. | Dormant | Malaysia | **100.0** | 100.0 |

*Notes:*

| | |
|---|---|
| *1-4, 5, 7, 9, 11-13, 15, 19, 23, 24, 29-31, 33-34, 37-38* | *- Held by Tan & Tan Developments Berhad.* |
| *6* | *- Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 35.0% and 20.0% respectively.* |
| *8* | *- Held by Lingame Company Limited.* |
| *10, 14, 18, 25, 32, 36* | *- Held by Pacific Land Sdn. Bhd.* |
| *16* | *- Held by Megan Prestasi Sdn. Bhd.* |
| *17* | *- Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 45.0% and 20.0% respectively.* |
| *20, 21* | *- Held by ICDC Holdings Sdn. Bhd.* |
| *22* | *- Held by IGB Project Management Services Sdn. Bhd.* |
| *26* | *- Held by Earning Edge Sdn. Bhd.* |
| *27* | *- Held by KrisAssets Holdings Berhad* |
| *28* | *- Held by Mid Valley City Developments Sdn. Bhd.* |
| *35* | *- Held by Cititel Hotel Management Sdn. Bhd.* |
| *39* | *- Held by IGB International Ventures Sdn Bhd.* |

* *Companies audited by firms other than member firm of PricewaterhouseCoopers International Limited.*

# Notes to the Financial Statements
## for the financial year ended 31 December 2013
(continued)

**40. Associates**

| | Name of company | Principal activities | Place of incorporation | Group's effective interest (%) 2013 | 2012 |
|---|---|---|---|---|---|
| * | Aroma Laundry and Dry Cleaners Sdn. Bhd. [1] *(Under members' voluntary liquidation)* | Provision of Laundry and Dry Cleaning Services | Malaysia | **20.0** | 20.0 |
| * | DMV Sdn. Bhd. [2] | Property Development | Malaysia | **39.0** | 39.0 |
| * | Fawkner Centre Pty. Ltd. [3] | Property Investment | Australia | **39.0** | 39.0 |
| | Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd. [4] *(Under members' voluntary liquidation)* | Development and Investment in Medical Centres | Malaysia | **30.0** | 30.0 |
| | Hampshire Properties Sdn. Bhd. [5] | Property Development and Property Investment | Malaysia | **50.0** | 50.0 |
| | Hilltop International Success Incorporated [6] | Purchasing/Leasing of Aircrafts | British Virgin Islands | **49.5** | 0.0 |
| * | HICOM Tan & Tan Sdn. Bhd. [7] | Property Development | Malaysia | **50.0** | 50.0 |
| | Johan Kekal Sdn. Bhd. *(Under members' voluntary liquidation)* | Property Development | Malaysia | **50.0** | 50.0 |
| | Jutanis Sdn. Bhd. [8] | Property Development | Malaysia | **45.0** | 0.0 |
| | Kumpulan Sierramas (M) Sdn. Bhd. [9] | Property Development | Malaysia | **50.0** | 50.0 |
| | Kundang Properties Sdn. Bhd. | Property Development | Malaysia | **50.0** | 50.0 |
| * | Kyami Pty. Ltd. [10] *(strike-off in 2013)* | Investment Holding | Australia | **0.0** | 40.0 |
| * | Merchant Firm Limited [11] | Investment Holding | British Virgin Islands | **49.5** | 49.5 |
| * | New Commercial Investments Limited [12] | Investment Holding | British Virgin Islands | **49.6** | 49.6 |
| | Orion Corridor Sdn. Bhd. [13] | Purchasing/Leasing of Aircrafts | Malaysia | **24.8** | 24.8 |
| * | Pacific Land Company Limited [14] | Investment Holding | Thailand | **50.0** | 50.0 |
| | Permata Alasan (M) Sdn. Bhd. [15] | Property Development and Property Investment | Malaysia | **50.0** | 50.0 |
| * | Ravencroft Investments Incorporated [16] | Investment Holding | British Virgin Islands | **49.5** | 49.5 |
| * | Sierramas Landscape Services Sdn. Bhd. [17] | Landscaping and Horticulture | Malaysia | **50.0** | 50.0 |
| * | St Giles Hotel Limited. [18] | Hotels and Motels with Restaurants | United Kingdom | **49.5** | 49.5 |
| * | St Giles Hotel LLC [19] | Hotelier | United States of America | **49.5** | 49.5 |
| * | St Giles Hotel (Heathrow) Limited. [20] | Hotels and Motels with Restaurants | United Kingdom | **49.6** | 49.6 |
| * | St Giles Hotel (Manila) Inc [21] | Hotelier | Philippines | **49.5** | 49.5 |
| * | Technoltic Engineering Sdn. Bhd. | Servicing, Maintenance and Installation of Elevators | Malaysia | **40.0** | 40.0 |
| * | Tentang Emas Sdn. Bhd. [22] | Investment Holding | Malaysia | **49.0** | 49.0 |

*Notes:*

| | |
|---|---|
| *1, 3, 4, 5, 7, 8, 9, 10, 15, 22* | *- Held by Tan & Tan Developments Berhad.* |
| *2* | *- Held by Tan & Tan Developments Berhad and IGB Corporation Berhad 26% and 13% respectively.* |
| *14* | *- Held by Pacific Land Sdn. Bhd.* |
| *11* | *- Held by Ravencroft Investments Incorporated* |
| *12* | *- Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 31.53% and 18.02% respectively.* |
| *6,13, 21* | *- Held by Merchant Firm Limited* |
| *16, 18* | *- Held by Pacific Land Sdn. Bhd., Beswell Limited and TTD Sdn. Bhd. 27.72%, 7.65% and 14.10% respectively.* |
| *17* | *- Held by Kumpulan Sierramas (M) Sdn. Bhd.* |
| *19* | *- Held by St Giles Hotel Limited* |
| *20* | *- Held by Pacific Land Sdn. Bhd. and TTD Sdn. Bhd. 31.53% and 18.02% respectively.* |

* *Companies audited by firms other than member firm of PricewaterhouseCoopers International Limited.*

# Notes to the Financial Statements
for the financial year ended 31 December 2013
(continued)

**41. Cash and cash equivalents**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deposit with licensed banks | 33 | **730,956** | 1,785,466 | **427,769** | 146,451 |
| Cash in hand | 33 | **3,008** | 1,927 | **8** | 7 |
| Bank balances | 33 | **208,605** | 234,979 | **6,029** | 112,255 |
| Cash held under Housing Development Accounts | 32 | **32,984** | 5,259 | **10,081** | 45 |
| | | **975,553** | 2,027,631 | **443,887** | 258,758 |
| Less: Restricted cash | 33 | **(27,436)** | (26,441) | **-** | - |
| | | **948,117** | 2,001,190 | **443,887** | 258,758 |

**42. Approval of financial statements**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 23 April 2014.

# Notes to the Financial Statements

for the financial year ended 31 December 2013
(continued)

**43. Disclosure of realised and unrealised retained profits/(accumulated losses)**

The following analysis is 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.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained profits: | | | | |
| Realised | **3,375,924** | 2,876,735 | **4,124,091** | 4,167,015 |
| Unrealised | **(278,024)** | (197,281) | **(4,913)** | (10,815) |
| | **3,097,900** | 2,679,454 | **4,119,178** | 4,156,200 |
| Total retained profits of associates: | | | | |
| Realised | **197,242** | 230,325 | - | - |
| Unrealised | **4,277** | 3,339 | - | - |
| | **201,519** | 233,664 | - | - |
| Less: Consolidation adjustments | **(310,616)** | (280,650) | - | - |
| Total retained profits | **2,988,803** | 2,632,468 | **4,119,178** | 4,156,200 |

# Statement by Directors
## pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Seri Robert Tan Chung Meng and Tan Kai Seng, being two of the Directors of IGB Corporation Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 39 to 113 are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2013 and of the results and cash flows of the Group and Company for the financial year ended on that date.

The information set out in Note 43 on page 114 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.

Signed in accordance with a resolution of the Directors dated 23 April 2014.

**Dato' Seri Robert Tan Chung Meng**
Group Managing Director

**Tan Kai Seng**
Director

# Statutory Declaration
## pursuant to Section 169(16) of the Companies Act, 1965

I, Chai Lai Sim, the officer primarily responsible for the financial management of IGB Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 114 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.

**Chai Lai Sim**

Subscribed and solemnly declared by the abovenamed Chai Lai Sim at Kuala Lumpur on 23 April 2014.

Before me:

**Mohan A.S. Maniam (No. W521)**
Commissioner for Oaths

# Independent Auditors' Report

## to the Members of IGB Corporation Berhad

(Incorporated in Malaysia) (Company No. 5745-A)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of IGB Corporation Berhad on pages 39 to 113 which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory Notes, as set out in Notes 1 to 42.

**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 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 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.

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with 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 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 39 to the financial statements.

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

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

# Independent Auditors' Report
## to the Members of IGB Corporation Berhad
(Incorporated in Malaysia) (Company No. 5745-A)
(continued)

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 43 on page 114 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.

**PRICEWATERHOUSECOOPERS**
(No. AF: 1146)
Chartered Accountants

**SHIRLEY GOH**
(No. 1778/08/14 (J))
Chartered Accountant

Kuala Lumpur
23 April 2014

# Notes

**IGB Corporation Berhad** (5745-A)

# PROXY FORM

| CDS Account No. |
|---|
| |

| **CDS Account No. of Authorised Nominee |
|---|
| |

| Number of Shares Held |
|---|
| |

*I/We (name as per Identification/Certificate of Incorporation) ______________________________

Identification/Company No. ____________________ of (address) ______________________________

being a member of IGB, hereby appoint:

**First Proxy**

| Full Name | | Proportion of Shareholdings Represented | |
|---|---|---|---|
| | | No. of Shares | % |
| Identification No. | | | |
| Address | | | |

*and/or

**Second Proxy**

| Full Name | | Proportion of Shareholdings Represented | |
|---|---|---|---|
| | | No. of Shares | % |
| Identification No. | | | |
| Address | | | |

or, both of whom failing, *the Chairman of the 50th AGM as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the 50th AGM of IGB to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Wednesday, 28 May 2014 at 3.00 p.m. and at any adjournment thereof, in the manner indicated below:

| No. | Resolutions | In favour | Against | Abstain |
|---|---|---|---|---|
| 1 | Re-election of Tan Boon Lee as Director | | | |
| 2 | Re-election of Tan Boon Seng as Director | | | |
| 3 | Re-appointment of Tan Sri Abu Talib bin Othman as Independent Director | | | |
| 4 | Re-appointment of Yeoh Chong Swee as Independent Director | | | |
| 5 | Retention of Tan Kai Seng as Independent Director | | | |
| 6 | Re-appointment of PricewaterhouseCoopers as auditors | | | |
| 7 | Renewal of Section 132D Mandate | | | |
| 8 | Renewal of Share Buy-Back Mandate | | | |
| 9 | Renewal of RRPT Mandate | | | |

* Delete as appropriate
** Applicable to shares through a nominee account.

Dated this ______________ day of ________________________ 2014

______________________________
Signature of Member/Common Seal

Notes:
(a) A member is entitled to appoint one or two proxies and they need not be members.
(b) A member, who is an authorised nominee, may appoint up to two proxies in respect of each Securities Account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each Securities Account held.
(c) A member who appoints a proxy must execute the Proxy Form, and if two proxies are appointed, the number of shares to be represented by each proxy must be clearly indicated.
(d) A corporate member who appoints a proxy must execute the Proxy Form under seal or the hand of its officer or attorney duly authorised.
(e) Only members registered in the Record of Depositors as at 21 May 2014 shall be eligible to attend the 50th AGM or appoint a proxy to attend and vote on his behalf.
(f) The executed Proxy Form must be deposited at the office of IGB's Registrar, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not later than 3.00 p.m. on 26 May 2014, being 48 hours before the time set for the 50th AGM.
(g) The IGB Annual Report 2013 and Proxy Form can be accessed at www.igbcorp.com.

*Fold this flap for sealing*

*Fold along this line (2)*

**PROXY FORM**

AFFIX
RM0.60
STAMP

IGB's Registrar
**Tricor Investor Services Sdn Bhd** (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

*Fold along this line (1)*