**Nexus Resort Karambunai Sdn Bhd** 130571-M
1, Nexus Drive West
Karambunai, Off Jalan Sepangar
Locked Bag 100
Sabah, Malaysia

Tel : +6088-411 222    Fax : +6088-412 020
email : info@nexusresort.com

**www.nexusresort.com**

**Karambunai Corp Bhd** 6461-P
No. 9020, Nexus Drive West
Karambunai, Menggatal
88450 Kota Kinabalu
Sabah, Malaysia

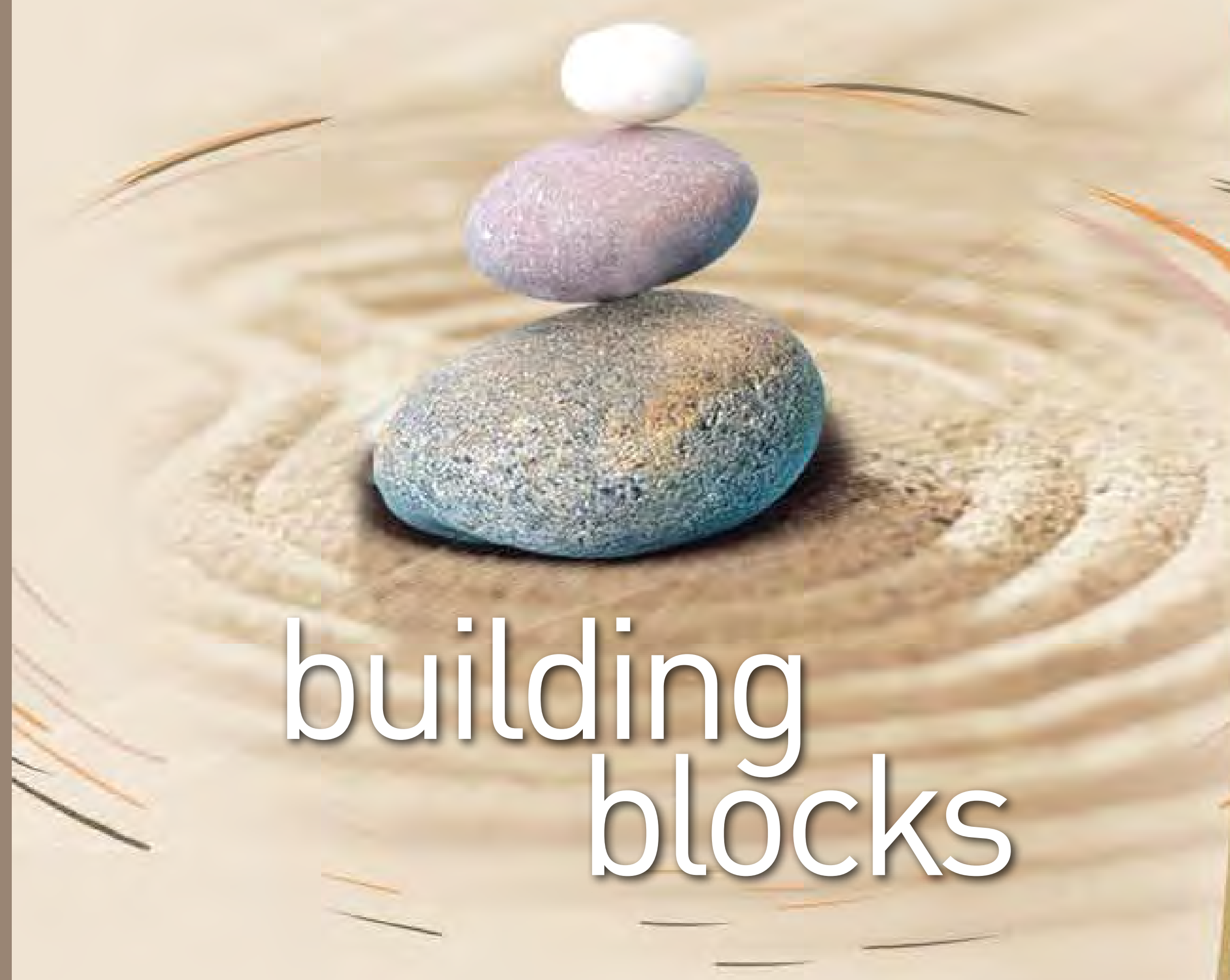
Tel : +6088-411 111    Fax : +6088-412 111
email : cosec@karambunaicorp.com

**www.karambunaicorp.com**

ANNUAL REPORT 2012

KARAMBUNAI CORP BHD 6461-P

Karambunai Corp Bhd 6461-P



# building blocks

2012 Annual Report

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www.karambunaicorp.com
www.nexusresort.com
www.bandarsierra.com
www.nexusresidence.com
www.karambunaigolf.com
www.bukitunggul.com

# Corporate Profile

## Karambunai Corp Bhd and its group of companies ("KCB") is a leading tourism player in Sabah, Malaysia with its world-class property popularly known as Karambunai in Kota Kinabalu, Sabah Borneo.

Karambunai is located 30 kilometres north-east of Kota Kinabalu City and lies within a 4,000 acre of eco-sanctuary that is tucked away, yet, in the midst of civilization. Nestled by South China Sea on one end, rolling hills in the center and a natural cove on the other end, Karambunai is a natural perfection of white sandy beach, wetland, crystal blue cove, flatland, highland, rainforest and river.

KCB's flagship asset is the Nexus Resort & Spa Karambunai ("Nexus Resort"), a premier luxury 5-star 485-room international-class resort hotel with a world-class 18-hole golf course, combining elements of modern architecture with Borneo design and style. Its luxurious accommodation includes the 236 Borneo Wing guestrooms, nestled within a cluster of 7 two-storey buildings, amid a lush tropical garden. The five-storey Ocean Wing offers tastefully stylish accommodations, with each guestroom unveiling private balconies that offers panoramic vistas of beach and cobalt blue seas. 6 Royal and Presidential Villas, with their private gardens and most with private swimming pools, offers the ultimate in luxury accommodation.

In September 2010, the Government has earmarked Karambunai under the Economic Transformation Programme ("ETP") as an Entry Point Project ("EPP") which involves the development of a multi-billion dollar eco-tourism integrated resort ("IR") project. The Group is now in the early stages of implementing the project and targets to launch the IR project by phases.

KCB is also a major property developer in Kota Kinabalu with its 415 acres of mixed residential and commercial development in Bandar Sierra, which is about 15 minutes' drive from the city centre. Located within the northern growth area of Kota Kinabalu, Bandar Sierra's location is strategic as it is near the Sabah State's new Federal Administration Centre as well as several institutions of higher learning, the new Sepangar Bay Naval base and the Kota Kinabalu Industrial Park.

Over in Peninsular Malaysia, KCB owns 1,363 acres of land in Bukit Unggul Eco-Media City, located within close proximity to the Kuala Lumpur International Airport, Putrajaya and Cyberjaya. Completed developments include the 18-hole international class golf course with full club facilities, namely Bukit Unggul Country Club ("BUCC"). Designed by American guru, Ronald Fream, BUCC is well known for its unique mature rainforest environment. Bukit Unggul Eco-Media City will be developed as a mixed development township comprising of residential, commercial and recreational components amidst the scenic and centuries-old tropical forest situated in the Multimedia Super Corridor area.

# Chairman's Statement

**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report of Karambunai Corp Bhd ("KCB") for the financial year ended 31 March 2012.

## ECONOMIC REVIEW

The global economic and financial conditions continued to experience stress in 2011, following heightened concerns over the resolution of the European sovereign debt crisis and uncertainties over US fiscal sustainability. Growth in the advanced economies was also affected by high unemployment, weak housing markets and fiscal issues while growth in Asia was affected by weaker external demand.

Against this backdrop, the political unrest in the Middle East/North Africa region resulted in oil price surges, and the Tohoku earthquake in Japan, which triggered a breakdown in electronics and automotive supply chains around the world, caused already fragile business and consumer confidence to weaken even further.

Despite the challenging external environment, the Malaysian economy expanded by 5.1% in 2011, with growth being underpinned by domestic demand. The favourable domestic demand conditions were supported by both private and public sector spending. On the supply side, the services sector recorded slower growth, while the manufacturing sector grew at a similar pace to the previous quarter, reflecting the weaker external environment amid sustained growth in domestic activity. Other sectors, however, recorded improvements during the quarter, while the agriculture sector continued to record strong growth.

## FINANCIAL REVIEW

For the financial year ended 31 March 2012, the Group reported revenue of RM149.2 million as compared to RM125.3 million for the preceding year corresponding period. The higher revenue is mainly attributable to an increase in the revenue from the property development segment arising from land disposal and finalization of the Nexus Residence project.

Meanwhile, the Group reported a pre-tax loss of RM53.5 million (as compared to a pre-tax loss of RM372.7 million in the preceding year corresponding period) after taking into account financing costs of RM32.8 million for the current financial year-to-date.

## DIVIDEND

The Board of Directors does not recommend any dividend declaration for the year under review.

## STRATEGIC FOCUS

The Group remains committed to its focus and vision as a leading resort operator and developer. The maturity of the Group's existing assets of Nexus Resort and Nexus Golf will allow for the Group to explore opportunities to unlock the value of its strategic landbank totaling 1,500 acres in the Karambunai peninsular. The long-term potential for the Karambunai landbank is huge given that the development masterplan envisions an integrated resort destination that will be on par with other world-class resort destinations across the globe.

## CORPORATE DEVELOPMENT

As for the acquisition of 60% equity interest in Beribu Ukiran Sdn Bhd ("BUSB"), from FACB Industries Incorporated Bhd ("FACBII") and the novation of RM33.4 million owing to FACBII from BUSB to another wholly-owned subsidiary, Dapan Holdings Sdn Bhd ("DHSB"), the Group announced on 7 October 2011 that both parties are currently in discussion to vary the terms of the settlement sum of RM32,505,193.00 due under the agreement on 6 October 2011.

Further details will be announced in due course once the terms of the settlement proposal have been finalized and the relevant approvals to be sought in due course.

The RM130 million Promissory Note ("Promissory Note") issued by KCB to Abrar Discounts Berhad ("ADB") had matured on 29 December 2009. The Group is expected to finalize a Settlement Agreement with ADB and further details will be announced in due course.

On 5th June 2012, the Group announced the proposed disposal of land in Bandar Sierra, KM 20, Jalan Tuaran, Kota Kinabalu, Sabah held Under Country Lease 015414972 for a total of 93.35 acres for RM44.97 million to Yu Sin Kong and Sinkong Construction Sdn Bhd.

## CORPORATE SOCIAL RESPONSIBILITY

The Group is committed towards its social responsibility through the following themes – environmental protection, social obligations and organisation.

As an established resort operator and property developer in Sabah, the Group adopts an 'environment-friendly' approach for its hotel operations and property development projects. This include policies implemented across the KCB group of companies with the objective to minimize wastage, maximize the use of energy-saving devices, proper disposal of waste materials, recycling of used materials and adopting environmental best-practices whenever possible.

For social activities, the Group is involved in philanthropic activities including organizing activities for less fortunate students, blood donation drives, contribution towards charity homes and the cleaning up of public beach. The engagement in social activities is the Group's way of showing appreciation to the local community in which we operate our businesses.

In the Group's organization of over 1,000 employees, we recognize the importance of our human resources. Key initiatives to further strengthen the organisation includes providing a conducive working environment for our employees, staff development & training, diversity, employee welfare as well as health and safety.

## FUTURE OUTLOOK

Following two years of anaemic and uneven recovery from the global financial crisis, the world economy is increasingly clouded by economic uncertainty and financial market volatility. Output growth has already slowed considerably during 2011, especially in the developed countries. Consensus forecast foresees continued anaemic growth in the year 2012.

The problems stalking the global economy are multiple and interconnected. The most pressing challenges are the continued jobs crisis and the declining prospects for economic growth, especially in the developed countries. The rapidly cooling world economy is both a cause and an effect of the sovereign debt crises in the euro area, and of fiscal problems elsewhere.

The domestic economic outlook would be largely domestic driven due to rising uncertainties in the global economy. The consensus forecasts for the Malaysian economy stands between 5% to 6% GDP growth arising from the country's strong economic fundamentals, pragmatic macroeconomic policies and the Economic Transformation Programme ("ETP") to enhance domestic sources of growth. In particular, the private sector expenditure is expected to play a more significant role in driving economic expansion in 2012.

The Group continues to be cautious in the planning and managing of its business operations with focus on revenue sustainability and cashflow management. At the same time, the Group will also leverage on its world-class assets whilst divesting non-strategic assets to generate cashflows.

## ACKNOWLEDGEMENT

We would like to place on record our sincere thanks to the shareholders, customers, business associates, relevant authorities and other stakeholders for your continued support and belief in us. We are also appreciative of the management and staff for their continued commitment and contribution in pursuit of the Group's goals.

**Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir**
Chairman
31 July 2012
Kota Kinabalu




# Management's Discussion & Analysis

**Dear Shareholders,**
It is our pleasure to report the performance of Karambunai Corp Bhd ("KCB") for the financial year ended 31 March 2012.

## ECONOMIC CONDITIONS

In 2011, the global economy weakened and became more uneven as compared to 2010 whereby confidence continues to fall sharply and downside risks increased. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy during the year under review. Japan was struck by the devastating earthquake and tsunami, and unrest swelled in some oil-producing countries. At the same time, the handover from public to private demand in the U.S. economy stalled, the euro area encountered major financial turbulence, global markets suffered a major sell-off of risky assets, and there were growing signs of spillovers to the real economy.

Malaysia on the other hand, continued to expand despite the more challenging external environment with a GDP growth of 5.1% recorded for 2011. This was underpinned by sustainable domestic demand and supported by the continued expansion of the private sector activity amid weaker external demand. At the same time, the public sector continued to support the domestic economy through the enhancement of the country's infrastructure and public sector delivery system.

Tourism activities in Sabah continued to enjoy a healthy growth of 13.6% whereby tourist arrivals for 2011 reached the 2.84 million mark (vs. 2.5 million in 2010). The tourism industry in Sabah continues to grow amidst the state government's promotional efforts and rising awareness amongst holiday seekers that it is an international destination for eco-tourism activities including diving, white-water rafting, mountain climbing, wildlife sanctuaries, game fishing and many other tourism-related activities in Sabah.

## FINANCIAL PERFORMANCE

During the year under review, KCB recorded revenue of RM149.2 million representing growth of 19.1% as compared to RM125.3 million in the previous financial year. The Group's revenue is primarily generated from the property development and leisure & tourism segments. The increase in revenue was mainly attributable to revenue growth in its property development segment arising from land disposal and finalization of the Nexus Residence Karambunai project.

Meanwhile, pre-tax loss was recorded at RM53.5 million (as compared to a pre-tax loss of RM372.7 million in the previous financial year) after taking into account financing costs of RM32.8 million for the current financial year.

A more detailed assessment of its key segments are provided in the following sections:

**Property Development –** Revenue for the segment increased by 58.4% to RM85.7 million (as compared to RM54.1 million in the previous corresponding period) mainly attributable to revenue recognized from the sale of land in Bandar Sierra and the finalization of the Nexus Residence Karambunai project. The property development segment recorded an operating loss of RM4.9 million despite the higher revenue due to the operational and financial costs incurred.

**Leisure & Tourism –** Revenue for this segment decreased to RM63.3 million (vs. RM70.8 million), representing 10.6% drop as compared to the previous corresponding period. The drop in revenue was attributed to the downsizing in its travel & tours businesses which contributed RM4.2 million revenue (as compared to RM7.9 million in the previous period) and the hotel business which saw a decline in revenue performance to RM52.9 million (vs. RM55.9 million in the previous corresponding period). The segment reported an operating loss of RM35.1 million arising mainly from losses suffered in its hotel operations due to provision of impairment on trade receivables as well as higher depreciation charges.

## BUSINESS & OPERATIONAL REVIEW

### Nexus Resort & Spa Karambunai ("Nexus Resort")

Nexus Resort is an established 5-star 485 room international hotel in Kota Kinabalu and is one of the key assets of the Group. It is recognized as one of the leading resort destination in Sabah and attracts many visitors from all over the world including Europe, Japan, South Korea, Hong Kong, China, Russia and Australia. Nexus Resort achieved an average occupancy rate of 65.4% during the financial period under review as compared to an average occupancy rate of 62.2% in the previous financial year. Meanwhile, average room rates recorded were lower during the period under review as a result of the competition it faces from other competing hotels in Kota Kinabalu, hence resulting in a decline of revenue performance in Nexus Resort during the financial year.

Nexus Resort is certified as ISO14001:2004 compliant (Environmental Management System) since October 2009 and was awarded the ASEAN Green Hotel Standard Recognition Awards 2009 – 2010. The overall aim of the certification is to support environmental protection and prevention of pollution in balance with socio-economic needs as part of the Group's corporate social responsiblity. As an established resort, the Group has always maintained an 'environmental-friendly' approach for its hotel operations including minimizing wastage, maximize the use of energy-saving device, proper disposal of waste materials, recycling of used materials and adopting environmental best practices wherever possible.

We remain committed to uphold a high standard of service catering to our diversified pool of international guests such that their stay with us remains a truly unique and memorable experience.

### Nexus Golf Resort Karambunai ("Nexus Golf")

Nexus Golf is one of the premier golf courses in East Malaysia, specifically in Kota Kinabalu. It is located about half-hour's drive from Kota Kinabalu City and the golf course is located within walking distance from Nexus Resort. It is surrounded by nature and stretches from the low hills, gradually descending towards the beaches. Undulating across a series of small lakes, waterways and hillocks, amidst a panoramic expanse of natural and landscaped surroundings, the Nexus Golf Resort Karambunai captivates golfers with breathtaking views of Karambunai Beach, the South China Sea and Mount Kinabalu.

Designed by world-renowned golf architect, Ronald Fream, Nexus Golf is an 18-hole par 72 golf course that has hosted several prestigious events such as the 105th Malaysian Amateur Open Golf Championship in 2007 and has won numerous awards over the years including the reader voted award for 'Best Golf Resort' and 'Best Golf Course in East Malaysia' in the 2007/2008 Golf Magazine Poll. Most recently, Nexus Golf hosted the Malaysian Junior Open, the country's premier junior competition and 10th Karambunai Golf Open, both in September 2010.

### Bandar Sierra

Our Bandar Sierra township is a mixed property development comprising of both residential and commercial components. It is located in the northern part of Kota Kinabalu with close proximity to government institutions, educational institutions, shopping complexes and medical centers.

The latest developments in Bandar Sierra are the Phase 3A2, which comprises of apartment units to cater to the increasing population and demand for properties in the area. Bandar Sierra properties continue to attract existing and new house buyers arising from its strategic location and affordable properties.

A combination of sales recognised from development and disposal of land resulted in a significant increase in revenue from the Bandar Sierra development to RM51.4 million during the period under review (vs. RM32.2 million in the previous corresponding period).

## OUTLOOK

For 2012, GDP growth in Malaysia will be largely domestic driven, due to heightened uncertainties in the global economy. Whilst the outlook is affected by the increasingly adverse external environment, strong economic fundamentals coupled with pragmatic macroeconomic policies and implementation of the Economic Transformation Program ("ETP") will enhance the domestic sources of growth. Domestic demand, in particular private sector expenditure is expected to play a more significant role in driving economic expansion going forward.

Meanwhile, the economic challenges globally and the flight rationalisation exercise to Sabah from various international destinations is expected to have less favourable impact on tourist arrivals to Sabah and in turn, Karambunai. We are nevertheless, optimistic that our hotel operations will maintain a satisfactory performance due to the attraction of Karambunai's natural beauty and surroundings as well as the high standards of service provided by 5-star resort, Nexus Resort Karambunai.

In terms of the property development division, our Bandar Sierra township will continue to focus on the development of Phase 3A2 comprising of apartment units to cater towards the growing demand for properties in the northern part of Kota Kinabalu town.

Meanwhile, we are proud to participate under the Economic Transformation Programme ("ETP") as an Entry Point Project ("EPP") involving the development of a multi-billion dollar eco-tourism integrated resort ("IR") project. We are now focused on implementing the project which will bode well for the Group in the longer term as it will help to unlock the value of our Karambunai landbank in Kota Kinabalu, Sabah.

# Corporate Information

## BOARD OF DIRECTORS

**Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir**
(Chairman)

**Tan Sri Dr Chen Lip Keong**
(President)

**Chen Yiy Fon**
(Chief Executive Officer)

**Datuk Robin Loh Hoon Loi**

**Datuk Wan Kassim bin Ahmed**

**Chen Yiy Hwuan**

**Dato' Dr Mohd Aminuddin bin Mohd Rouse**

**Lim Mun Kee**

## COMPANY SECRETARIES

**Lim Tiong Jin,** MIA 16286
**Chang Yuet Mei,** MAICSA 0781552

## AUDIT COMMITTEE

**Datuk Wan Kassim bin Ahmed**
(Chairman, Independent Non-Executive Director)

**Dato' Dr Mohd Aminuddin bin Mohd Rouse**
(Independent Non-Executive Director)

**Lim Mun Kee**
(Independent Non-Executive Director)

## REMUNERATION COMMITTEE

**Datuk Wan Kassim bin Ahmed**
(Chairman, Independent Non-Executive Director)

**Dato' Dr Mohd Aminuddin bin Mohd Rouse**
(Independent Non-Executive Director)

**Chen Yiy Fon**
(Non-Independent Executive Director)

## NOMINATION COMMITTEE

**Datuk Wan Kassim bin Ahmed**
(Chairman, Independent Non-Executive Director)

**Dato' Dr Mohd Aminuddin bin Mohd Rouse**
(Independent Non-Executive Director)

## AUDITORS

Moore Stephens AC

## SOLICITORS

Yap Chin & Tiu
Ben & Partners
Lim Guan Sing & Co
Fernandez & Co

## BANKERS

DBS Bank Ltd, Labuan Branch
Oversea-Chinese Banking Corporation Ltd, Labuan Branch
Malaysian Assurance Alliance Berhad
Bank Kerjasama Rakyat Malaysia Berhad

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

## REGISTRARS

Semangat Corporate Resources Sdn Bhd
1st Floor, No. 118, Jalan Semangat
46300 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7968 1001
Fax : 03-7958 8013

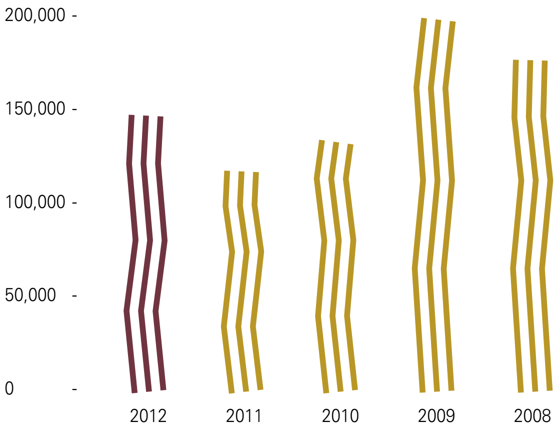
## REGISTERED OFFICE

No. 9020, Nexus Drive West, Karambunai
Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia
Tel : 088-411 111
Fax : 088-412 111

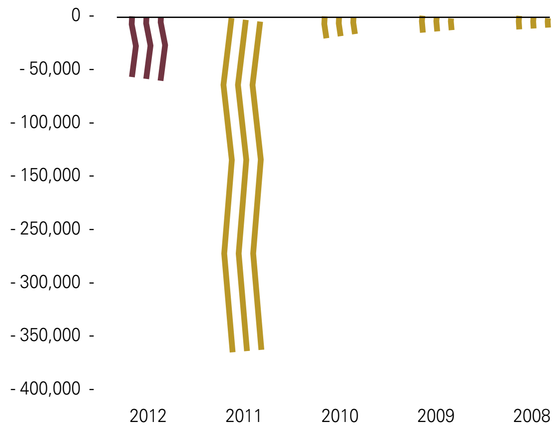
# Financial Summary

| RM'000 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Turnover | **149,158** | 125,288 | 139,677 | 198,390 | 172,474 |
| Loss Before Taxation | **(53,505)** | (372,740) | (43,010) | (35,952) | (41,453) |
| Total Equity | **571,288** | 698,779 | 769,612 | 805,660 | 841,120 |
| Total Assets | **1,589,435** | 1,836,389 | 1,755,969 | 1,789,546 | 1,824,124 |
| **RM** | | | | | |
| Net Tangible Asset Per Share | **0.27** | 0.34 | 0.37 | 0.39 | 0.41 |
| Loss Per Share | **(0.021)** | (0.185) | (0.018) | (0.017) | (0.016) |

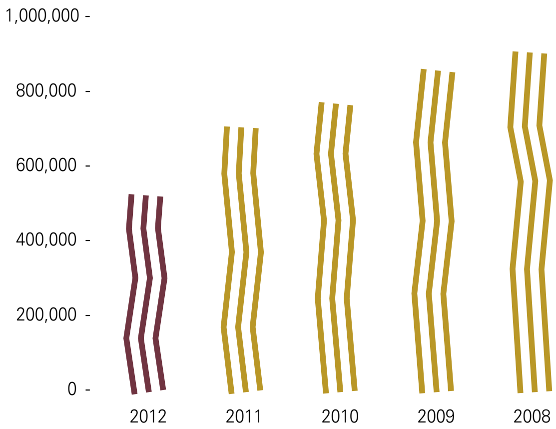
**TURNOVER (RM'000)**



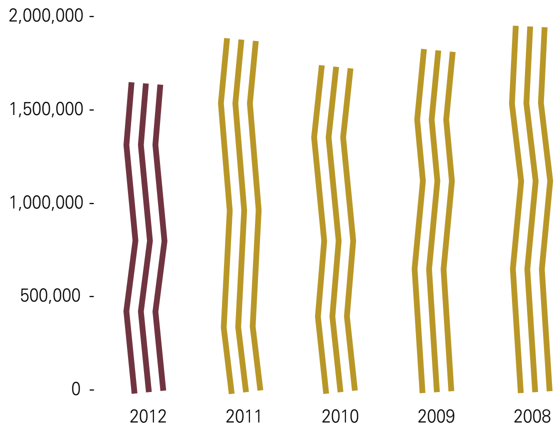

**(LOSS) / PROFIT BEFORE TAXATION (RM'000)**




**TOTAL EQUITY (RM'000)**




**TOTAL ASSETS (RM'000)**



# Board of Directors' Profile

**TAN SRI DATUK SERI PANGLIMA ABDUL KADIR BIN HAJI SHEIKH FADZIR**
Chairman, Independent Non-Executive Director

- Aged 73, Malaysian
- Appointed to the Board as Director and Chairman on 1 March 2006.
- Graduated as a Barrister-at-Law from Lincoln's Inn, London in 1970.
- Practiced as a partner in the legal firms, Hisham, Sobri & Kadir and Kadir, Khoo & Aminah from 1974 to 1982 and 1987 to 1990 respectively. Held fulltime positions with the Federal Government since 1970 beginning as Political Secretary, Parliamentary Secretary, Deputy Minister and Minister in various ministries almost continuously 36 years.
- Became Minister of Culture, Arts and Tourism Malaysia from 1999-2004 (5 years) and Chairman of Tourism Board Malaysia.
- Moved to become the Minister of Information Malaysia before resigning from Cabinet on 14 February 2006 to move to private sector.
- Currently, Chairman of MNC Wireless Berhad.

**TAN SRI DR CHEN LIP KEONG**
President, Non-Independent Executive Director

- Aged 65, Malaysian
- Appointed to the Board on 31 January 1991.
- Appointed as President on 1 August 2007.
- Controlling shareholder of Karambunai Corp Bhd.
- Bachelor of Medicine and Surgery from University of Malaya 1973 (M.B.B.S. Malaya) and extensive corporate, managerial and business experiences since 1976.
- Currently, controlling shareholder, President and Executive Director of Petaling Tin Berhad and controlling shareholder and Executive Director of FACB Industries Incorporated Berhad.

**CHEN YIY FON**
Chief Executive Officer, Non-Independent Executive Director

- Aged 31, Malaysian
- Appointed to the Board as Director and Chief Operating Officer on 1 August 2007. He was appointed as Chief Executive Officer on 29 September 2010.
- Graduated with a Bachelor of Arts in Economics from the University of Southern California, Los Angeles in 2003.
- Previously interned in Morgan Stanley, Los Angeles, California in 2003 as Financial Advisor Assistant and Credit Suisse First Boston, Singapore in 2004 before joining Karambunai Resorts Sdn Bhd, a wholly-owned subsidiary of Karambunai Corp Bhd in 2005 as Project Planning Manager and was promoted to Executive Director in 2006.
- Currently, he serves as Chief Executive Officer and Executive Director of Petaling Tin Berhad, Executive Director of FACB Industries Incorporated Berhad and also as a Director for subsidiaries of Karambunai Corp Bhd Group.

**DATUK ROBIN LOH HOON LOI**
Non-Independent Non-Executive Director

- Aged 51, Malaysian
- Appointed to the Board as Director and Chief Operating Officer of Karambunai Corp Bhd (KCB) on 1 May 2004.
- Promoted as Chief Executive Officer on 1 August 2007. He relinquished his position as Chief Executive Officer on 29 September 2010.
- Extensive experience in the hotel industry, property development and project management. Prior to joining the KCB Group, worked for an international hotel and a well-established property developer.
- Currently overseeing the Bandar Sierra's development located in Menggatal, Sabah.
- Deputy President of Sabah Housing and Real Estate Developers' Association and a Committee Member of the Malaysia Developers' Council.

**DATUK WAN KASSIM BIN AHMED**
Independent Non-Executive Director

- Aged 63, Malaysian
- Appointed to the Board on 20 October 1998.
- Chairman of the Audit, Remuneration and Nomination Committees.
- Graduated with a Bachelor of Economics (Honours) from University of Malaya in 1973.
- Started his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. Joined Shamelin Berhad for 10 years before starting own management consultancy firm, United Kadila Sdn Bhd in 1984. Served as a Councillor for the Petaling Jaya Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996.
- Currently, he is also an Independent and Non-Executive Director of FACB Industries Incorporated Berhad, Petaling Tin Berhad and Octagon Consolidated Berhad.

## CHEN YIY HWUAN
Non-Independent Executive Director

- Aged 32, Malaysian
- Appointed to the Board on 1 August 2007.
- Appointed as Executive Director on 30 November 2007.
- Graduated with a Bachelor of Arts (Honours) in Accounting with Business Economics from Middlesex University, United Kingdom.
- Joined Petaling Tin Berhad in 2003 as Special Assistant to CEO.
- Currently, serves as Director for several subsidiaries of Karambunai Corp Bhd Group and is an Executive Director of FACB Industries Incorporated Berhad and Petaling Tin Berhad.

## DATO' DR MOHD AMINUDDIN BIN MOHD ROUSE
Independent Non-Executive Director

- Aged 67, Malaysian
- Appointed to the Board on 9 October 2009.
- A member of the Audit, Remuneration and Nomination Committees.
- Graduated with a B.Sc (Hons) in Biochemistry from University Malaya in 1969 and obtained his Ph.D. in Biochemistry from the University of Adelaide in 1974.
- Won numerous academic awards including the William Culross Award for Scientific Research from the University of Adelaide, International Foundation for Science Award from Sweden and the Fullbright Scholarship from USA.
- An academician for 14 years having started as a lecturer in Universiti Pertanian Malaysia (now Universiti Putra Malaysia) in 1969 culminating his academic career as a dean and professor in Universiti Sains Malaysia in 1983.
- Served Kumpulan Guthrie Berhad in year 1983 before joining Berjaya Group Berhad as its Group Executive Director in year 1994 and left Berjaya Group in September 1995 to become the Group Chief Executive Officer of Konsortium Perkapalan Berhad (now Konsortium Logistik Berhad) as well as the President and Chief Executive of PNSL Berhad.
- Assumed in November 1997 the position of Executive Chairman, Indah Water Konsortium Sdn Bhd (IWK) and Deputy Chairman of its parent listed company, Prime Utilities Bhd, until the end of his tenure in October 2000.
- Assumed from January 2001 the position of President & CEO of Malaysian Technology Development Corporation (MTDC), a venture capital company involved in the acquisition and transfer of technology, until the end of his tenure in December 2003.
- Currently, sits on the Board of a number of public listed companies including Tanco Holdings Bhd, Ajiya Berhad, Managepay Systems Berhad and STAR Publications (M) Bhd and is also a Trustee of STAR Foundation, the charitable arm of the STAR. He is also a council member of Universiti Tunku Abdul Rahman (UTAR).

## LIM MUN KEE
Independent Non-Executive Director

- Aged 45, Malaysian
- Appointed to the Board on 25 August 2010.
- A member of the Audit Committee.
- Registered Accountant. A member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).
- He started his career in KPMG Peat Marwick in 1989 and obtained his professional qualification in 1995. He has over 20 years of experience in auditing, finance and accountancy field where he worked in several listed companies as Accountant, Financial Controller and Head of Internal Audit. Currently, he is a Commissioned Dealer registered with Bursa Malaysia and Director in a few non-listed companies in Malaysia.
- Currently, he also serves as an Independent Non-Executive Director of FACB Industries Incorporated Berhad and Petaling Tin Berhad.

**Other Information**

1. Family Relationship
   Mr. Chen Yiy Hwuan and Mr. Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong.

   Save as disclosed above, none of the Directors have any family relationship with any Director of the Company.
2. Conflict of Interest
   Tan Sri Dr. Chen Lip Keong by virtue of his interest in privately owned company and Petaling Tin Berhad, of which some of its subsidiaries are also involved in property development.

   Save as disclosed above, none of the Directors have any conflict of interest with the Group.
3. Conviction of Offences
   None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.

# Calendar Of Events

Blood Donation Campaign - December 2011


Nexus Golf Resort Karambunai - 34th Litter free zone under City Hall's Anti Litter Campaign

Kejohanan Golf Amal TYT Yang Di-Pertua Negeri Sabah golf tournament - October 2011

# In The News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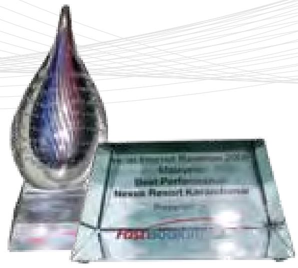
Nexus first litter-free 5-star Hotel in Sabah
Daily Expre
INDEPENDENT NATIONAL NEWSPAPER OF EAST
Chef: Food can break the cultural divide
Discard 'throw first and colle later' attitude, says Mayor
US RESIDENCE AMBUNAI, ALAYSIA
詩華日報
SEE HUA DAILY NEWS
加拉布奈尼殊斯成庇首個
「無垃圾度假酒店
Local
4 Your Local Voice
Hoping to rake in RM1mil from new local tele-movie

# Our Awards


**2007**
**HAPA (Hospitality Asia Platinum Award) 2007-2008**
i. Top 5 HAPA MICE Hotel of the Year
ii. Top 5 HAPA Golf Resort of the Year
iii. Top 10 HAPA Luxury Resort of the Year

**2007**
**Sabah Tourism Awards 2007**
Winner - Excellence in Hotel Services (3, 4 & 5 Stars)



**2008**
**Fastbooking Asia Pvt. Ltd**
Best Performance – Hotel Internet Revenue Malaysia Market

**2008 – 2010**
**Regional Series, Top 5 HAPA Signature Leisure & Recreation Resort**
HAPA (Hoslitality Asia Platinum Award)

**2008 – 2009**
- **ASEAN Green Hotel Recognition Award**
- **ASEAN Green Hotel Standard Recognition Award 2008 - 2009**


**2008**
**SAGA Holidays, Travellers World**
Top Stay Award


**2008**
**SAGA Holidays, Travellers World**
Good Food Award


**2010**
**Best Resort Spa by Malaysia Spa & Wellness Award 2009**


**March 2011**
Best Resort Spa by Malaysia Spa & Wellness Award 2011

**2011**
**World Luxury Spa Awards 2011**
– Runner-Up


**June 2010**
South East Asia's 20 Best Resort Developments 2010


**2010**
China Low Carbon Real Estate Award - Model Villa


**2011**
Malaysia's Best Restaurant's Noble House
Malaysia's Best Restaurant's Olives


**2011**
South East Asia's Top 20 Resort Properties

## EAST MALAYSIA

### KARAMBUNAI PENINSULAR

Karambunai Peninsular is located in the state of Sabah, which is part of the exotic Borneo island. Karambunai Resorts, comprising approximately 1,500 acres of the Karambunai Peninsular is within 30 minutes drive from the city centre of Kota Kinabalu. Karambunai Resorts is blessed with a 6.2 km stretch of pristine sandy beach, lagoons, million year-old rainforest and mangrove reserves.

As the jewel in the crown, Karambunai Resorts will continue to be the focus of the Group’s development activities. The completed developments include the Nexus Resort & Spa Karambunai, the Nexus Golf Resort Karambunai and Nexus Residences. Under the Economic Transformation Program, Karambunai has been earmarked as an Entry Point Project (“EPP”) which involves the development of a multi-billion dollar eco-tourism integrated resort (“IR”) project.

### NEXUS RESORT & SPA KARAMBUNAI

Nexus Resort & Spa Karambunai (“Nexus Resort”), a premier 5-star 485-room international multi-award winning resort which is located on Karambunai Peninsular, spreading over 65 acres of prime beach fronting the South China Sea and nestled within a natural haven of tropical beauty and serenity. The award-winning 18-hole championship golf course and exclusive Borneo Spa complements the comprehensive facilities of Nexus Resort including eight restaurants and bars as well as sports and recreational activities for its guests.

The new wing, Villas & Suites at Nexus Resort Karambunai (“VSNRK”) of 2-bedroom duplex Pool Villas and 1- and 2-bedroom Spa Suites is located approximately 2km from the main Nexus Resort wing is an oasis of luxury living.

The Pool Villa has a lap pool, spacious living and dining area and a private garden. A master bedroom, second bedroom with 2 single beds and a fully equipped kitchen to provide complete privacy and flexibility of a home-away-from-home.

The Spa Suites are cozy dens created specially in low density design and serviced by private lifts. The balcony affords breath-taking views of the ocean and surrounding rainforest.

# CORE BUSINESS

NRK has won many accolades over the years including:-

1. **2011** - Malaysia's Best Restaurant's Noble House
2. **2011** - Malaysia's Best Restaurant's Olives
3. **2011** - World Luxury Spa Awards 2011 (Runner-Up)
4. **2011** - Malaysian Spa & Wellness Awards 2011 (Best Resort Spa)
5. **2010** - South East Asia's 20 Best Resort Developments 2010 - Property Report South East Asia
6. **2010** - 2010 China Low Carbon Real Estate Award- Model Villa
7. **2010** - ASEAN Green Hotel Standard Recognition Awards 2009 - 2010
8. **2010** - Malaysian Spa & Wellness Awards 2009 (Best Resort Spa)
9. **2009** - 12th Sabah Hospitality Fiesta (Champion – Hotel/Resort Category)
10. **2008** - Fastbooking Asia Pvt Ltd (Best Performance – Hotel Internet Revenue Malaysia Market)
11. **2008** - HAPA (Hospitality Asia Platinum Award) 2008-2010 Regional Series Top 5 HAPA Signature Leisure & Recreation Resort
12. **2008** - SAGA Holidays (Travellers World, Good Food Award)
13. **2008** - SAGA Holidays (Travellers World, Top Stay Award)
14. **2008** - ASEAN Green Hotel Recognition Award (ASEAN Green Hotel Standard Recognition Award 2008 – 2009)
15. **2007** - Sabah Tourism Awards 2007 Winner – Excellence in Hotel Services (3, 4 & 5 Stars)
16. **2007** - HAPA (Hospitality Asia Platinum Award) 2007-2008<br>Top 5 HAPA MICE Hotel of the Year<br>Top 5 HAPA Golf Resort of the Year<br>Top 10 HAPA Luxury Resort of the Year
17. **2007** - Virgin Holidays Silver Award 2007 (Best Resort in the Far East & Australasia)
18. **2007** - SAGA Holidays (Travellers World, Good Food Award)
19. **2007** - SAGA Holidays (Travellers World, Top Stay Award)
20. **2007** - Expat Lifestyle - Best of Malaysia Awards October 2007 Excellence Award for Best Beach Resort and Best Beach
21. **2007** - China Golf Award 2006 (My Favourite Overseas Golf Travel Destination)
22. **2006** - Virgin Holidays Gold Award 2006 (Best Resort in the Far East & Australasia)
23. **2006** - SAGA Holidays (Travellers World, Top Ten Award)
24. **2006** - SAGA Holidays (Travellers World, Good Food Award)
25. **2005** - World Travel Awards (Malaysia's Leading Golf Resort)
26. **2004** - World Travel Awards (Malaysia's Leading Golf Resort)
27. **2004** - SAGA Holidays (Travellers World, Top Ten Award)
28. **2004** - SAGA Holidays (Travellers World, Good Food Award)
29. **2004** - SAGA Holidays (Travellers World, Top Extension Award)
30. **2003** - Malaysia Tourism Award (The Minister's Special Award)
31. **2003** - SAGA Holidays (Travellers World, Top Ten Award)
32. **2003** - SAGA Holidays (Travellers World, Good Food Award)
33. **2002** - SAGA Holidays (Travellers World, Top Ten Award)
34. **2002** - SAGA Holidays (Travellers World, Good Food Award)
35. **2001/2002** - Malaysia Tourism Awards (Excellence in Hotel Services, 5 Star (Resort Hotel))
36. **2001** - SAGA Holidays (Travellers World, Top Ten Award)
37. **2001** - SAGA Holidays (Travellers World, Good Food Award)
38. **2001** – FIABCI (Prix d'Excellence Finalist in Leisure Category)
39. **2000** – FIABCI (Award of Distinction in Leisure & Resort Category)
40. **1999** - The Finest Golf Resorts Collection (Award for Distinguished Status)

### NEXUS GOLF RESORT KARAMBUNAI

Nexus Golf Resort Karambunai ("NGRK"), an international championship 18-hole golf course in Karambunai Resorts, is designed by renowned golf-course architect Ronald Fream. Operational since 1996, NGRK has established itself as one of the most popular golf courses in Sabah due to its unique location, nestled between the million year-old rainforest and fronting the South China Sea. It has also won a string of awards since its inception including Golf Malaysia Magazine's course poll for "Best Resort Course in Malaysia", "Best Golf Course in East Malaysia" and "One of Malaysia's Three Most Memorable Golf Course in Malaysia".

## WEST MALAYSIA

### BUKIT UNGGUL ECO-MEDIA CITY & BUKIT UNGGUL COUNTRY CLUB

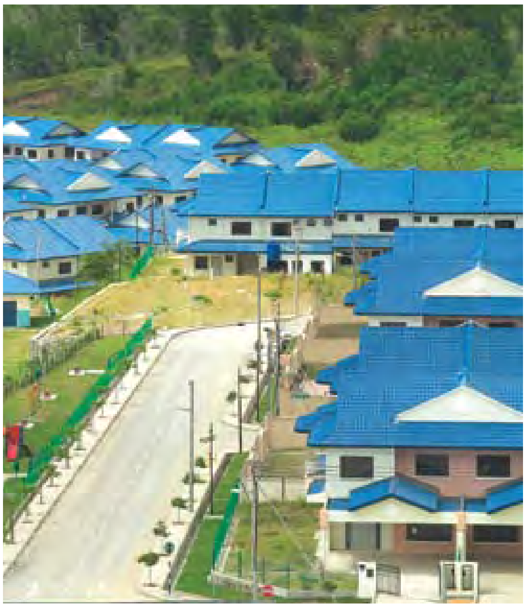
Bukti Unggul Eco-Media City comprises approximately 1,363 acres, strategically located in the Multimedia Super Corridor within close proximity to the Kuala Lumpur International Airport, Putrajaya and Cyberjaya. Current completed developments include the 18-hole golf course, namely Bukit Unggul Country Club ("BUCC"). It is an 18-hole international golf course with full club facilities. Designed by Ronald Fream, BUCC is well known for its unique mature rainforest environment.

# Our Projects

## BANDAR SIERRA

Bandar Sierra comprises of 415 acres of mixed residential and commercial land. It is strategically located in the northern growth corridor of Kota Kinabalu where rapid development is taking place and is within close proximity to University Sabah Malaysia, the new Federal Administrative Centre, Kolej Ibukota Kinabalu, Kota Kinabalu Industrial Park, KK Polytechnic, UiTM and Sabah Medical Centre.

To-date, the completed phases includes Phase 1A & 1B (comprising of double storey link, semi-detached houses, bungalows and shop lots) and Phase 3A1 (apartment units). The Group is now developing Phase 3A2, comprising of apartment units to cater towards the growing demand for properties in the northern part of Kota Kinabalu.




# Corporate Governance Statement

The Board of Directors of Karambunai Corp Bhd is committed to its fiduciary responsibility for sound corporate governance in its business management practices. Accordingly, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance (the Code) wherein disclosures pursuant to the Code is mandated under paragraph 15.25 of the Bursa Securities Main Market Listing Requirements.

In particular, the Company has complied with Part 2, "Best Practices in Corporate Governance", of the Code except for individual disclosure of directors' remuneration packages (as detailed in Other Compliances Statement of this Annual Report), whereas the ensuing paragraphs narrates how the Company has applied Part I, "Principles of Corporate Governance", of the Code.

## DIRECTORS

### The Board

An effective Board leads and control the Company. Board members' judgement has a bearing on strategies, performances, resources and standards. Six (6) Board meetings were held during the financial year ended 31 March 2012 with details of attendance presented under Other Compliances Statement of this Annual Report. In between scheduled meetings and where appropriate, Board decisions may be effected via circular resolutions.

### Directors' Training

Subject to individual circumstances, directors are required to attend the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. With the repeal of the Continuing Education Programme, the directors are now subject to a Group Training Programme inclined towards auditing, accounting, regulatory and industry issues.

During the financial year ended 31 March 2012, the Directors attended talks on Art of War in the new Business Landscape and an in-house seminars on the following topics:-

1) Key Amendments to Listing Requirements 2011;
2) Corporate Disclosure Guide
3) Corporate Governance Blueprints 2011; and,
4) Overview on Chapter 10 of Listing Requirements-Transactions.

Apart from the above, Board members were regularly updated on global developments and trends in Corporate Governance principles and best practices besides local regulatory and risk management framework.

### Board Balance

The Board currently consists of eight (8) members; comprising four (4) Executive Directors and four (4) Non-Executive Directors. Among the Non-Executive Directors, all four (4) are independent, hence, more than a third of the Board is independent. Meanwhile, the Board's composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out under the Board of Directors' Profile of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the Senior Independent Non-Executive Director, to whom concerns may be conveyed.

### Supply of Information

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company's expense, in furtherance of their duties.

### Appointments to the Board

A Nomination Committee with appropriate terms of reference, was established by the Board on 25 February, 2002. The Committee, currently comprising wholly of Independent Non-Executive Directors, are as follows:-

1. Datuk Wan Kassim bin Ahmed [Chairman]
2. Dato' Dr Mohd Aminuddin bin Mohd Rouse

During the financial year, the full Committee met twice on 22/07/2011 & 24/02/2012.

This Committee is responsible, inter alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

# Corporate Governance Statement

## DIRECTORS (CONT'D)

### Re-election

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years period, but shall be eligible for re-election. This provision, duly amended in an EGM is now not only consistent with the underlying principles of the Code, but also, fully in line with para 7.26 (2) of the Bursa Securities Main Market Listing Requirements.

## DIRECTORS' REMUNERATION

### Procedure

A Remuneration Committee with appropriate terms of reference was established by the Board on 25 February, 2002. The Committee, currently comprising a majority of Non-Executive Directors, are as follows:-

1. Datuk Wan Kassim bin Ahmed [Chairman]
2. Dato' Dr Mohd Aminuddin bin Mohd Rouse
3. Chen Yiy Fon

During the financial year, the Committee met twice on 22/07/2011 & 24/02/2012.

### The Level and Make-up of Remuneration

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration framework for all Executive Directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration package is structured to commensurate with corporate and individual performance.

In respect of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and is a matter for consideration by the Board as a whole. The Non-Executive Directors abstain from discussions pertaining to their own remuneration.

### Disclosure

The details of Directors' Remuneration for the financial year are summarised under the Other Compliances Statement of this Annual Report.

## SHAREHOLDERS

### Dialogue between Company and Investors

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

### The AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is also included in this Annual Report.

### Internal Control

The Statement on Internal Control set out in this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholder's investment and the Company's assets.

### Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors in particular, and corporate governance in general, are detailed in the Audit Committee Report of this Annual Report.

*This statement is made in accordance with a resolution of the Board of Directors dated 31 July 2012.*

# Statement On Internal Control

## PREAMBLE

Pursuant to paragraph 15.26(b) of the Bursa Securities Main Market Listing Requirements, the Board is required to include in its Annual Report, a statement on the state of internal control of the Group. In making this Statement on Internal Control, it is essential to specifically address the Principles and Best Practices in the Malaysian Code on Corporate Governance which relate to internal control.

### RESPONSIBILITY

The Board has overall stewardship responsibility for the Company's system of internal control and for reviewing its adequacy and integrity to safeguard shareholder's investment and the Company's assets. However, it should be noted that such a system is 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 misstatement or loss.

### INTERNAL CONTROL SYSTEM

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, control procedures, communication and monitoring processes which manifest as follows: -

- Organizational structure defines lines of responsibility, delegation of authority, segregation of duties and information flow. Besides the predominantly non-executive standing committees such as the Audit, Nomination and Remuneration Committees, the Board is supported by executive management operationally. These committees convene periodically to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.
- Policies, procedures and standards have been established, periodically reviewed and updated in accordance with changes in the operating environment.
- Comprehensive budgeting process for major operating units with periodical monitoring of performance so that major variances are followed up and management action taken.
- Functional limits of authority in respect of revenue and capital expenditure for all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.
- Detailed justification and approval process for major projects and acquisitions imposed, to ensure congruence with the Company's strategic objectives.
- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

### RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognises its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has established an in-house structured risk management framework, thereby laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

A Risk Advisory Committee (RAC) comprising senior management personnel responsible, inter alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 25 February, 2002.

During the financial year, the RAC convened quarterly to monitor the Group's significant risks and to recommend appropriate treatments. The Audit Committee establishes the adequacy and effectiveness of the Group's Risk Management Framework by regularly reviewing the resultant RAC risk registers.

### INTERNAL AUDIT

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Group's risk management and control system and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

### INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

*This statement is made in accordance with a resolution of the Board of Directors dated 31 July 2012 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Bursa Securities Main Market Listing Requirements.*

# Audit Committee Report

## PREAMBLE

Pursuant to paragraph 15.15 of the Bursa Securities Main Market Listing Requirements, the Board is required to prepare an Audit Committee Report for inclusion in its Annual Report.

### COMPOSITION

The Group has an established Audit Committee since 19 October 1993. For the financial year, the members of the Audit Committee, their respective designations and directorships are as follows:-

- Datuk Wan Kassim bin Ahmed
  *Chairman, Independent Non-Executive Director*
- Dato' Dr Mohd Aminuddin bin Mohd Rouse
  *Member, Independent Non-Executive Director*
- Lim Mun Kee
  *Member, Independent Non-Executive Director*

### TERMS OF REFERENCE

**Purpose**

The primary objective of the Audit Committee (as a standing-committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

**Reporting Responsibilities**

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

**Attendance at Meetings**

The Head of Finance, the Head of Internal Audit and a representative of the External Auditors should normally attend meetings. The Company Secretary shall be the secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda. The Committee should meet with the external auditors, the internal auditors or both without executive board members and employees of the Group present, whenever deemed necessary.

**Frequency of Meetings**

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

**Quorum**

The quorum for a meeting shall be two (2) members of whom a majority shall be Independent Directors.

**Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

**Duties**

The duties of the Audit Committee include the following:-

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Board, focusing on:-
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- To review the external auditor's management letter and management's response;
- To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointments or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

- To consider any related party transactions and conflict of interest situation that may arise within the Group;
- To consider the major findings of internal investigations and management's response; and
- To consider other topics as defined by the Board.

**DETAILS OF MEETINGS**

The Audit Committee met four (4) times during the financial year and details of attendances are as follows :-

| | |
|---|---|
| Datuk Wan Kassim bin Ahmed | 4/4 |
| Dato' Dr Mohd Aminuddin bin Mohd Rouse | 4/4 |
| Lim Mun Kee | 4/4 |

During the financial year, relevant training attended by the above directors are detailed in the Corporate Governance Statement of this Annual Report.

**SUMMARY OF AUDIT COMMITTEE ACTIVITIES**

In discharging its responsibilities for the financial year, the Audit Committee, in particular:-

- Reviewed the quarterly and year end financial statements and made recommendations to the Board.
- Deliberated over the internal audit and compliance reports, ensuring recommendations are carried out.
- Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems within the Group.
- Reviewed the Risk Advisory Committee report, ensuring adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Group's compliance with regards to the Bursa Securities Main Market Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

**SUMMARY OF INTERNAL AUDIT ACTIVITIES**

The Audit Committee is supported by an Internal Audit Department which reports directly to the Committee and is independent of the activities they audit. The costs incurred on this function which includes risk management and corporate governance was RM285,900 for the financial year.

During the financial year, the Internal Audit Department conducted, inter alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system.
- Analysed and assessed key business processes, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit recommendations to ensure adequate implementation.
- Advised on the implementation of the Malaysian Code on Corporate Governance, Bursa Securities Main Market Listing Requirements and other regulatory requirements.
- Performed investigations and special reviews as requested by the Board and Management.
- Facilitated and reviewed the Group's risk management framework for adequacy and effectiveness in tandem with the business environment.

*This report is made in accordance with a resolution of the Board of Directors dated 31 July 2012.*

# Directors' Responsibility Statement

Pursuant to Paragraph 15.26(a) of the Bursa Securities Main Market Listing Requirements

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of their operations and cashflows for that period.

In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*This statement is made in accordance with a resolution of the Board of Directors dated 31 July 2012.*

# Other Compliances Statement

## 1. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held six (6) meetings, the attendance of which were as follows:-

| | Directors | Attendance |
|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir | 6/6 |
| 2. | Tan Sri Dr Chen Lip Keong | 6/6 |
| 3. | Datuk Wan Kassim bin Ahmed | 6/6 |
| 4. | Chen Yiy Fon | 6/6 |
| 5. | Datuk Robin Loh Hoon Loi | 6/6 |
| 6. | Dato' Dr Mohd Aminuddin bin Mohd Rouse | 6/6 |
| 7 | Chen Yiy Hwuan | 6/6 |
| 8 | Lim Mun Kee | 5/6 |

## 2. DIRECTORS' REMUNERATION

The aggregate remuneration of directors for the financial year is categorised as follows:-

| Description | Fees RM | Salaries RM | Others RM | Total RM |
|---|---|---|---|---|
| Executive | 36,000 | 992,760 | 81,019 | 1,109,779 |
| Non - Executive | 219,000 | - | - | 219,000 |
| **Total** | **255,000** | **992,760** | **81,019** | **1,328,779** |

The number of directors whose remuneration falls in each successive band of RM50,000 are as follows:-

| Range (RM) | Executive | Non-Executive |
|---|---|---|
| 50,000 & below | 1 | 3 |
| 50,001 to 100,000 | 0 | 0 |
| 100,001 to 150,000 | 0 | 1 |
| 150,001 to 200,000 | 0 | 0 |
| 200,001 to 250,000 | 1 | 0 |
| 250,001 to 300,000 | 1 | 0 |
| 300,001 to 350,000 | 0 | 0 |
| 350,001 to 400,000 | 0 | 0 |
| 400,001 to 450,000 | 0 | 0 |
| 450,001 to 500,000 | 0 | 0 |
| 500,001 to 550,000 | 1 | 0 |
| **Total** | **4** | **4** |

The above disclosure is in compliance with the Bursa Securities Main Market Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy whilst not significantly enhancing shareholders' information.

# Other Compliances Statement

**3. UTILISATION OF PROCEEDS**

As at 31 March 2012, the Company did not raise funds from any corporate proposal during the financial year.

**4. SHARE BUY-BACKS**

During the financial year, there were no share buybacks by the Company.

**5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

During the financial year, the Company did not issue any Options, Warrants or Convertible Securities.

**6. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)**

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

**7. SANCTIONS AND/OR PENALTIES**

There was no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

**8. NON - AUDIT FEES**

The non-audit fees paid to the external auditors by the Group and the Company for the financial year amounted to RM40,600.

**9. VARIATION IN RESULTS**

There is no material variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

**10. PROFIT GUARANTEE**

During the year, there was no profit guarantee given by the Company.

**11. MATERIAL CONTRACTS**

There were no material contracts entered by the Company and its subsidiaries involving directors' and major shareholders' interests other than those disclosed in the financial statements.

**12. CONTRACTS RELATING TO LOAN**

There were no contracts relating to a loan by the Company in respect of the above said item.

**13. REVALUATION POLICY**

The Company had not adopted a regular revaluation policy on landed properties.

**14. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE**

There were no material recurrent related party transactions of a revenue nature during the year other than those disclosed in the financial statements.

*This statement is made in accordance with a resolution of the Board of Directors dated 31 July 2012.*

# Financial Statements

# Directors' Report

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holdings and provision of management services. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss net of tax | 42,610,574 | 42,851,313 |
| Loss attributable to:- | | |
| Owners of the parent | 42,596,972 | |
| Non-controlling interest | 13,602 | |
| | 42,610,574 | |

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

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

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

## CURRENT ASSETS

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

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

In the opinion of the Directors:-

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
(ii) 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 which are likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES**

During the financial year, no new issue of shares was made by the Company.

**DIRECTORS OF THE COMPANY**

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

TAN SRI DATUK SERI PANGLIMA ABDUL KADIR BIN HAJI SHEIKH FADZIR
TAN SRI DR. CHEN LIP KEONG
CHEN YIY FON
DATUK ROBIN LOH HOON LOI
DATUK WAN KASSIM BIN AHMED
DATO' DR MOHD AMINUDDIN BIN MOHD ROUSE
CHEN YIY HWUAN
LIM MUN KEE

**DIRECTORS' INTERESTS**

The interests of the Directors in office as at the end of the financial year in the ordinary shares of the Company during the financial year according to the registers required to be kept under Section 134 of the Companies Act, 1965 are as follows:-

| | Number of Ordinary Shares of RM0.50 Each | | |
|---|---|---|---|
| **Name of Directors** | **At 1.4.11** | **Purchased/ (Sold)** | **At 31.3.12** |
| Direct Interest | | | |
| Tan Sri Dr. Chen Lip Keong | 891,122,516 | - | 891,122,516 |

Tan Sri Dr. Chen Lip Keong by virtue of his substantial interest in shares of the Company, Chen Yiy Hwuan and Chen Yiy Fon by virtue of shares held by their father, Tan Sri Dr. Chen Lip Keong, are also deemed interested in the shares of the subsidiaries disclosed in Note 11 to the financial statements, to the extent the Company has an interest.

None of the other Directors held any share whether direct or indirect, in the Company during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

**SIGNIFICANT EVENTS**

Details of significant events arising during the financial year are disclosed in Note 37 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 July 2012.

**DATUK ROBIN LOH HOON LOI** **CHEN YIY FON**

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 32 to 98, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 99 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants ("MIA Guidance") and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 July 2012.

**DATUK ROBIN LOH HOON LOI** **CHEN YIY FON**

# Statutory Declaration

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

I, Lim Tiong Jin, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 32 to 98, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
at Kuala Lumpur in the Federal Territory
on 31 July 2012

**LIM TIONG JIN**

Before me

**FAUZILAWATI BINTI ISHAK (W 561)**
Commissioner for Oaths

# Independent Auditors' Report

To the Members of Karambunai Corp Bhd.

**Report on the Financial Statements**

We have audited the financial statements of Karambunai Corp Bhd., which comprise statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 98.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2012 and of their financial performance and cash flows for the year then ended.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2.1 to the financial statements which discloses the following:

(i) the Group and the Company incurred net losses of RM42,610,574 and RM42,851,313 respectively for the financial year ended 31 March 2012, and as at that date, the Group's and Company's current liabilities exceeded its current assets by RM578,111,620 and RM174,795,442 respectively.
(ii) the Promissory Note matured on 28 December 2010 and the Group intends to dispose the charged land to settle the Promissory Note as mentioned in Note 28 to the financial statements.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concern. The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future having adequate funds to repay their obligations. The validity of this assumption depends upon the Group's operations to generate positive cash flow, the successful disposal of the non-current assets classified as held for sale and the successful implementation of future corporate restructuring and fund raising exercise to be undertaken by the Group in order to generate sufficient cash flow to repay their bank borrowings and creditors, and receiving continued support from their bankers, creditors and major shareholders.

The financial statements of the Group and the Company do not include any adjustments relating to the amounts and the classification of assets and liabilities that might be necessary should the going concern basis of preparation of the Group's and the Company's financial statements be inappropriate.

**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, except for the unaudited financial statements of certain subsidiaries and we have considered their unaudited financial statements thereon, which are indicated in Note 11 to the financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company is in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

**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.

**MOORE STEPHENS AC**
Chartered Accountants
AF 001826

**STEPHEN WAN YENG LEONG**
2963/07/13 (J)
Chartered Accountant

Kuala Lumpur
31 July 2012

# Statements of Comprehensive Income

For the year ended 31 March 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| Revenue | 4 | **149,157,818** | 125,288,380 | **-** | 3,338 |
| Direct costs | 5 | **(120,585,663)** | (113,065,252) | **-** | - |
| **Gross profit** | | **28,572,155** | 12,223,128 | **-** | 3,338 |
| Other income | | **3,174,360** | 10,028,634 | **-** | 8,816,928 |
| Selling and distribution costs | | **(2,898,418)** | (2,820,922) | **-** | - |
| Administrative costs | | **(27,587,928)** | (19,933,567) | **(9,471,585)** | (6,918,255) |
| Other costs | | **(21,974,203)** | (334,950,112) | **(26,861,920)** | (421,478,592) |
| | | **(52,460,549)** | (357,704,601) | **(36,333,505)** | (428,396,847) |
| **Loss from operations** | | **(20,714,034)** | (335,452,839) | **(36,333,505)** | (419,576,581) |
| Finance costs | | **(32,791,151)** | (37,287,091) | **(6,517,808)** | (6,501,952) |
| **Loss before tax** | 6 | **(53,505,185)** | (372,739,930) | **(42,851,313)** | (426,078,533) |
| Income tax expense | 7 | **10,894,611** | (3,631,561) | **-** | - |
| **Loss for the year** | | **(42,610,574)** | (376,371,491) | **(42,851,313)** | (426,078,533) |
| **Other comprehensive income:** | | | | | |
| (Impairment loss)/Revaluation of land and buildings | | **(118,336,666)** | 395,174,842 | **-** | - |
| Foreign currency translation | | **(310,582)** | 9,057,661 | **-** | - |
| Income tax relating to components of other comprehensive income | 7 | **33,766,427** | (98,793,711) | **-** | - |
| Other comprehensive income, net of tax | | **(84,880,821)** | 305,438,792 | **-** | - |
| **Total comprehensive income for the year** | | **(127,491,395)** | (70,932,699) | **(42,851,313)** | (426,078,533) |
| Loss attributable to:- | | | | | |
| Owners of the parent | | **(42,596,972)** | (376,371,491) | | |
| Non-controlling interest | | **(13,602)** | - | | |
| | | **(42,610,574)** | (376,371,491) | | |
| **Total comprehensive income attributable to:-** | | | | | |
| Owners of the parent | | **(127,477,793)** | (70,932,699) | | |
| Non-controlling interest | | **(13,602)** | - | | |
| | | **(127,491,395)** | (70,932,699) | | |
| Loss per ordinary share attributable to owners of the parent | 8 | **(0.0210)** | (0.1854) | | |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statements of Financial Position

As at 31 March 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | **1,001,043,712** | 1,119,014,845 | **178,219** | 203,727 |
| Land held for property development | 10 | **317,184,135** | 391,537,290 | **-** | - |
| Subsidiaries | 11 | **-** | - | **825,818,656** | 848,873,273 |
| Available-for-sale financial assets | 12 | **130,000** | 200,000 | **60,000** | 60,000 |
| Capital work-in-progress | 13 | **2,412,862** | - | **-** | - |
| Deferred tax assets | 14 | **892,192** | 9,000 | **-** | - |
| Goodwill | 15 | **14,937,416** | 14,937,416 | **-** | - |
| | | **1,336,600,317** | 1,525,698,551 | **826,056,875** | 849,137,000 |
| **Current assets** | | | | | |
| Property development costs | 16 | **12,935,857** | 24,005,590 | **-** | - |
| Inventories | 17 | **12,662,758** | 10,017,357 | **-** | - |
| Trade receivables | 18 | **19,004,984** | 47,910,174 | **-** | - |
| Other receivables, deposits and prepayments | 19 | **10,028,627** | 35,698,383 | **488,963** | 404,571 |
| Amounts owing by subsidiaries | 20 | **-** | - | **69,814,426** | 72,222,900 |
| Cash deposits with licensed banks | 21 | **3,013,528** | 2,956,829 | **-** | - |
| Cash and bank balances | | **5,712,531** | 68,165,076 | **756,890** | 891,663 |
| | | **63,358,285** | 188,753,409 | **71,060,279** | 73,519,134 |
| Non-current assets classified as held for sale | 22 | **189,476,232** | 121,936,688 | **-** | - |
| | | **252,834,517** | 310,690,097 | **71,060,279** | 73,519,134 |
| **TOTAL ASSETS** | | **1,589,434,834** | 1,836,388,648 | **897,117,154** | 922,656,134 |

# Statements on Financial Position (Cont'd)

As at 31 March 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 23 | **1,015,029,840** | 1,015,029,840 | **1,015,029,840** | 1,015,029,840 |
| Share premium | | **111,535,799** | 111,535,799 | **111,535,799** | 111,535,799 |
| Reserves | 24 | **(555,264,372)** | (427,786,579) | **(475,304,206)** | (432,452,893) |
| Shareholders' equity | | **571,301,267** | 698,779,060 | **651,261,433** | 694,112,746 |
| Non-controlling interest | | **(13,602)** | - | **-** | - |
| **Total Equity** | | **571,287,665** | 698,779,060 | **651,261,433** | 694,112,746 |
| **Non-current liabilities** | | | | | |
| Finance lease payables | 25 | **780,594** | 1,876,589 | **-** | - |
| Bank borrowings - secured | 26 | **7,297,038** | 243,868,903 | **-** | - |
| Deferred tax liabilities | 27 | **179,123,400** | 225,761,508 | **-** | - |
| | | **187,201,032** | 471,507,000 | **-** | - |
| **Current liabilities** | | | | | |
| Liabilities directly associated with non-current assets classified as held for sale | 28 | **154,191,781** | 152,673,973 | **154,191,781** | 152,673,973 |
| Trade payables | 29 | **87,327,648** | 99,754,834 | **-** | - |
| Other payables and accruals | 30 | **159,047,005** | 143,976,260 | **20,038,023** | 19,505,615 |
| Amount owing to director | 31 | **73,293,607** | 45,384,294 | **15,749,201** | 11,360,764 |
| Amounts owing to subsidiaries | 20 | **-** | - | **55,540,339** | 44,666,659 |
| Finance lease payables | 25 | **1,561,645** | 1,975,428 | **-** | - |
| Bank borrowings - secured | 26 | **224,929,951** | 99,440,136 | **-** | - |
| Provisions | 32 | **6,536,208** | 257,429 | **135,971** | 135,971 |
| Taxation | | **124,058,292** | 122,640,234 | **200,406** | 200,406 |
| | | **830,946,137** | 666,102,588 | **245,855,721** | 228,543,388 |
| **Total Liabilities** | | **1,018,147,169** | 1,137,609,588 | **245,855,721** | 228,543,388 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,589,434,834** | 1,836,388,648 | **897,117,154** | 922,656,134 |

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2012

| | Attributable to Owners of the Parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | Distributable | Non-distributable | | | | | |
| | Share Capital RM | Share Premium RM | Accumulated Losses RM | Asset Revaluation Reserve RM | Foreign Currency Translation Reserve RM | Other Reserves Total RM | Total Equity Attributable to Owners of the Parent RM | Non-controlling Interest RM | Total Equity RM |
| **At 1.4.10, as previously stated** | 1,015,029,840 | 111,535,799 | (357,622,366) | - | 668,486 | 668,486 | 769,611,759 | - | 769,611,759 |
| Effect of adopting FRS 139 | - | - | 100,000 | - | | - | 100,000 | | 100,000 |
| **At 1.4.10, as restated** | 1,015,029,840 | 111,535,799 | (357,522,366) | - | 668,486 | 668,486 | 769,711,759 | - | 769,711,759 |
| **Comprehensive income** | | | | | | | | | |
| Loss for the year | - | - | (376,371,491) | - | - | - | (376,371,491) | - | (376,371,491) |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | | 9,057,661 | 9,057,661 | 9,057,661 | - | 9,057,661 |
| Revaluation of land and building | - | - | - | 296,381,131 | - | 296,381,131 | 296,381,131 | - | 296,381,131 |
| Total other comprehensive income for the year | - | - | - | 296,381,131 | 9,057,661 | 305,438,792 | 305,438,792 | - | 305,438,792 |
| **Total comprehensive income for the year** | - | - | (376,371,491) | 296,381,131 | 9,057,661 | 305,438,792 | (70,932,699) | - | (70,932,699) |
| **At 31.3.11** | 1,015,029,840 | 111,535,799 | (733,893,857) | 296,381,131 | 9,726,147 | 306,107,278 | 698,779,060 | - | 698,779,060 |
| **Comprehensive income** | | | | | | | | | |
| Loss for the year | - | - | (42,596,972) | - | - | - | (42,596,972) | (13,602) | (42,610,574) |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | (310,582) | (310,582) | (310,582) | - | (310,582) |
| Impairment loss of land and building | - | - | - | (84,570,239) | - | (84,570,239) | (84,570,239) | - | (84,570,239) |
| Total other comprehensive income for the year | - | - | - | (84,570,239) | (310,582) | (84,880,821) | (84,880,821) | - | (84,880,821) |
| **Total comprehensive income for the year** | - | - | (42,596,972) | (84,570,239) | (310,582) | (84,880,821) | (127,477,793) | (13,602) | (127,491,395) |
| **At 31.3.12** | 1,015,029,840 | 111,535,799 | (776,490,829) | 211,810,892 | 9,415,565 | 221,226,457 | 571,301,267 | (13,602) | 571,287,665 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statement of Changes In Equity

For the year ended 31 March 2012

| | Share Capital RM | Share Premium RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|---|
| **At 1.4.10** | 1,015,029,840 | 111,535,799 | (6,374,360) | 1,120,191,279 |
| Loss for the year, representing total comprehensive income for the year | - | - | (426,078,533) | (426,078,533) |
| **At 31.3.11** | 1,015,029,840 | 111,535,799 | (432,452,893) | 694,112,746 |
| Loss for the year, representing total comprehensive income for the year | - | - | (42,851,313) | (42,851,313) |
| **At 31.3.12** | 1,015,029,840 | 111,535,799 | (475,304,206) | 651,261,433 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statements of Cash Flows

For the year ended 31 March 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Cash Flows from Operating Activities** | | | | | |
| Loss before tax | | **(53,505,185)** | (372,739,930) | **(42,851,313)** | (426,078,533) |
| Adjustments for:- | | | | | |
| Amortisation of upfront fee for a bank facility | | **1,474,645** | 1,617,567 | **-** | - |
| Depreciation of property, plant and equipment | | **22,378,102** | 11,790,092 | **49,151** | 146,467 |
| Gain on disposal of property, plant and equipment | | **(5,499)** | (14,518) | **-** | - |
| Gain on disposal of non-current assets held for sale | | **(13,832,478)** | - | **-** | - |
| Gain on disposal in subsidiaries | | **-** | (8,633,948) | **-** | - |
| Impairment loss on: | | | | | |
| - amounts owing by subsidiaries | | **-** | - | **2,946,941** | 269,482,312 |
| - goodwill | | **-** | 2,492,379 | **-** | - |
| - investment in subsidiaries | | **-** | - | **23,054,617** | 71,652,578 |
| - land held for property development | | **-** | 64,687,887 | **-** | - |
| - non-current assets held for sale | | **-** | 219,794,868 | **-** | - |
| - property, plant and equipment | | **174,309** | 22,507,133 | **-** | - |
| - receivables | | **1,447,926** | 5,841,919 | **-** | - |
| Interest expenses | | **23,285,963** | 28,178,292 | **6,517,808** | 6,501,952 |
| Interest income | | **(86,948)** | (167,222) | **-** | - |
| Provision for/(Utilisation of) employee benefits | | **149,223** | (131,117) | **-** | - |
| Provision for legal claim | | **6,129,556** | - | **-** | - |
| Reversal of impairment loss on trade receivables | | **(1,133)** | - | **-** | - |
| Waiver of amounts owing to subsidiaries | | **-** | - | **-** | (8,816,928) |
| Write back of payables | | **(16,632)** | - | **-** | - |
| Written off of: | | | | | |
| - amounts owing by customers | | **-** | 22,515,428 | **-** | - |
| - amounts owing by subsidiaries | | **-** | - | **-** | 80,313,882 |
| - available-for-sale financial assets | | **70,000** | 1 | **-** | - |
| - bad debts | | **8,366,869** | 1,681,852 | **-** | - |
| - deposits | | **104,027** | 336,656 | **-** | 16,500 |
| - inventories | | **28,368** | 49,841 | **-** | - |
| - property, plant and equipment | | **349,616** | 174,392 | **548** | - |
| - property development cost | | **-** | 654,098 | **-** | - |
| Unrealised loss on foreign exchange | | **517,570** | - | **-** | 13,320 |
| Operating (loss)/profit before working capital changes carried down | | **(2,971,701)** | 635,670 | **(10,282,248)** | (6,768,450) |

# Statements of Cash Flows (Cont'd)

For the year ended 31 March 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities (Cont'd)** | | | | | |
| Operating (loss)/profit before working capital changes carried down | | **(2,971,701)** | 635,670 | **(10,282,248)** | (6,768,450) |
| Decrease in propery development costs | | **13,049,280** | 23,847,847 | **-** | - |
| Increase in capital work-in-progress | | **(2,412,862)** | - | **-** | - |
| Decrease in inventories | | **2,405,339** | 4,165,224 | **-** | - |
| Decrease/(Increase) in receivables | | **44,657,257** | (1,694,020) | **(622,859)** | (177,153) |
| Increase/(Decrease) in payables | | **1,098,196** | (9,544,216) | **15,794,525** | (19,254) |
| Cash generated from/(used in) operations | | **55,825,509** | 17,410,505 | **4,889,418** | (6,964,857) |
| Income tax paid | | **(1,442,204)** | (1,729,333) | **-** | - |
| Interest paid | | **(21,768,155)** | (27,768,209) | **(5,000,000)** | (5,001,952) |
| Interest received | | **86,948** | 167,222 | **-** | - |
| Net cash generated from/(used in) operating activities | | **32,702,098** | (11,919,815) | **(110,582)** | (11,966,809) |
| **Cash Flows from Investing Activities** | | | | | |
| Advances to subsidiaries | | **-** | - | **-** | (14,484,481) |
| Additions to land held for property development | | **(14,688,667)** | - | **-** | - |
| Incorporation of a new subsidiary | 11 | **-** | - | **-** | (320) |
| Withdrawal/(Placement) of cash deposits | | **60,449,589** | (59,489,552) | **-** | - |
| Proceeds from disposal of subsidiaries, net of cash disposed | 11 | **-** | (788) | **-** | 1 |
| Proceeds from disposal of property, plant and equipment | | **5,500** | 32,275 | **-** | - |
| Proceeds from disposal of non-current assets held for sale | | **34,600,000** | - | **-** | - |
| Purchase of property, plant and equipment | 9 | **(29,452,288)** | (187,409) | **(24,191)** | (10,368) |
| Net cash generated from/(used in) investing activities | | **50,914,134** | (59,645,474) | **(24,191)** | (14,495,168) |
| Balance carried down | | **83,616,232** | (71,565,289) | **(134,773)** | (26,461,977) |

# Statements of Cash Flows (Cont'd)

For the year ended 31 March 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| Balance brought down | | **83,616,232** | (71,565,289) | **(134,773)** | (26,461,977) |
| **Cash Flows from Financing Activities** | | | | | |
| Advances from a director | | **27,909,313** | 44,372,983 | **-** | - |
| Drawdown of term loan | | **-** | 60,500,000 | **-** | - |
| Repayment to subsidiaries | | **-** | - | **-** | 16,845,447 |
| Advance from subsidiary | | **-** | - | **-** | 10,379,453 |
| Payments to finance lease payables | | **(1,648,950)** | (2,348,876) | **-** | - |
| Repayment of term loans | | **(111,512,270)** | (31,780,688) | **-** | - |
| Net cash (used in)/generated from financing activities | | **(85,251,907)** | 70,743,419 | **-** | 27,224,900 |
| | | **(1,635,675)** | (821,870) | **(134,773)** | 762,923 |
| Translation exchange difference | | **(310,582)** | 5,393,042 | **-** | - |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,946,257)** | 4,571,172 | **(134,773)** | 762,923 |
| Cash and cash equivalents at beginning of the year | | **7,895,241** | 3,324,069 | **891,663** | 128,740 |
| **Cash and cash equivalents at end of the year** | 33 | **5,948,984** | 7,895,241 | **756,890** | 891,663 |

# Notes to the Financial Statements

31 March 2012

## 1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company are located at No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia.

The Company is principally engaged in the business of investment holdings and provision of management services. The principal activities of the subsidiaries are set out in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 31 July 2012.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

**Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and complied with the provisions of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 April 2011 as described in Note 2.2.

The financial statements have been prepared on the historical cost convention except for those as disclosed in the significant accounting policies note.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to nearest RM, unless otherwise stated.

The Group and the Company have incurred a net loss of RM42,610,574 (2011: RM376,371,491) and RM42,851,313 (2011: RM426,078,533) respectively for the financial year ended 31 March 2012. As of that date, the Group and the Company's current liabilities exceeded current assets by RM578,111,620 (2011: RM355,412,491) and RM174,795,442 (2011: RM155,024,254).

As mentioned in Note 28, the Promissory Note matured on 28 December 2010 and the Group intends to dispose the charged land to settle the Promissory Note.

The above events and conditions indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future having adequate funds to repay their obligations. The validity of this assumption depends upon the Group's and the Company's operations to generate positive cash flow, the successful disposal of the non-current assets classified as held for sale and the successful implementation of future corporate restructuring and fund raising exercise to be undertaken by the Group in order to generate sufficient cash flow to repay their bank borrowings and creditors, and receiving continued support from their bankers, creditors and major shareholder.

The directors are of the opinion that the Group and the Company will continue as a going concern and accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the going concern basis of preparation of the financial statements be inappropriate.

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

### 2.2. Change in accounting policies

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR") adopted

At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs, Amendments to FRSs, IC Interpretations and TR as follows:

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations (Revised) |
| FRS 127 | Consolidated and Separate Financial Statements (Revised) |
| Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1) | |
| Additional Exemptions for First-time Adopters (Amendments to FRS 1) | |
| Improving Disclosures about Financial Instruments (Amendments to FRS 7) | |
| Amendments to FRS 2 | Share-based Payment |
| Amendments to FRS 2 | Group Cash-settled Share-based Payment Transactions |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Improving Disclosures about Financial Instruments (Amendments to FRS 7) | |
| Amendments to FRS 138 | Intangible Assets |
| Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" | |
| IC Interpretation 4 | Determining whether an Arrangement contains a Lease |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |
| IC Interpretation 18 | Transfers of Assets from Customers |
| Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives | |
| TR i-4 | Shariah Compliant Sale Contracts |

The adoption of the above FRSs, Amendments, Interpretations and TR does not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

***FRS 3, Business Combinations (Revised) and FRS 127, Consolidated and Separate Financial Statements (Revised)***
The revised FRS 3 introduces a number of significant changes to the accounting for business combinations with greater use of fair value. These changes include recognising all acquisition-related costs as expense, measuring any pre-existing interest at fair value and allowing measurement of non-controlling interest (previously known as minority interest) at either fair value or at its proportionate share of the acquiree's net identifiable assets. The revised FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by minority shareholders instead of by the parent even if the losses exceed the non-controlling interests in the subsidiary's equity. The Group has applied the changes of revised FRS 3 and FRS 127 prospectively. There is no financial impact on the financial statements of the Group for the current financial year other than changes in accounting policies.

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

### 2.2. Change in accounting policies (Cont'd)

***Improving Disclosures about Financial Instruments (Amendments to FRS 7)***

The amendments to FRS 7 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The amendment to FRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note 43 to the financial statements. The Group has elected not to provide comparative information for these expanded disclosures in current year in accordance with the transitional reliefs offered in these amendments.

***Amendments to FRS 3 [Improvements to FRSs (2010)]***

The amendment clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

The amendment also clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

***Amendments to FRS 7 [Improvements to FRSs (2010)]***

The amendment clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group expect to improve the disclosures on maximum exposure to credit risk upon adoption of these amendments.

***Amendments to FRS 101 [Improvements to FRSs (2010)]***

The amendment clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There is no financial impact on the financial statements of the Group for the current financial year other than the presentation of statement of changes in equity.

### 2.3 Standards issued but not yet effective

**MFRS Framework, new and revised FRSs, Amendments to FRSs, and IC Interpretations issued but not yet effective**

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework") in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and new/revised Standards that will be effective after 1 January 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

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

**2.3 Standards issued but not yet effective (Cont'd)**

**MFRS Framework, new and revised FRSs, Amendments to FRSs, and IC Interpretations issued but not yet effective (Cont'd)**

As such, the Company will present its first financial statements using the MFRS framework for the financial year ending 31 March 2014. In presenting its first MFRS financial statements, the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

The Company is currently in the process of determining the financial impact arising from the adoption of the MFRS Framework.

**2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries which are disclosed in Note 11 made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Subsidiaries are consolidated using the purchase method, from the date of acquisition being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases. The assets, liabilities and contingent liabilities assumed from a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Where the present ownership interests in the acquiree and it entitles the holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects for each individual business combination, whether non-controlling interests in the acquisition is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributable to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

The Group has applied the revised FRS 127 prospectively on 1 January 2011 in accordance with the transitional provisions. Accordingly, transactions with non-controlling interests prior to the respective effective date have not been restated to comply with the Standard.

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

### 2.5 Foreign currency

#### (a) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (b) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary company, the cumulative amount of translation differences at the date of disposal of the subsidiary company is taken to the consolidated profit or loss.

### 2.6 Revenue Recognition

#### (a) Development properties

Revenue from sales of properties under development and from contract works undertaken are recognised in profit or loss on the percentage of completion basis where the outcome of the developments and contracts can be reliably estimated. The percentage of completion basis is computed based on proportion of which the development costs and the contract costs incurred for work performed to date bear to the estimated total development and contract costs respectively.

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

### 2.6 Revenue Recognition (Cont'd)

**(b) Hotel and golf operations**

Revenue from the provision of rooms, food and beverage, other department sales, landing services fees and golf related income are recognised when services are rendered.

**(c) Goods sold**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

**(d) Subscription fees**

Subscription fees received from club members are recognised on an accrual basis. When members account become inactive, subscription fee is suspended until it is realised on a cash basis. Members' accounts are deemed to be inactive where subscriptions are in arrears for more than 6 months.

**(e) Rendering of services**

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by surveys of work performed.

**(f) Rental income**

Rental revenue is recognised in profit or loss on accrual basis.

**(g) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

**(h) Land sold**

Revenue from sale of land and completed landed properties is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risk and reward of ownership have been transferred to the buyer.

### 2.7 Employee benefits

**(a) Short Term Employee Benefits**

Wages, salaries, social security contributions and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined Contribution Plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as expenses in profit or loss when incurred. Certain foreign subsidiaries of the Group also make contribution to their respective countries' statutory pension schemes.

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

### 2.8 Borrowings Costs

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

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

### 2.9 Tax Expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

### 2.10 Property, plant and equipment and depreciation

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

Subsequent to initial recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Leasehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land and buildings at the reporting date.

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

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

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset valuation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement of disposal of the asset.

All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:-

| | |
|---|---|
| Long term leasehold land | Over remaining leasehold period of 99 to 999 years |
| Hotel property | 2.0% |
| Golf course and its related building | 10.0% |
| Office buildings, shoplots, and jetty | 2.0% - 10.0% |
| Plant and machinery | 10.0% - 25.0% |
| Furniture and fittings, partition and renovation, computer and other equipment | 10.0% - 33.3% |
| Motor vehicles | 16.7% - 25.0% |

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

### 2.11 Subsidiaries

A subsidiary is an entity in which the Company has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are taken into account.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

### 2.12 Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

### 2.13 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development are reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### 2.14 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

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

### 2.15 Inventories

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

- Raw materials, consumables: Costs of dry goods are determined on weighted average basis. Costs of wet goods are determined on first-in-first-out basis.
- Trading merchandise: Costs are determined on first-in-first-out basis.
- Completed development properties: Costs are stated at the lower of cost and net realisable value. Cost of unsold completed properties is determined on specific identification basis and comprises attributable land and development expenditure incurred up to completion of the properties.

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

### 2.16 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

### 2.17 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivable and available-for-sale financial assets.

#### (a) Loans and receivables

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

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

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

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

### 2.17 Financial assets (Cont'd)

#### (b) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss or loan, held-to-maturity investments and loan and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

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

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

### 2.18 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (a) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

### 2.18 Impairment of financial assets (Cont'd)

#### (a) Trade and other receivables and other financial assets carried at amortised cost

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

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

#### (b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### 2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 2.20 Non-Current Assets Classified As Held For Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sales rather than continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are premeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

### 2.21 Construction Contracts

Construction contracts are measured at contract cost plus profit recognised to date less progress billing and recognised losses. Contract cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When the cost incurred on construction contract plus profit recognised to date less recognised losses exceeds progress billings, the balance is classified as amounts owing by customers on contracts. When progress billings exceed cost incurred plus recognised profits to date less recognised losses, the balance is classified as amounts owing to customers on contracts.

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

### 2.22 Al-Bai Bithaman Ajil ("ABBA") Facility

Cost of landed properties acquired under the ABBA facility are capitalised in accordance with the Company's policy on land held for property development. The ABBA facility obligations are included in borrowings and the related financing charges are allocated to profit or loss on a systematic basis over the period of financing.

### 2.23 Financial liabilities

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

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

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits and accruals, and borrowings.

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

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.24 Leases

#### (a) Finance Lease - the Group as Lessee

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

Finance lease are capitalised at the inception of the lease 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 finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

#### (b) Operating Lease - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

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

### 2.24 Leases (Cont'd)

#### (c) Operating Lease - the Group as Lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### 2.25 Provisions

A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.27 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.28 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimated of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:-

### (a) Construction contracts / property development

Significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgment, the Group relied on past experience and work of specialists. Where the total actual revenue and cost incurred are different from the total estimated revenue and costs incurred, such differences will impact the contract profit or loss recognised.

### (b) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line method over the assets useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### (c) Income tax

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

### (d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the Company.

### (e) Amounts owing by subsidiaries

The Company determines the recoverability of the amounts owing by certain subsidiaries when these debts exceeded their capital investments. The Directors are of the opinion that adequate allowance for impairment has been made for the debts due from these subsidiaries to the extent the Company is able to realise these debts through internal group restructuring including possible offsets against debts owed by the Company to certain other subsidiaries, should such need arises.

### (f) Non-current asset classified as held for sale

The property, plant and equipment and land held for property development have been classified as non-current assets held for sale which are in line with the board of director's decision to dispose off the land, either by procuring a purchaser or to a director who in turn is the major shareholder of the Company, in order to utilise the proceeds from the disposal to repay the Promissory Note. The decision made to classify property, plant and equipment and land held for property development as non-current assets held for sale as the board of directors has approved the disposal plan and is of the view that the disposal is imminent in order to repay the Promissory Note. The board of directors is also of the view that the fair value of non-current assets held for sale less cost to sell will be able to repay the Settlement Sum of the Promissory Note as mentioned in Note 28.

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

### (g) Impairment of property, plant and equipment

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. The assumptions used, results and conclusion of the impairment assessment are stated in the Note 9.

### (h) Annual testing for impairment of goodwill

The measurement of the recoverable amount of cash-generating units are determined based on the fair value less cost to sell, which is based on observable market price for similar assets.

### (i) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

### (j) Going concern assumption

The Promissory Note matured on 28 December 2010. The board of directors is optimistic that the Promissory Note will be settled via the land held for sale that is charged as security for the Promissory Note. The Promissory Note holder has allowed an extension of time until 30 September 2012 to repay the Settlement Sum and therefore, will not trigger the default clauses in the repayment of the Promissory Note. Hence, the going concern assumption in which these financial statements are prepared is deemed reasonable and appropriate.

### (k) Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements.

### (l) Estimation of fair values of property, plant and equipment

The Group adopts revaluation policy for its land and buildings. The Group engaged independent valuation specialists to determine the fair values as at 30 May 2012. The fair values were determined primarily using the following valuation method:

(i) Hotel property - the fair value was determined by adopting the historical profit and yield analysis as the primary method of the valuation and adopts the cost and direct comparison methods to cross check. The principal assumptions are based upon the current and historical performance of the hotel property with an estimated capitalisation rate of 7%.

(ii) Leasehold land at Karambunai, Sabah - the fair values were determined using the Discounted Cash Flows method and the Residual method. Comparison method has not been adopted to determine the fair values since there is limited comparable land sales recently transacted in the area where the land are located. In applying the Residual and Discounted Cash Flows method, the independent valuation specialist has made several assumptions and applied suitable market conventions and appropriate valuation parameters.

## 4. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Attributable revenue from construction contracts and development properties | **40,018,078** | 23,669,680 | **-** | - |
| Hotel and golfing revenue | **72,375,255** | 78,230,176 | **-** | - |
| Sales of completed units | **2,105,734** | 4,943,827 | **-** | - |
| Sales of goods and services | **58,751** | 444,697 | **-** | - |
| Sales of vacant land | **34,600,000** | 18,000,000 | **-** | - |
| Rental revenue | **-** | - | **-** | 3,338 |
| | **149,157,818** | 125,288,380 | **-** | 3,338 |

## 5. DIRECT COSTS

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Attributable construction contracts and property development costs | **13,830,047** | 19,438,424 |
| Cost of completed units | **2,026,198** | 4,204,714 |
| Cost of sales and services | **83,961,896** | 75,830,685 |
| Cost of vacant land and incidental costs | **20,767,522** | 13,591,429 |
| | **120,585,663** | 113,065,252 |

## 6. LOSS BEFORE TAX

(a) Loss before tax is arrived at after charging/(crediting):-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Amortisation of upfront fee for a bank facility | **1,474,645** | 1,617,567 | **-** | - |
| Auditors' remuneration | | | | |
| - current year | **344,459** | 282,833 | **50,000** | 50,000 |
| - other services | **48,100** | 46,000 | **-** | - |
| Depreciation of property, plant and equipment | **22,378,102** | 11,790,092 | **49,151** | 146,467 |
| (Gain)/Loss on foreign exchange: | | | | |
| - realised | **(93,909)** | - | **-** | - |
| - unrealised | **517,570** | - | **-** | 13,320 |
| Gain on disposal of | | | | |
| - non-current assets held for sale | **(13,832,478)** | - | **-** | - |
| - property, plant and equipment | **(5,499)** | (14,518) | **-** | - |
| - subsidiaries | **-** | (8,633,948) | **-** | - |

**6. LOSS BEFORE TAX (Cont'd)**

(a) Loss before tax is arrived at after charging/(crediting) (Cont'd):-

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Impairment loss on: | | | | |
| - amounts owing by subsidiaries | **-** | - | **2,946,941** | 269,482,312 |
| - goodwill | **-** | 2,492,379 | **-** | - |
| - investment in subsidiaries | **-** | - | **23,054,617** | 71,652,578 |
| - land held for property development | **-** | 64,687,887 | **-** | - |
| - non-current asset held for sales | **-** | 219,794,868 | **-** | - |
| - property, plant and equipment | **174,309** | 22,507,133 | **-** | - |
| - receivables | **1,447,926** | 5,841,919 | **-** | - |
| Interest expenses | **23,285,963** | 28,178,292 | **6,517,808** | 6,501,952 |
| Interest income | **(86,948)** | (167,222) | **-** | - |
| Leaseback rental | **16,382,037** | 16,180,487 | **-** | - |
| Provision for/(Utilisation of) employee benefits | **149,223** | (131,117) | **-** | - |
| Provision for legal claim | **6,129,556** | - | **-** | - |
| Staff costs | | | | |
| - Contribution to defined plan | **1,905,185** | 1,731,396 | **156,916** | 199,916 |
| - Salaries and others | **22,314,831** | 22,646,373 | **1,698,332** | 2,337,473 |
| Rental of: | | | | |
| - equipment | **124,470** | 107,539 | **-** | - |
| - premises | **28,113** | 445,382 | **194,981** | 259,974 |
| - motor vehicles revenue | **-** | (14,844) | **-** | - |
| - premises revenue | **(25,076)** | (461,236) | **-** | (3,338) |
| Reversal of impairment loss on trade receivables | **(1,133)** | - | **-** | - |
| Waiver of amounts owing to subsidiaries | **-** | - | **-** | (8,816,928) |
| Write back of payables | **(16,632)** | - | **-** | - |
| Written-off of: | | | | |
| - amounts owing by customers | **-** | 22,515,428 | **-** | - |
| - amounts owing by subsidiaries | **-** | - | **-** | 80,313,882 |
| - available-for-sale financial assets | **70,000** | 1 | **-** | - |
| - bad debts | **8,366,869** | 1,681,852 | **-** | - |
| - deposits | **104,027** | 336,656 | **-** | 16,500 |
| - inventories | **28,368** | 49,841 | **-** | - |
| - property, plant and equipment | **349,616** | 174,392 | **548** | - |
| - property development cost | **-** | 654,098 | **-** | - |

**6. LOSS BEFORE TAX (Cont'd)**

(b) Director remuneration

Included in staff costs were aggregate amount of remuneration (excluding benefit-in-kind) received and receivable by the Directors during the financial year as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| **Directors of the Company** | | | | |
| Executive Directors | | | | |
| - fees | **36,000** | 36,000 | **-** | - |
| - other emoluments | **1,073,779** | 1,020,900 | **300,000** | 334,500 |
| | **1,109,779** | 1,056,900 | **300,000** | 334,500 |
| Non-Executive Directors | | | | |
| - fees | **219,000** | 360,000 | **219,000** | 360,000 |
| | **219,000** | 360,000 | **219,000** | 360,000 |
| | **1,328,779** | 1,416,900 | **519,000** | 694,500 |

The number of directors of the Group and the Company whose total remuneration during the financial year fell within the following bands is analysed below:-

| | Number of directors | |
|---|---|---|
| | **2012** | **2011** |
| Executive: | | |
| Below RM50,000 | **1** | 1 |
| RM50,001 - RM100,000 | **-** | - |
| RM100,001 - RM150,000 | **-** | 1 |
| RM150,001 - RM200,000 | **-** | - |
| RM200,001 - RM250,000 | **1** | - |
| RM250,001 - RM300,000 | **1** | 1 |
| RM300,001 - RM350,001 | **-** | - |
| RM350,001 - RM400,000 | **-** | - |
| RM400,001 - RM450,000 | **-** | - |
| RM450,001 - RM500,000 | **-** | - |
| RM500,001 - RM550,000 | **1** | 1 |
| RM550,001 - RM600,000 | **-** | - |
| RM600,001 - RM650,000 | **-** | - |
| Non-Executive: | | |
| Independent | | |
| Below RM50,000 | **3** | 4 |
| RM50,0001 - RM100,000 | **-** | - |
| RM100,001 - RM150,000 | **1** | - |
| RM150,001 - RM200,000 | **-** | - |
| RM200,001 - RM250,000 | **-** | 1 |

## 7. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Statement of comprehensive income:** | | | | |
| Current tax: | | | | |
| Based on result for the year | **2,876,531** | 2,311,900 | **-** | - |
| (Over)/underprovision in prior year | **(16,269)** | 829,261 | **-** | - |
| | **2,860,262** | 3,141,161 | **-** | - |
| Deferred tax (Note 27): | | | | |
| Origination and reversal of temporary differences | **1,639,410** | 496,000 | **-** | - |
| Overprovision in prior year | **(15,394,283)** | (5,600) | **-** | - |
| | **(13,754,873)** | 490,400 | **-** | - |
| Income tax recognised in profit or loss | **(10,894,611)** | 3,631,561 | **-** | - |
| **Deferred income tax related to other comprehensive income** | | | | |
| Net (decrease)/surplus on revaluation of land and buildings | **(29,584,179)** | 98,793,711 | **-** | - |
| Underprovision in prior year | **(4,182,248)** | - | **-** | - |
| | **(33,766,427)** | 98,793,711 | **-** | - |

The reconciliation of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Loss before tax | **(53,505,185)** | (372,739,930) | **(42,851,313)** | (426,078,533) |
| Tax at the Malaysian statutory income tax rate of 25% | **(13,376,300)** | (93,185,000) | **(10,712,800)** | (106,519,600) |
| Tax effect on non-deductible expenses | **13,558,210** | 19,299,300 | **10,707,700** | 108,709,400 |
| Tax effect on non-taxable income | **(610)** | (3,376,600) | **-** | (2,204,200) |
| Deferred tax assets not recognised during the year | **6,584,500** | 80,070,200 | **5,100** | 14,400 |
| Utilisation of deferred tax assets not recognised in previous year | **(2,249,859)** | - | **-** | - |
| (Over)/Underprovision in prior year | | | | |
| - current tax | **(16,269)** | 829,261 | **-** | - |
| - deferred tax | **(15,394,283)** | (5,600) | **-** | - |
| Income tax recognised in profit or loss | **(10,894,611)** | 3,631,561 | **-** | - |

## 7. INCOME TAX EXPENSE (Cont'd)

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM | 2011<br>RM | 2012<br>RM | 2011<br>RM |
| Unutilised tax losses | **243,280,300** | 245,090,800 | **655,600** | 655,600 |
| Unabsorbed capital allowances | **22,272,100** | 15,382,600 | **2,399,900** | 2,399,900 |
| | **265,552,400** | 260,473,400 | **3,055,500** | 3,055,500 |

## 8. LOSS PER ORDINARY SHARE

The basic loss per ordinary share has been calculated based on the Group's loss attributable to shareholders of RM42,596,972 (2011: RM376,371,491) divided by the number of ordinary share in issue during the financial year of 2,030,059,680 (2011: 2,030,059,680) ordinary shares of RM0.50 each.

## 9. PROPERTY, PLANT AND EQUIPMENT

| 2012 | Long term Leasehold Land<br>RM | Hotel Property<br>RM | Golf-course, Shoplots, Office Buildings & Jetty<br>RM | Plant & Machinery<br>RM | Furniture & Fittings, Partition & Renovation, Computer & Other Equipment<br>RM | Motor Vehicles<br>RM | Total<br>RM |
|---|---|---|---|---|---|---|---|
| | ← At valuation | → | ← | | At cost | → | |
| **Group** | | | | | | | |
| **Cost or valuation** | | | | | | | |
| At 1.4.11 | 666,695,170 | 452,400,000 | 3,842,724 | 14,892,001 | 46,395,280 | 7,831,240 | 1,192,056,415 |
| Additions | - | - | 20,858,932 | 6,711,470 | 1,881,878 | 139,180 | 29,591,460 |
| Disposals | - | - | - | - | - | (76,000) | (76,000) |
| Elimination of accumulated depreciation on revaluation | (3,341,405) | (9,792,768) | - | - | - | - | (13,134,173) |
| Written-off | - | - | (85,460) | (6,811,920) | (1,711,602) | (472,447) | (9,081,429) |
| Revaluation surplus/(decrease in revaluation surplus) | 24,270,566 | (142,607,232) | - | - | - | - | (118,336,666) |
| Transfer from land held for property development (Note 10) | 4,662,438 | - | - | - | - | - | 4,662,438 |
| Transfer to non-current assets classified as held for sale (Note 22) | (35,000,000) | - | - | - | - | - | (35,000,000) |
| At 31.3.12 | 657,286,769 | 300,000,000 | 24,616,196 | 14,791,551 | 46,565,556 | 7,421,973 | 1,050,682,045 |

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

| 2012 | Long term Leasehold Land RM | Hotel Property RM | Golf-course, Shoplots, Office Buildings & Jetty RM | Plant & Machinery RM | Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| | ← At valuation | → | ← | | At cost | → | |
| **Group** | | | | | | | |
| **Accumulated Depreciation** | | | | | | | |
| At 1.4.11 | 1,372,550 | - | 353,743 | 10,346,855 | 32,644,596 | 5,816,693 | 50,534,437 |
| Charge for the year | 3,475,385 | 9,792,768 | 5,283,435 | 444,706 | 3,003,299 | 378,509 | 22,378,102 |
| Disposals | - | - | - | - | - | (75,999) | (75,999) |
| Elimination of accumulated depreciation on revaluation | (3,341,405) | (9,792,768) | - | - | - | - | (13,134,173) |
| Written-off | - | - | (59,281) | (5,231,195) | (2,968,894) | (472,443) | (8,731,813) |
| Transfer to non-current assets classified as held for sale (Note 22) | (1,506,530) | - | - | - | - | - | (1,506,530) |
| At 31.3.12 | - | - | 5,577,897 | 5,560,366 | 32,679,001 | 5,646,760 | 49,464,024 |
| **Accumulated Impairment Loss** | | | | | | | |
| At 1.4.11 | 22,507,133 | - | - | - | - | - | 22,507,133 |
| Charge for the year | - | - | 174,309 | - | - | - | 174,309 |
| Transfer to non-current assets classified as held for sale (Note 22) | (22,507,133) | - | - | - | - | - | (22,507,133) |
| At 31.3.12 | - | - | 174,309 | - | - | - | 174,309 |
| **Net Carrying Amount** | | | | | | | |
| At 31.3.12 | 657,286,769 | 300,000,000 | 18,863,990 | 9,231,185 | 13,886,555 | 1,775,213 | 1,001,043,712 |

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

| 2011 | Long term Leasehold Land RM | Hotel Property RM | Golf-course, Shoplots, Office Buildings & Jetty RM | Plant & Machinery RM | Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| | At valuation | | At cost | | | | |
| **Group** | | | | | | | |
| **Cost or valuation** | | | | | | | |
| At 1.4.10 | - | 307,123,864 | 3,842,724 | 14,909,658 | 50,119,163 | 7,647,721 | 383,643,130 |
| Effect of adopting Amendments to FRS 117 | 403,212,536 | 27,084,162 | - | - | - | - | 430,296,698 |
| At 1.4.10, restated | 403,212,536 | 334,208,026 | 3,842,724 | 14,909,658 | 50,119,163 | 7,647,721 | 813,939,828 |
| Additions | - | - | - | 1,200 | 560,883 | 187,409 | 749,492 |
| Disposals | (100,348) | - | - | - | (23,210) | (3,890) | (127,448) |
| Transfer to prepayment | - | - | - | - | (438,630) | - | (438,630) |
| Written-off | - | - | - | (18,857) | (3,822,926) | - | (3,841,783) |
| Transfer from capital work-in-progress | 46,055,952 | - | - | - | - | - | 46,055,952 |
| Revaluation surplus | 224,000,000 | 171,174,842 | - | - | - | - | 395,174,842 |
| Elimination of accumulated depreciation on revaluation | (6,472,970) | (52,982,868) | - | - | - | - | (59,455,838) |
| At 31.3.11 | 666,695,170 | 452,400,000 | 3,842,724 | 14,892,001 | 46,395,280 | 7,831,240 | 1,192,056,415 |
| **Accumulated Depreciation** | | | | | | | |
| At 1.4.10 | - | 46,580,452 | 347,082 | 10,200,219 | 33,136,514 | 5,266,486 | 95,530,753 |
| Effect of adopting Amendments to FRS 117 | 6,216,849 | 229,663 | - | - | - | - | 6,446,512 |
| | 6,216,849 | 46,810,115 | 347,082 | 10,200,219 | 33,136,514 | 5,266,486 | 101,977,265 |
| Charge for the year | 1,725,781 | 6,172,753 | 6,661 | 157,533 | 3,173,268 | 554,096 | 11,790,092 |
| Disposals | (97,110) | - | - | - | (8,692) | (3,889) | (109,691) |
| Written off | - | - | - | (10,897) | (3,656,494) | - | (3,667,391) |
| Elimination of accumulated depreciation on revaluation | (6,472,970) | (52,982,868) | - | - | - | - | (59,455,838) |
| At 31.3.11 | 1,372,550 | - | 353,743 | 10,346,855 | 32,644,596 | 5,816,693 | 50,534,437 |
| **Accumulated Impairment Loss** | | | | | | | |
| At 1.4.10 | - | - | - | - | - | - | - |
| Charge for the year | 22,507,133 | - | - | - | - | - | 22,507,133 |
| At 31.3.11 | 22,507,133 | - | - | - | - | - | 22,507,133 |
| Net Carrying Amount | | | | | | | |
| At 31.3.11 | 642,815,487 | 452,400,000 | 3,488,981 | 4,545,146 | 13,750,684 | 2,014,547 | 1,119,014,845 |

The long term leasehold land of the Group have an unexpired lease period of more than 50 years.

**9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

| | Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **2012** | | | |
| **Cost** | | | |
| At 1.4.11 | 1,248,250 | 1,006,056 | 2,254,306 |
| Additions | 24,191 | - | 24,191 |
| Written-off | (837,513) | (472,447) | (1,309,960) |
| At 31.3.12 | 434,928 | 533,609 | 968,537 |
| **Accumulated Depreciation** | | | |
| At 1.4.11 | 1,048,379 | 1,002,200 | 2,050,579 |
| Charge for the year | 45,961 | 3,190 | 49,151 |
| Written-off | (836,969) | (472,443) | (1,309,412) |
| At 31.3.12 | 257,371 | 532,947 | 790,318 |
| **Net Carrying Amount** | | | |
| At 31.3.12 | 177,557 | 662 | 178,219 |

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

| | Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **2011** | | | |
| **Cost** | | | |
| At 1.4.10 | 1,237,882 | 1,006,056 | 2,243,938 |
| Additions | 10,368 | - | 10,368 |
| At 31.3.11 | 1,248,250 | 1,006,056 | 2,254,306 |
| **Accumulated Depreciation** | | | |
| At 1.4.10 | 987,755 | 916,357 | 1,904,112 |
| Charge for the year | 60,624 | 85,843 | 146,467 |
| At 31.3.11 | 1,048,379 | 1,002,200 | 2,050,579 |
| **Net Carrying Amount** | | | |
| At 31.3.11 | 199,871 | 3,856 | 203,727 |

**Assets held under finance leases**

During the financial year, the Group and the Company acquired motor vehicles with an aggregate cost of RM139,172(RM562,083) and RM Nil (2011: RM Nil) respectively by means of finance lease arrangement. The cash outflow of the Group and the Company on acquisition of property, plant and equipment amounted to RM29,452,288 (2011: RM187,409) and RM24,191 (2011: RM10,368) respectively.

Included in the property, plant and equipment of the Group are assets acquired under finance leases at the reporting date as follows:-

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Cost** | | |
| Motor vehicles | **1,665,554** | 2,364,389 |
| Plant & machinery | **1,608,696** | 3,270,703 |
| Furniture & fittings, partition & renovation, computer & other equipment | **5,056,161** | 5,732,802 |
| | **8,330,411** | 11,367,894 |
| **Net carrying amount** | | |
| Motor vehicles | **554,434** | 839,191 |
| Plant & machinery | **904,651** | 1,954,537 |
| Furniture & fittings, partition & renovation, computer & other equipment | **4,023,912** | 4,758,952 |
| | **5,482,997** | 7,552,680 |

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

**Assets pledged as security**

In addition to assets held under finance leases, the Group's property, plant and equipment are pledged as securities for term loan facility granted to subsidiaries as mentioned in Note 26 as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| **Net carrying amount** | | |
| Long term leasehold land | **657,286,769** | 631,695,170 |
| Hotel property | **300,000,000** | 452,400,000 |
| Motor vehicles | **193,719** | 320,439 |
| Furniture & fittings, partition & renovation, computer & other equipment | **8,302,824** | 11,072,902 |
| | **965,783,312** | 1,095,488,511 |

The property, plant and equipment of the Group and of the Company which are pledged for Promissory Note issued by the Company as mentioned in Note 28 are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Net carrying amount** | | | | |
| Motor vehicles | **673** | 20,960 | **662** | 3,856 |
| Plant & machinery | **-** | 201 | **-** | - |
| Furniture & fittings, partition & renovation, computer & other equipment | **177,602** | 199,944 | **177,556** | 199,871 |
| | **178,275** | 221,105 | **178,218** | 203,727 |

**Revaluation of leasehold land and buildings**

The Group's leasehold land and buildings have been revalued at the reporting date based on valuations performed by accredited independent valuers.

Details of the independent professional valuations are as follows:-

| **Description of Properties** | **Valuation method** | **Valuation amount RM** |
|---|---|---|
| **2012** | | |
| Hotel property | Historical profit and yield analysis | 300,000,000 |
| Leasehold land at Karambunai | Discounted cash flow analysis and residual method | 657,286,769 |
| | | 957,286,769 |
| **2011** | | |
| Hotel property | Discounted cash flow analysis | 452,400,000 |
| Leasehold land at Karambunai | Discounted cash flow analysis and residual method | 631,695,170 |
| Leasehold land at Bukit Unggul | * | 11,120,137 |
| | | 1,095,215,307 |

* In prior year, leasehold land at Bukit Unggul was revalued based on an indicative sale price of RM110 million for leasehold land at Bukit Unggul held for sale as mentioned in Note 22.

**9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

**Revaluation of leasehold land and buildings (Cont'd)**

If the Group's leasehold land and buildings were measured using the cost model, the net carrying amounts would be as follows:-

| | Group Net carrying amount | |
|---|---|---|
| | At valuation RM | At historical cost RM |
| **2012** | | |
| Hotel property | 300,000,000 | 272,364,388 |
| Leasehold land at Karambunai | 657,286,769 | 360,325,202 |
| | 957,286,769 | 632,689,590 |
| **2011** | | |
| Hotel property | 452,400,000 | 281,225,158 |
| Leasehold land at Karambunai | 631,695,170 | 361,639,218 |
| Leasehold land at Bukit Unggul | 11,120,317 | 33,627,450 |
| | 1,095,215,487 | 676,491,826 |

**10. LAND HELD FOR PROPERTY DEVELOPMENT**

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| **Leasehold land** | | |
| **Cost** | | |
| At beginning of the year | **375,157,470** | 443,634,322 |
| Less: Disposals | **(1,327,176)** | (10,326,523) |
| Less: Transfer to property development cost (Note 16) | **(4,360,955)** | - |
| Less: Transfer to non-current assets classified as held for sale (Note 22) | **(123,776,853)** | (58,150,329) |
| | **245,692,486** | 375,157,470 |
| Leased land | **47,218,375** | 47,218,375 |
| Total land, at cost at end of the year | **292,910,861** | 422,375,845 |
| **Accumulated impairment loss** | | |
| At beginning of the year | **58,813,214** | - |
| Impairment loss for the year | **-** | 58,813,214 |
| Less: Transfer to non-current assets classified as held for sale (Note 22) | **(58,813,214)** | - |
| At end of the year | **-** | 58,813,214 |
| Total land, at carrying amount at end of the year | **292,910,861** | 363,562,631 |

## 10. LAND HELD FOR PROPERTY DEVELOPMENT (Cont'd)

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Development costs** | | |
| At beginning of the year | **33,849,332** | 52,191,536 |
| Add: Additions | **14,688,667** | 1,323,716 |
| Less: Disposals | **(7,503,659)** | (1,915,145) |
| Less: Transfer to property, plant and equipment (Note 9) | **(4,662,438)** | - |
| Less: Transfer to property development cost (Note 16) | **(2,697,700)** | - |
| Less: Transfer to non-current assets classified as held for sale (Note 22) | **(9,400,928)** | (17,750,775) |
| At end of the year | **24,273,274** | 33,849,332 |
| **Accumulated impairment loss** | | |
| At beginning of the year | **5,874,673** | - |
| Impairment loss for the year | **-** | 5,874,673 |
| Less: Transfer to non-current assets classified as held for sale (Note 22) | **(5,874,673)** | - |
| At end of the year | **-** | 5,874,673 |
| Total development cost, at carrying amount at end of the year | **24,273,274** | 27,974,659 |
| Total carrying amount at end of the year | **317,184,135** | 391,537,290 |

**Land pledged as securities**

Land held for property development are pledged as securities for Promissory Note issued by the Company as mentioned in Note 28, term loan facility granted to the subsidiaries as mentioned in Note 26 and for other credit facilities of the Group and of the Company.

**Transfer to non-current assets classified as held for sale**

The Group transfer its land held for property development with the total carrying amount of RM68,489,894 (2011: RM75,901,104) following the commitment of the management to dispose these land as disclosed in Note 22.

**Impairment loss**

In prior year, an impairment loss of RM64,687,887 representing the write-down of one of the leasehold land to the indicative sale value as per the settlement arrangement with the Promissory Note holder as disclosed in Note 28.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 March 2012

## 11. SUBSIDIARIES

| | Company 2012 RM | Company 2011 RM |
|---|---|---|
| **Unquoted shares, at cost** | | |
| At beginning of the year | **334,900,785** | 369,056,337 |
| Add: Additions | **-** | 320 |
| Less: Disposals | **-** | (34,155,872) |
| At end of the year | **334,900,785** | 334,900,785 |
| Less: Accumulated impairment losses | | |
| At beginning of the year | **99,664,317** | 62,167,610 |
| Add: Additions | **23,054,617** | 71,652,578 |
| Less: Disposals | **-** | (34,155,871) |
| At end of the year | **(122,718,934)** | (99,664,317) |
| | **212,181,851** | 235,236,468 |
| Amounts owing by subsidiaries (non-trade) | **613,636,805** | 613,636,805 |
| | **825,818,656** | 848,873,273 |

Amounts owing by subsidiaries are non-trade in nature, unsecured, and interest free. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the entity's net investment in the subsidiaries, it is stated at cost less accumulated impairment.

The particulars of subsidiaries are:-

| | Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest Direct 2012 | Direct 2011 | Indirect 2012 | Indirect 2011 |
|---|---|---|---|---|---|---|---|
| | **Held By The Company** | | | | | | |
| © | Alpha Terrace Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| | Beribu Ukiran Sdn. Bhd. ("BUSB") | Malaysia | Property development | 100% | 100% | - | - |
| | Bukit Unggul Golf and Country Resort Sdn. Bhd. ("BUGCR") | Malaysia | Golf club owner and investment holdings | 75% | 75% | 25% | 25% |
| © | Bukit Unggul Tele-Suburb Sdn. Bhd. | Malaysia | Property development | 100% | 100% | - | - |
| @ | CTRM-FACB Consortium Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | FACB Capital Sdn. Bhd. | Malaysia | Investment holdings, consultancy and money lending | 100% | 100% | - | - |
| © | FACB Charter Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | FACB Construction Sdn. Bhd. | Malaysia | General construction and building works | 100% | 100% | - | - |
| © | FACB Land Sdn. Bhd. ("FACBLand") | Malaysia | Property development | 100% | 100% | - | - |
| © | FACB Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |

**11. SUBSIDIARIES (Cont'd)**

The subsidiaries companies are:- (Cont'd)

| | Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest | | | |
|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | |
| | | | | 2012 | 2011 | 2012 | 2011 |
| | **Held By The Company (Cont'd)** | | | | | | |
| © | FACBAerospace Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | FACBNET Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | First Holdings Sdn. Bhd. ("FHSB") | Malaysia | Investment holdings | 100% | 100% | - | - |
| © | First Multimedia Corporation Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | First Network (M) Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | First Travel And Tours (M) Sdn. Bhd. | Malaysia | Travel & tours agency | 95.69% | 95.69% | - | - |
| | Greagawarni Sdn. Bhd. | Malaysia | Horticulturist | 100% | 100% | - | - |
| | Hartamas Group Berhad ("HGB") | Malaysia | Hotel resort ownership & operations, and investment holdings | #42.91% | #42.91% | #57.09% | #57.09% |
| © | Ikhlas Perdana Sdn. Bhd. ("IPSB") | Malaysia | Dormant | 90% | 90% | - | - |
| @ | Karambunai Corp International Ltd. | Hong Kong | Dormant | 100% | 100% | - | - |
| © | Karambunai Residence (MM2H) Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| © | Nexus First Company Ltd. | Labuan | Investment holdings | 100% | 100% | - | - |
| * | Nexus Hotels and Resorts Limited | Hong Kong | Dormant | 100% | 100% | - | - |
| * | Norasia Investments Ltd. | Hong Kong | Investment holdings | 100% | 100% | - | - |
| * | Sunnyland Corporation Ltd. | Hong Kong | Dormant | 100% | 100% | - | - |
| * | Sunnyland Industries Ltd. | Hong Kong | Dormant | 100% | 100% | - | - |
| @ | One Travel & Tours Ltd. | British Virgin Islands | Travel & tours agency | 100% | 100% | - | - |
| | **Held through FACB Land** | | | | | | |
| © | Arosa Builders Sdn. Bhd. | Malaysia | General construction and building works | - | - | 100% | 100% |
| | BUGCR | Malaysia | Golf club owner and investment holdings | 25% | 25% | - | - |
| | HGB | Malaysia | Hotel resort operations, management and investment holdings | 4.06% | 4.06% | - | - |
| | **Held through Norasia Investment Ltd.** | | | | | | |
| @ ^ | Scanply International Wood Products (Singapore) Pte. Ltd. | Singapore | Dormant | - | - | 100% | 100% |
| | **Held through FHSB** | | | | | | |
| © | Karambunai Resorts Sdn. Bhd. ("KRSB") | Malaysia | Property development | - | - | 100% | 100% |
| | HGB | Malaysia | Hotel resort operations, management and investment holdings | 53.03% | 53.03% | - | - |

# Notes to the Financial Statements (Cont'd)

31 March 2012

## 11. SUBSIDIARIES (Cont'd)

The subsidiaries companies are:- (Cont'd)

| | Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest | | | |
|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | |
| | | | | 2012 | 2011 | 2012 | 2011 |
| | **Held through HGB** | | | | | | |
| © | FACB Marketing and Sales Services Sdn. Bhd. ("FMSS") | Malaysia | Property development | - | - | 100% | 100% |
| | **Held through Bukit Unggul Golf and Country Resort Sdn. Bhd.** | | | | | | |
| © | Karambunai Two Golf & Country Club Sdn. Bhd. | Malaysia | Dormant | - | - | 100% | 100% |
| © | Bukit Unggul Country Club Bhd. | Malaysia | Golf and country club operation and management | - | - | 100% | 100% |
| | **Held through KRSB** | | | | | | |
| | Dapan Construction Sdn. Bhd. | Malaysia | Construction and project contractor | - | - | 100% | 100% |
| | Dapan Holdings Sdn. Bhd. ("DHSB") | Malaysia | Property development | - | - | 100% | 100% |
| © | Karambunai Golf Management Bhd. | Malaysia | Management and operation of golf club | - | - | 100% | 100% |
| © | Nexus Bay Resort Karambunai Sdn. Bhd. | Malaysia | Property development, sale and leaseback of properties and to provide hotel and lodging facilities | - | - | 100% | 100% |
| * | Nexus Naga S.A. | Panama | Dormant | - | - | 100% | 100% |
| | Nexus Resorts and Hotels International Sdn. Bhd. | Malaysia | Property development | - | - | 100% | 100% |
| © | Nexus Resort Karambunai Sdn. Bhd. | Malaysia | Resort hotel operation and management | - | - | 100% | 100% |
| © | Nexus Vacation Club Bhd. | Malaysia | Dormant | - | - | 100% | 100% |
| * | Sahara Red Incorporated | British Virgin Island | Dormant | - | - | 100% | 100% |
| | **Held through Scanply International Wood Products (Singapore) Pte. Ltd.** | | | | | | |
| © | Scanply Wood Products (Malaysia) Sdn. Bhd. | Malaysia | Dormant | - | - | 100% | 100% |
| | **Held through Nexus Hotels and Resorts Limited** | | | | | | |
| * | Nexus Hotel Phnom Penh Limited | British Virgin Islands | Dormant | - | - | 100% | 100% |

* The financial statements of these subsidiaries are audited for consolidation purposes by the Company's auditors.

# The equity interests held through the Company, FHSB and FACB Land are 42.91% (2011: 42.91%), 53.03% (2011: 53.03%) and 4.06% (2011: 4.06%) respectively.

@ Subsidiaries audited by firms of auditors other than member firms of Moore Stephens International Limited and Moore Stephens AC.

## 11. SUBSIDIARIES (Cont'd)

© The auditors' reports of these subsidiaries contain the audit emphasis of matter on the appropriateness of going concern basis of accounting despite doubts as to the subsidiaries' ability to operate as a going concern as these subsidiaries suffered significant losses during the financial year, had net current liabilities or deficit in shareholders' equity. The ability of the subsidiaries to continue as a going concern is dependent on the continued financial support of the Company.

Oakes Invest & Finance S.A. and Sunnyland Industries & Investments (Yunfu) Ltd. were deregistered during the financial year.

The investment in subsidiaries relating to the investment in BUGCR by the Company and FMSS which was held through HGB amounting to RM7,500,000 (2011 : RM7,500,000) and RM310,000,000 (2011 : RM310,000,000) respectively are pledged for Promissory Note issued by the Company as mentioned in Note 28.

The investment in subsidiaries relating to the investment in FMSS which was held through HGB amounting to RM310,000,000 (2011 : RM310,000,000) is further pledged for term loan facility granted to a subsidiary as mentioned in Note 26.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Equity instruments (unquoted shares in Malaysia)** | **60,000** | 1,262,000 | **60,000** | 60,000 |
| Less: Written-off | **-** | (1,202,000) | **-** | - |
| | **60,000** | 60,000 | **60,000** | 60,000 |
| **Transferable contribution rights** | **140,000** | 140,000 | **-** | - |
| Less: Impairment losses | **-** | (100,000) | **-** | - |
| Less: Written-off | **(70,000)** | - | **-** | - |
| Effect of adopting FRS139 | **-** | 100,000 | **-** | - |
| | **70,000** | 140,000 | **-** | - |
| | **130,000** | 200,000 | **60,000** | 60,000 |

The fair value of the unquoted investment has not been disclosed as its fair value cannot be measured reliably due to the lack of quoted market price in an active market. The assumptions required for valuing these financial instruments using valuation techniques by management would results that the range of fair value estimates to be significant and the probability of the various estimates cannot be reasonably assessed. Accordingly the carrying amount of the investment continues to be stated at cost.

At the reporting date, the transferable contribution rights are in respect of rights to memberships of a golf club which are registered in the name of a director of the Company and a former director of a subsidiary and are held in trust by them.

## 13. CAPITAL WORK-IN-PROGRESS

| | 2012 RM | 2011 RM |
|---|---|---|
| At cost, | | |
| At beginning of the year | **-** | 46,024,626 |
| Additions | **2,412,862** | - |
| Transfer to property, plant and equipment | **-** | (46,024,626) |
| At end of the year | **2,412,862** | - |

During the financial year, capital work-in-progress refers to costs incurred for the construction of a building for restaurant, which is pledged as security for term loan facility granted to a subsidiary as mentioned in Note 26.

## 14. DEFERRED TAX ASSETS

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| At beginning of the year | **9,000** | 9,000 |
| Recognised in profit or loss (Note 7) | **883,192** | - |
| At end of the year | **892,192** | 9,000 |

This is in respect of deductible temporary differences in respect of expenses.

## 15. GOODWILL

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| **Cost** | | |
| At beginning/end of the year | **19,820,764** | 19,820,764 |
| **Accumulated impairment losses** | | |
| At beginning of the year | **4,883,348** | 2,390,969 |
| Additions | **-** | 2,492,379 |
| At end of the year | **4,883,348** | 4,883,348 |
| **Net carrying amount** | **14,937,416** | 14,937,416 |

Goodwill represents the excess of cost of acquisition over the fair value of the net assets of subsidiaries acquired in prior years. Goodwill has been allocated to the Group's cash-generating unit ("CGU") identified that expected to benefit from the synergies of the acquisitions, which is in respect of property development segment for years ended 31 March 2012 and 2011 respectively.

**Impairment testing of goodwill**
The carrying amounts of goodwill arising from acquisition of subsidiaries are as follows:

| | 2012 RM | 2011 RM |
|---|---|---|
| **Property development segment:** | | |
| Karambunai land | **14,937,416** | 14,937,416 |

## 15. GOODWILL (Cont'd)

The recoverable amount of this CGU is determined based on the fair value less costs to sell. The fair value less costs to sell is based on observable market prices for similar assets. The fair values of the development properties are estimated based on market values of comparable properties for Karambunai land and the indicative sale value for Bukit Unggul land as disclosed in Note 22.

The board of directors is of the opinion that no impairment of goodwill allocated to Karambunai land as the fair value exceeded the carrying amount.

**Impairment loss recognised**

In prior year, an impairment loss of RM2,492,379 was recognised to write-down the carrying amount of goodwill due to the significant impairment loss made on the property owned by a subsidiary of the Group as disclosed in Note 22.

## 16. PROPERTY DEVELOPMENT COSTS

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| **Leasehold land, at cost** | | |
| At beginning of the year | **28,765,665** | 33,998,223 |
| Less: Written off | **-** | - |
| Less: Transfer to inventories | **-** | (77,702) |
| Add: Transfer from land held for property development (Note 10) | **4,360,955** | - |
| Less: Adjustment on completed projects | **(27,056,527)** | (5,154,856) |
| At end of the year | **6,070,093** | 28,765,665 |
| **Property development costs** | | |
| At beginning of the year | **53,549,241** | 104,168,709 |
| Add: Additions | **13,365,780** | 4,407,822 |
| Add: Transfer from land held for property development (Note 10) | **2,697,700** | - |
| Less: Transfer to inventories | **(5,079,108)** | (785,651) |
| Less: Adjustment on completed projects | **(49,500,125)** | (54,241,639) |
| At end of the year | **15,033,488** | 53,549,241 |
| **Cumulative costs recognised in profit or loss** | | |
| At beginning of the year | **(58,309,316)** | (100,577,349) |
| Additions | **(13,830,047)** | (16,474,364) |
| Adjustment on completed projects | **63,971,639** | 59,396,495 |
| Written off | **-** | (654,098) |
| At end of the year | **(8,167,724)** | (58,309,316) |
| Total property development costs at end of the year | **12,935,857** | 24,005,590 |

Property development costs with carrying amount of RM8,114,669 (2011: RM24,005,590) are pledged as securities for term loan facilities granted to subsidiaries as mentioned in Note 26.

## 17. INVENTORIES

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| At cost: | | |
| Completed development properties | **10,714,353** | 7,541,125 |
| Consumables | **346,972** | 559,361 |
| Trading merchandise | **1,601,433** | 1,916,871 |
| | **12,662,758** | 10,017,357 |

Inventories with carrying amount of RM12,324,506 (2011: RM9,482,198) are pledged as securities for term loan facilities granted to subsidiaries as mentioned in Note 26.

## 18. TRADE RECEIVABLES

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Third parties | **36,672,220** | 43,990,190 |
| Less: Allowance for impairment | **(17,667,236)** | (16,681,475) |
| | **19,004,984** | 27,308,715 |
| Amounts owing by customers for contract works (Note 34) | **-** | 20,601,459 |
| | **19,004,984** | 47,910,174 |

The foreign currency exposure profile of trade receivables is as follows:-

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| United States Dollar | **200,511** | 291,939 |

Included in trade receivables of the Group are:-

(i) amounts of RM15,382 (2011: RM111,906) owing by related parties in which certain directors of the Company are also directors and have substantial financial interest and RM52,000 (2011: RM52,000) owing by related parties in which a director of the Company is also a director and has substantial financial interest; and

(ii) amounts of RM10,968,767 (2011: RM15,373,398) pledged as securities for term loan facility granted to a subsidiary as mentioned in Note 26.

**18. TRADE RECEIVABLES (Cont'd)**

**(a) Credit terms of trade receivables**

The Group's normal trade credit term ranges from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

**(b) Ageing analysis of trade receivables**

The ageing analysis of the Group's trade receivables are as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Neither past due nor impaired | **7,748,306** | 21,811,720 |
| 1 to 30 days past due not impaired | **405,141** | 129,060 |
| 31 to 60 days past due not impaired | **100,893** | 34,767 |
| 61 to 90 days past due not impaired | **595,001** | 184,602 |
| 91 to 120 days past due not impaired | **685,278** | 782,857 |
| More than 121 days past due not impaired | **9,470,365** | 4,365,709 |
| | **11,256,678** | 5,496,995 |
| Impaired | **17,667,236** | 16,681,475 |
| | **36,672,220** | 43,990,190 |

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. However, the directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date is as follows:-

| | Individually Impaired | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Trade receivables (nominal amounts) | **17,667,236** | 16,681,475 |
| Less: Allowance for impairment | **(17,667,236)** | (16,681,475) |
| | **-** | - |

**18. TRADE RECEIVABLES (Cont'd)**

**(b) Ageing analysis of trade receivables (Cont'd)**

Movement in allowance account:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| At beginning of the year | **16,681,475** | 11,860,849 |
| Charge for the year (Note 6) | **1,441,446** | 5,839,242 |
| Written-off | **(454,552)** | (973,013) |
| Reversal (Note 6) | **(1,133)** | - |
| Disposal of subsidiary | **-** | (45,603) |
| At end of the year | **17,667,236** | 16,681,475 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements and under legal case.

**19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Third parties | **5,679,460** | 6,549,370 | **524,172** | 721,333 |
| Less: Allowance for impairment | **(418,974)** | (846,481) | **(407,756)** | (407,756) |
| | **5,260,486** | 5,702,889 | **116,416** | 313,577 |
| Deposits | **1,541,239** | 26,294,388 | **79,994** | 90,994 |
| Prepayments | **3,226,902** | 3,701,106 | **292,553** | - |
| | **4,768,141** | 29,995,494 | **372,547** | 90,994 |
| | **10,028,627** | 35,698,383 | **488,963** | 404,571 |

The foreign currency exposure profile of other receivables is as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| United States Dollar | **21,461** | 1,367 |

## 19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

Included in other receivables, deposits and prepayments of the Group are:

(a) an amount of RM2,011,063 (2011: RM3,459,410) which are pledged as securities for term loan facility granted to a subsidiary as mentioned in Note 26;
(b) deposits of RM Nil (2011: RM25,050,000) deposited with an oversea developer for property development project in Karambunai Peninsular. The Group has terminated the agreement to develop the said property development project in prior year and part of the outstanding deposit has been used to set-off against the cost of the machineries acquired for the project under Karambunai Integrated Resort City ("KIRC") development and the balance fully repaid in cash;
(c) prepayments of upfront fee and bank commission of RM885,870 (2011: RM2,360,515) and RM604,110 (2011: RM674,229) respectively for a bank facility granted to a subsidiary.

Included in other receivables of the Group and the Company are amount of RM93,480 (2011: RM54,823) and RM35,555 (2011: RM40,166) respectively due from former subsidiaries.

Movements in allowance account are as follows:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| At beginning of the year | **846,481** | 1,714,345 |
| Charge for the year (Note 6) | **6,480** | 2,677 |
| Written-off | **(433,987)** | (870,541) |
| At end of the year | **418,974** | 846,481 |

## 20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Amounts owing by subsidiaries | **342,243,679** | 341,705,212 |
| Less: Allowance for impairment | **(272,429,253)** | (269,482,312) |
| | **69,814,426** | 72,222,900 |
| Amounts owing to subsidiaries | **(55,540,339)** | (44,666,659) |

These amounts are non-trade in nature, unsecured, interest free and are repayable on demand by cash.

## 21. CASH DEPOSITS WITH LICENSED BANKS

Included in cash deposits with licensed banks of the Group is an amount of RM236,453 (2011: RM230,165) pledged as security for term loan facility granted to a subsidiary as mentioned in Note 26. The Group bears effective interest at rates ranging from 2.85% to 3.95% (2011: 2.50% to 2.90%) per annum and mature within one year.

## 22. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Leasehold land that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

| | Group | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| **At carrying value:** | | |
| At beginning of the year | **341,731,556** | 265,830,452 |
| Transfer from land held for property development (Note 10) | **68,489,894** | 75,901,104 |
| Transfer from property, plant and equipment (Note 9) | **10,986,337** | - |
| Less: Disposal | **(11,936,687)** | - |
| | **409,271,100** | 341,731,556 |
| **Accumulated impairment loss:** | | |
| At beginning of the year | **(219,794,868)** | - |
| Additions | **-** | (219,794,868) |
| | **(219,794,868)** | (219,794,868) |
| At end of the year | **189,476,232** | 121,936,688 |

The leasehold land of the Group was charged as securities for Promissory Note issued by the Company as mentioned in Note 28. Upon the maturity of Promissory Note on 28 December 2009, the Company has been granted with the rectification and Purchase Guarantee periods until 28 December 2010 to procure buyers to purchase these charged land. Should the Company fail to procure buyers to purchase these charged land, a director of the Company, who in turn is the major shareholder, via his personal guarantee as stated in the Purchase Guarantee Agreement, has unconditionally and irrevocably guarantees to acquire and complete the purchase of these charged land within four months (Purchase Guarantee Period) after the rectification period.

The board of director of the Company is of the view that the disposal is imminent in order to repay the Promissory Note. As such, the leasehold land was classified as non-current assets held for sale in prior year and has been impaired to the indicative sale price pursuant to the arrangements made between the relevant parties in relation to the settlement of the Promissory Note as disclosed in Note 28.

In addition, the Group also entered into Sale and Purchase Agreements ("SPAs") to dispose few pieces of vacant land at net carrying amount of RM13,832,478 (2011: RM11,936,688) for cash consideration of RM44,967,408 (2011: RM34,600,000). As such, these lands were transferred from land held for property development to non-current assets classified as held for sale. The lands sold in 2011 have been completed in 2012. The completion of the land sold in 2012 is pending the fulfilment of certain terms and conditions of the SPAs. These lands are pledged for term loan facility granted to a subsidiary as mentioned in Note 26 and part of the disposal proceeds received will be utilised to redeem the term loan facility.

## 23. SHARE CAPITAL

| | Group/Company | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| Authorised: | | |
| 4,000,000,000 ordinary shares of RM0.50 each | **2,000,000,000** | 2,000,000,000 |
| Issued and fully paid: | | |
| 2,030,059,680 ordinary shares of RM0.50 each | **1,015,029,840** | 1,015,029,840 |

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

## 24. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Accumulated losses | **(776,490,829)** | (733,893,857) | **(475,304,206)** | (432,452,893) |
| **Non-distributable** | | | | |
| Asset valuation reserve | **211,810,892** | 296,381,131 | **-** | - |
| Foreign exchange translation reserve | **9,415,565** | 9,726,147 | **-** | - |
| | **221,226,457** | 306,107,278 | **-** | - |
| | **(555,264,372)** | (427,786,579) | **(475,304,206)** | (432,452,893) |

The nature and purpose of each category of reserves are as follows:

**(a) Asset revaluation reserve**

The asset revaluation reserve represents increases in fair value of leased land, leasehold land and hotel property, net of tax.

**(b) Foreign exchange translation reserve**

The foreign exchange translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

## 25. FINANCE LEASE PAYABLES

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Total instalment payments | **2,468,424** | 4,145,507 |
| Less: Future finance charges | **(126,185)** | (293,490) |
| Present value of finance lease payables | **2,342,239** | 3,852,017 |
| Finance lease payables | | |
| Payable within 1 year | | |
| Total instalment payments | **1,654,189** | 2,160,357 |
| Less: Future finance charges | **(92,544)** | (184,929) |
| Present value of finance lease payables | **1,561,645** | 1,975,428 |
| Payable after 1 year but not later than 5 years | | |
| Total instalment payments | **814,235** | 1,985,150 |
| Less: Future finance charges | **(33,641)** | (108,561) |
| Present value of finance lease payables | **780,594** | 1,876,589 |
| | **2,342,239** | 3,852,017 |

The finance lease payables of the Group bear interest at rates ranging from 4.17% to 10.97% (2011: 4.84% to 8.51%).

## 25. FINANCE LEASE PAYABLES (Cont'd)

The maturity profile of finance lease payables is as follows:-

| | Group | |
|---|---|---|
| | 2012<br>RM | 2011<br>RM |
| Within 1 year | **1,561,645** | 1,975,428 |
| Within 1 - 2 years | **622,593** | 1,193,508 |
| Within 2 - 3 years | **82,443** | 683,081 |
| Within 3 - 4 years | **32,700** | - |
| Within 4 - 5 years | **20,097** | - |
| More than 5 years | **22,761** | - |
| | **2,342,239** | 3,852,017 |

## 26. BANK BORROWINGS – SECURED

| | Group | |
|---|---|---|
| | 2012<br>RM | 2011<br>RM |
| **Term Loan I** | | |
| 7.75% to 8.40% (2011: 7.75% to 8.40%) | **14,898,763** | 14,468,543 |
| **Term Loan II** | | |
| Base lending rate ("BLR") + 0.325% per annum financing charges repayable in December 2012 | **210,031,188** | 234,344,976 |
| **Term Loan III** | | |
| Under Al Bai' Bithaman Ajil arrangement | | |
| BLR + 4.0% financing charges repayable in July 2014 | **3,951,736** | 30,523,601 |
| **Term Loan IV** | | |
| Under Al Bai' Bithaman Ajil arrangement | | |
| Internal rate of return of 9% (2011: 9%) per annum financing charges repayable in February 2015 | **3,345,302** | 3,345,302 |
| **Term Loan V** | | |
| United States Dollar ("USD") Singapore Interbank Offered Rate ("SIBOR") + 1.25% per annum | **-** | 60,626,617 |
| | **232,226,989** | 343,309,039 |
| Repayment due within twelve months | **(224,929,951)** | (99,440,136) |
| Repayment due after twelve months | **7,297,038** | 243,868,903 |

## 26. BANK BORROWINGS – SECURED (Cont'd)

These term loans are secured as follows:-

**Term loan I**

(a) corporate guarantee of the Company as mentioned in Note 40; and
(b) charge over shares (and all rights thereto) issued by a subsidiary as mentioned in Note 11.

**Term loan II**

(a) fixed and floating charge over the assets and undertaking of the subsidiary;
(b) debenture comprising fixed and floating charges over all present and future assets of certain subsidiaries, as mentioned in Notes 9, 13,16, 17, 18 and 21 respectively;
(c) charge over shares (and all rights thereto) issued by the subsidiary, but excluding shares currently charged to Malaysian Assurance Alliance and Term loan I as mentioned in Note 11;
(d) first ranking, fixed charge and registered mortgage by the subsidiary over the Nexus Resort Karambunai Hotel as mentioned in Note 9;
(e) first ranking, third party fixed charge and registered mortgage by a subsidiary over its land bank in Karambunai as mentioned in Notes 9 and 10;
(f) assignment of the rights and benefits of sales proceeds under the Sale and Purchase Agreement entered into between the subsidiaries with purchasers of the Nexus Residences project;
(g) assignment of all project insurance and proceeds thereof;
(h) assignment of the designated accounts (subsidiary's revenue and operating account, Nexus Residences project account, Debts Service Reserve accounts);
(i) assignment of the rights, title, interest and benefit of the subsidiaries over the joint venture agreement;
(j) corporate guarantee of the Company as mentioned in Note 40; and
(k) corporate guarantee of certain subsidiaries.

**Term loan III and IV**

(a) fixed charges on certain development properties of certain subsidiaries, as mentioned in Note 16;
(b) deed of assignment on all rights, interest and benefits of project revenue accounts, finance service reserve account and project operating account of a subsidiary opened and maintained with the bank.
(c) corporate guarantee of the Company as mentioned in Note 40; and

**Term loan V**

(a) third party 2nd legal charge over the Nexus Resort Karambunai Hotel as mentioned in Note 9;
(b) third party 2nd legal charge by a subsidiary over its land bank in Karambunai as mentioned in Note 10;
(c) assignment of Karambunai Corp Bhd. ("KCB") Group's rights, title, interests and benefits in the Sale and Purchase Agreements entered or to be entered into between KCB Group and any potential Purchaser for the sale and purchase of the Specified Properties including the rights, title and benefits in the Sales Proceed;
(d) charge over the Sale and Purchase Agreement Receipts Account;
(e) assignment of the Heads of Agreement entered into between KCB Group and any potential Purchaser;
(f) corporate guarantees of the Company as mentioned in Note 40; and
(g) corporate guarantee of certain subsidiaries.

Term loan V has been fully settled during the financial year.

The foreign currency exposure profile of secured term loans is as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| United States Dollar | **14,898,763** | 75,095,160 |

Term loan I was granted to a subsidiary by a licensed bank, Bank Mandiri and syndicated lenders ("Lenders"). In September 2011, the Lenders have agreed to restructure the outstanding principal amount. The new settlement agreement is now in the midst of finalisation.

## 26. BANK BORROWINGS – SECURED (Cont'd)

The maturity profile of term loans for the Group is as follows:-

| | Current | Non-current | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 Year RM | Within 1 - 2 Years RM | Within 2 - 3 Years RM | Within 3 - 4 Years RM | Within 4 - 5 Years RM | After 5 Years RM | Sub Total RM | Total RM |
| **Group** | | | | | | | | |
| **2012** | | | | | | | | |
| Term loan | | | | | | | | |
| I | 14,898,763 | - | - | - | - | - | - | 14,898,763 |
| II | 210,031,188 | - | - | - | - | - | - | 210,031,188 |
| III | - | - | 3,951,736 | - | - | - | 3,951,736 | 3,951,736 |
| IV | - | - | - | 3,345,302 | - | - | 3,345,302 | 3,345,302 |
| | 224,929,951 | - | 3,951,736 | 3,345,302 | - | - | 7,297,038 | 232,226,989 |
| **2011** | | | | | | | | |
| Term loan | | | | | | | | |
| I | 14,468,543 | - | - | - | - | - | - | 14,468,543 |
| II | 24,344,976 | 60,000,000 | 150,000,000 | - | - | - | 210,000,000 | 234,344,976 |
| III | - | - | - | 30,274,113 | - | - | 30,274,113 | 30,274,113 |
| IV | - | - | - | 3,594,790 | - | - | 3,594,790 | 3,594,790 |
| V | 60,626,617 | - | - | - | - | - | - | 60,626,617 |
| | 99,440,136 | 60,000,000 | 150,000,000 | 33,868,903 | - | - | 243,868,903 | 343,309,039 |

## 27. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| At beginning of the year | **225,761,508** | 126,477,397 |
| Recognised in profit or loss (Note 7) | **(12,871,681)** | 490,400 |
| Recognised in other comprehensive income | **(33,766,427)** | 98,793,711 |
| At end of the year | **179,123,400** | 225,761,508 |

## 27. DEFERRED TAX LIABILITIES (Cont'd)

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Difference between the carrying amount of property, plant and equipment and their tax base | **11,354,874** | 18,890,800 | **-** | 41,500 |
| Fair value adjustment in respect of acquisition of subsidiaries | **104,789,190** | 112,957,797 | **-** | - |
| Deductible temporary differences in respect of expenses | **(59,107)** | (226,000) | **-** | (34,000) |
| Revaluation surplus | **63,038,443** | 98,793,711 | **-** | - |
| Unutilised tax losses | **-** | (4,082,300) | **-** | - |
| Unabsorbed capital allowances | **-** | (572,500) | **-** | (7,500) |
| | **179,123,400** | 225,761,508 | **-** | - |

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Unutilised tax losses | **243,280,300** | 228,811,600 | **655,600** | 655,600 |
| Unabsorbed capital allowances | **22,272,100** | 14,881,200 | **2,399,900** | 2,399,900 |
| Deductible temporary differences in respect of expenses and others | **180,417,500** | 184,950,500 | **(144,096)** | (164,639) |
| | **445,969,900** | 428,643,300 | **2,911,404** | 2,890,861 |

## 28. LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | Group/Company | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Promissory Note | **130,000,000** | 130,000,000 |
| Interest accrual | **24,191,781** | 22,673,973 |
| | **154,191,781** | 152,673,973 |

The Promissory Note was issued as partial settlement sum for the redemption of Bonds 2001/2005.

## 28. LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Cont'd)

The Promissory Note which bears interest at a rate of 5% (2011: 5%) per annum, matures on 29 December 2009 and is secured and supported as follows:-

(a) third party first legal charge over the leasehold land and land held for property development of certain subsidiaries of the Company as mentioned in Notes 9 and 10 respectively;
(b) debenture comprising fixed and floating charges on all assets of the Company and of certain subsidiaries of the Company as mentioned in Notes 9 and 16 respectively;
(c) memorandum of deposit and charge over the entire issued and paid-up shares capital of certain subsidiaries of the Company as mentioned in Note 11; and
(d) Purchase Guarantee Agreement of a director of the Company in accordance to the settlement agreement on the settlement of the Bonds 2001/2005.

Upon the maturity of Promissory Note on 29 December 2009, the Company was granted with the rectification and Purchase Guarantee periods until 28 December 2010 to repay the Promissory Note. The board of director intend to dispose the charged land and settle the Promissory Note against the proceed from the disposal of these charged land. The board of directors is of the view that the disposal will take place either by procuring third party purchasers or dispose to a director of the Company, who in turn is the major shareholder of the Company.

On 26 May 2011, Abrar Discounts Berhad ("ADB") proposed a reduced Settlement Sum of RM110 million as full and final settlement of the Promissory Note ("the Settlement Sum") which was to be paid on or before 30 September 2011. The management was in negotiation with ADB and managed to extend the settlement period to 30 September 2012. The Settlement Agreement is currently in the midst of finalisation.

## 29. TRADE PAYABLES

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Third parties | **87,327,648** | 46,710,931 |
| Progress billings in respect of property development costs | **-** | 51,752,401 |
| | **87,327,648** | 98,463,332 |
| Amount owing to customers for contract works (Note 34) | **-** | 1,291,502 |
| | **87,327,648** | 99,754,834 |

Included in trade payables of the Group are retention sum amounting to RM4,595,418 (2011: RM5,411,789).

The normal trade credit term granted to the Group ranges from 30 to 90 days.

The foreign currency exposure profile of trade payables is as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Chinese Renminbi | **618,229** | 525,830 |
| Singapore Dollar | **13,405** | 13,197 |
| United States Dollar | **25,448** | 76,310 |
| | **657,082** | 615,337 |

## 30. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Other payables | **64,485,638** | 59,085,612 | **4,516,344** | 4,299,510 |
| Refundable deposits | **7,884,790** | 6,864,497 | **6,708,907** | 6,817,907 |
| Tax penalty and interest accrued | **62,442,044** | 58,636,713 | **167,772** | 167,772 |
| Accruals | **24,234,533** | 19,389,438 | **8,645,000** | 8,220,426 |
| | **159,047,005** | 143,976,260 | **20,038,023** | 19,505,615 |

The foreign currency profile of other payables and accruals is as follows:-

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Singapore Dollar | **419,173** | 398,918 |
| United States Dollar | **83,695** | 70,621 |
| | **502,868** | 469,539 |

The tax penalty and interest accrued are payable to the Inland Revenue Board. The Group and the Company are currently serving the instalment payments as part settlement together with the outstanding tax liability as shown in the financial statements.

Included in other payables of the Group is an amount of RM33,846,032 (2011: RM31,444,477) owing to a related party in which certain directors of the Company are also directors and have substantial financial interest, arise from the novation of amount owing by a newly acquired subsidiary in prior years to the related party. No repayment was made by the Group during the year. Upon negotiation with the related party, the Group agreed to serve interest at rates ranging from 6.75% to 8.50% (2011: 6.75% to 8.75%) as late payment charges until full settlement. During the year, an amount of RM2,401,555 (2011: RM2,241,737) was accrued as late interest charges owing to the related party in the financial statements. In addition, included in other payables of the Group and the Company are amount of RM1,412,901 (2011: RM2,647,898) and RM1,351,639 (2011: RM2,586,636) owing to related parties in which certain directors of the Company are also directors and have substantial financial interest. This amount is unsecured, interest free, and are repayable on demand by cash.

Included in other payables of the Group is RM2,881,100 (2011: RM Nil) being deposits received from the purchasers for the disposal of land which are currently classified as non-current asset held for sale as disclosed in Note 22.

Included in refundable deposits of the Company in the previous year were rental deposits received from:-

(a) subsidiaries amounted to RM37,500; and
(b) related parties in which certain directors of the Company are also directors and have substantial financial interest amounted to RM71,500.

## 31. AMOUNT OWING TO DIRECTOR

This amount owing to director is non-trade in nature, unsecured, interest free and is repayable on demand by cash.

## 32. PROVISIONS

| | Group | | | Company |
|---|---|---|---|---|
| | Employee benefits RM | Legal claim RM | Total RM | Employee benefits RM |
| At 1 April 2011 | 257,429 | - | 257,429 | 135,971 |
| Add: Additional provision | 642,996 | 6,129,556 | 6,772,552 | - |
| Less: Utilisation | (493,773) | - | (493,773) | - |
| At 31 March 2012 | 406,652 | 6,129,556 | 6,536,208 | 135,971 |
| | | | - | |
| At 1 April 2010 | 388,546 | - | 388,546 | 135,971 |
| Add: Additional provision | 397,471 | - | 397,471 | - |
| Less: Utilisation | (528,588) | - | (528,588) | - |
| At 31 March 2011 | 257,429 | - | 257,429 | 135,971 |

**Employee benefits**

Employee benefits are in respect of short term accumulating compensated absences.

**Legal claim**

A claim made by Danaharta Managers Sdn. Bhd. ("Danaharta") for a total sum of RM6,129,556, comprising interest at 9.75% per annum from 1 October 2006 and costs due in respect of the outstanding claim ("Judgment Sum"). The Group has filed an appeal against the same where the case is fixed for hearing on 30 November 2012. At the reporting date, the management is in the process of negotiating with Danaharta for settlement of Judgment Sum. A full provision has been made in the financial statements accordingly.

## 33. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following at the reporting date:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Cash held under housing development accounts | **639,556** | 155,551 | **-** | - |
| Cash and bank balances | **5,072,975** | 68,009,525 | **756,890** | 891,663 |
| | **5,712,531** | 68,165,076 | **756,890** | 891,663 |
| Cash deposits with licensed banks (Note 21) | **3,013,528** | 2,956,829 | **-** | - |
| | **8,726,059** | 71,121,905 | **756,890** | 891,663 |
| Less: Cash under escrow | **-** | (60,500,000) | **-** | - |
| Less: Cash deposits under lien | **(2,777,075)** | (2,726,664) | **-** | - |
| Cash and cash equivalents | **5,948,984** | 7,895,241 | **756,890** | 891,663 |

**33. CASH AND CASH EQUIVALENTS (Cont'd)**

Cash and cash equivalents of the Group which are not freely available for the Group's use are as follows:-

(a) cash held under housing development accounts are maintained pursuant to the requirements of the Housing Developers (Housing Development Account) Regulations, 1991, therefore these monies are for the purpose of payment of expenses incurred on the housing development and are restricted from use in other operations;

(b) cash deposits amounting to RM2,395,593 (2011: RM2,353,631) which are pledged for bank guarantee facility given to Ministry of Local Government and Housing in respect for the developer's license granted to certain subsidiaries; and

(c) cash deposits amounting to RM381,482 (2011: RM373,033) which are pledged for bank guarantee facility granted to certain subsidiaries.

(d) cash at banks amounting to RM Nil (2011: RM60,500,000) are held under Escrow Account pursuant to Term Loan V (Note 26) and therefore it is restricted from use in other operations.

The foreign currency exposure profile for cash and bank balances is as follows:

| | Group | |
|---|---|---|
| | **2012**<br>**RM** | **2011**<br>**RM** |
| Singapore Dollar | - | 2,554 |
| United States Dollar | **123,079** | 66,773 |
| | **123,079** | 69,327 |

**34. AMOUNT OWING BY/(TO) CUSTOMERS FOR CONTRACT WORKS**

| | Group | |
|---|---|---|
| | **2012**<br>**RM** | **2011**<br>**RM** |
| **Contract cost** | | |
| Aggregate costs incurred to-date | **12,945,889** | 37,776,692 |
| Add: Attributable profits | **4,279,205** | 1,378,010 |
| Less: Progress billings | **(17,225,094)** | (19,844,745) |
| | - | 19,309,957 |
| Represented by:- | | |
| Amount owing by customers for contract works (Note 18) | - | 20,601,459 |
| Amount owing to customers for contract works (Note 29) | - | (1,291,502) |
| | - | 19,309,957 |

## 35. RELATED PARTIES

### (a) Identity of related parties

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

The Group and the Company have a related party relationship with its subsidiaries, key management personnel and directors' related companies.

### (b) Inter-company transactions are as follows:-

| | Company | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| Impairment loss on amounts owing by subsidiaries | **2,946,941** | 269,482,312 |
| Intercompany balances written-off | **-** | 80,313,882 |
| Purchase of air tickets and tour from a subsidiary | **368,323** | 237,786 |
| Employee benefits expenses allocated to subsidiaries | **419,339** | 752,754 |
| Meals and accommodation charges paid and payable to subsidiaries | **356,686** | 392,605 |
| Rental revenue | **-** | (3,338) |
| Waiver of debts by subsidiaries | **-** | (8,816,928) |

Information regarding outstanding balances arising from inter-company transactions as at 31 March 2012 is mentioned in Note 20.

### (c) Related party transactions are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** **RM** | **2011** **RM** | **2012** **RM** | **2011** **RM** |
| Paid and payable to/(Received and receivable from) a related party in which certain directors of the Company have substantial financial interest and are also directors | | | | |
| - Rental of premises | **259,974** | 259,974 | **259,974** | 259,974 |
| - Ticketing and tour revenue | **(31,835)** | (37,684) | **-** | - |
| - Interest payable | **2,401,555** | 2,241,737 | **-** | - |
| Received and receivable from related parties in which a director of the Company has substantial financial interest and is also director | | | | |
| - Ticketing and tour revenue | **(599,726)** | (667,901) | **-** | - |
| Advances from a director | **27,909,313** | 44,372,983 | **-** | - |

Information regarding outstanding balances arising from transactions with the related parties as at 31 March 2012 is mentioned in Notes 18, 20, 30 and 31 respectively.

## 35. RELATED PARTIES (Cont'd)

### (d) Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Short-term employee benefits expenses | **1,247,760** | 1,296,000 | **519,000** | 660,000 |
| Post employment benefits expenses | **81,019** | 120,900 | **-** | 34,500 |

Included in the total compensation of key management personnel is:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Directors' remuneration | **1,328,779** | 1,416,900 | **519,000** | 694,500 |

Information regarding outstanding balances arising from transactions with the key management personnel as at 31 March 2012 is mentioned in Note 31.

## 36. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows: -

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Payable within one year | **16,394,339** | 16,279,703 |
| Payable after one year but not more than 5 years | **22,060,903** | 38,045,086 |
| | **38,455,242** | 54,324,789 |

Minimum lease payments recognised in profit or loss for the financial year ended 31 March 2012 amounted to RM12,265,403 (2011: RM16,180,487).

## 37. SIGNIFICANT EVENTS

On 26 May 2011, Abrar Discounts Berhad ("ADB") proposed a reduced Settlement Sum of RM110 million as full and final settlement of the Promissory Note ("the Settlement Sum") which was to be paid on or before 30 September 2011.

The management was in negotiation with ADB and managed to extend the settlement period to 30 September 2012.

The Settlement Agreement is currently being finalised as at the date of this report.

## 38. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their services and has three reportable operating segments as follows:-

| | |
|---|---|
| Management services, venture capital, investment holdings and others | Investment holdings, provision of management services, consultancy and money lending |
| Property development and construction | Property development, construction and project contractor. |
| Leisure and tourism | Travel and tours agency, golf and country club operation and management, resort hotel operation and management. |

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence no disclosures are made on segment assets and liabilities.

(a) Operating Segments

| | Management Services, Venture Capital, Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Adjustment and Eliminations RM | Note | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Revenue** | | | | | | | |
| External revenue | 1,574,243 | 93,706,016 | 66,502,401 | 154,785 | (12,779,627) | | 149,157,818 |
| Inter-segment revenue | (1,515,492) | (8,033,298) | (3,230,837) | - | 12,779,627 | a(i) | - |
| Total revenue | 58,751 | 85,672,718 | 63,271,564 | 154,785 | - | | 149,157,818 |
| **Result** | | | | | | | |
| Interest expenses | 7,278,809 | 8,808,389 | 7,198,765 | - | - | | 23,285,963 |
| Interest income | (174) | (51,288) | (35,486) | - | - | | (86,948) |
| Other non-cash expenses | 541,878 | (1,623,189) | 28,188,833 | 133,038 | - | a(ii) | 27,240,560 |
| Segment loss before tax | (44,921,715) | (4,889,325) | (35,067,555) | (394,088) | 31,767,498 | a(ii) | (53,505,185) |

**38. SEGMENT INFORMATION (Cont'd)**

(a) Operating Segments (Cont'd)

| | Management Services, Venture Capital, Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Adjustment and Eliminations RM | Note | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| **Revenue** | | | | | | | |
| External revenue | 2,047,879 | 51,737,410 | 72,927,210 | - | (1,424,119) | | 125,288,380 |
| Inter-segment revenue | (1,603,182) | 2,313,443 | (2,134,380) | - | 1,424,119 | a(i) | - |
| Total revenue | 444,697 | 54,050,853 | 70,792,830 | - | - | | 125,288,380 |
| **Result** | | | | | | | |
| Interest expenses | 6,502,541 | 14,112,251 | 7,563,500 | - | - | | 28,178,292 |
| Interest income | (276) | (133,787) | (33,159) | - | - | | (167,222) |
| Other non-cash expenses | 2,685,948 | 316,833,944 | 27,867 | 25,766,929 | - | a(ii) | 345,314,688 |
| Segment loss before tax | (586,119,600) | (702,799,618) | (351,029,756) | (566,294) | 1,267,775,338 | a(ii) | (372,739,930) |

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Amortisation of upfront fee | **1,474,645** | 1,617,567 |
| Depreciation of property, plant and equipment | **22,378,102** | 11,790,092 |
| (Gain)/Loss on foreign exchange: | | |
| - realised | **(93,909)** | - |
| - unrealised | **517,570** | - |
| Gain on disposal of | | |
| - non-current assets held for sale | **(13,832,478)** | - |
| - property, plant and equipment | **(5,499)** | (14,518) |
| - subsidiaries | **-** | (8,633,948) |

## 38. SEGMENT INFORMATION (Cont'd)

(a) Operating Segments (Cont'd)

(ii) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements (Cont'd):

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Impairment loss on: | | |
| - goodwill | **-** | 2,492,379 |
| - land held for property development | **-** | 64,687,887 |
| - non-current asset held for sale | **-** | 219,794,868 |
| - property, plant and equipment | **174,309** | 22,507,133 |
| - receivables | **1,447,926** | 5,841,919 |
| Provision for/(Utilisation of) employee benefits | **149,223** | (131,117) |
| Provision for legal claim | **6,129,556** | - |
| Reversal of impairment loss on trade receivables | **(1,133)** | - |
| Write back of payables | **(16,632)** | - |
| Written off of: | | |
| - amount due from customers | **-** | 22,515,428 |
| - available-for-sale financial assets | **70,000** | - |
| - bad debts | **8,366,869** | 1,681,852 |
| - deposits | **104,027** | 336,656 |
| - inventories | **28,368** | - |
| - property, plant and equipment | **349,616** | 174,392 |
| - property development cost | **-** | 654,098 |
| | **27,240,560** | 345,314,688 |

(b) Geographical Information

Revenue information based on the geographical location of customers is as follows:

| | **2012 RM** | **2011 RM** |
|---|---|---|
| Malaysia | **149,157,818** | 125,288,380 |

There is no single customer with revenue equal or more than 10% of the Group revenue.

## 39. MATERIAL LITIGATIONS

**Group**

A wholly-owned subsidiary, Nexus Bay Resort Karambunai Sdn. Bhd. ("NBRK") had developed the Nexus Residence project, comprising beachfront villas and apartments in Karambunai which were sold to various purchasers with whom leaseback agreements were entered into. A recent suit initiated by a purchaser of a Nexus Residence unit was ordered by the High Court at Kota Kinabalu on 4 April 2012 to be stayed pending reference to arbitration with costs awarded in favour of NBRK. Hitherto, there has been no appeal against that decision. Instead, the arbitration process has been invoked by a group of purchasers and the matter is pending arbitration.

## 40. CONTINGENT LIABILITIES – UNSECURED

| | Company | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| Corporate guarantee given by the Company to financial institutions and third parties for banking and outstanding credit facilities granted to the subsidiaries as mentioned in Note 26 | **266,073,021** | 375,756,354 |

Contingent liabilities are secured by charges as disclosed in Note 26.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's financial risk management policy seeks to ensure optimal allocation of financial resources for the development of the Group's business while managing its risk. The main risks and corresponding management policies arising from the Group's normal course of business are as follows:-

### (a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from the advances to subsidiaries and the financial guarantees given. For other financial assets, the Group and the Company minimize credit risk by dealing with high credit rating counterparties.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Exposure to credit risk
At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risk in relation to its provision of financial guarantees to banks in respect of banking facilities granted to the subsidiaries and to suppliers for granting of credit term to the subsidiaries.

The Group does not have any significant exposure to any individual customer at the reporting date.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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

**Inter Company Balances**

The Company provides advances to subsidiaries. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as at the end of the financial year.

As at the end of the financial year, there was no indication that the advances to subsidiaries are not recoverable after than those which had been impaired. The Company does not specifically monitor the ageing of the advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

**Financial Guarantees**

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for granting of credit term to the subsidiaries.

As at reporting date, the fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition to the outstanding loans in the subsidiaries are adequately secured by assets as disclosed in Note 26. Should the subsidiaries default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

### (b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

Interest bearing financial assets includes cash deposits with licensed banks and other corporation which are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

Borrowings at floating rate amounting to RM14,898,763 (2011: RM14,468,543) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM217,328,226 (2011: RM328,840,496).

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the financial year would not affect profit or loss.

***Sensitivity Analysis for Interest Rate Risk***
If the interest rate had been 75 basis points higher / lower and all other variables were held constant, the Group's loss for the year ended 31 March 2012 would decrease/increase by RM1,222,500 (2011: RM1,508,700) as a result of exposure to floating rate borrowings.

### (c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arise primarily from mismatches of financial assets and liabilities. The Group's financial liabilities comprise of trade payable and other payables which are due within one year or payable on demand and term loans / hire purchase payables which have fixed terms of repayment.

As disclosed in Note 2.1, the directors of the Group and the Company are of the opinion that the going concern assumption of the Group and the Company is appropriate as the Group is currently undertaking certain initiatives, which include the implementation of corporate restructuring and fund raising exercise to meet their obligations in the immediate term. In addition, the Group has entered into sale and purchase agreement for the disposal of land (as disclosed in Note 22) and has obtained continuing support from creditors, major shareholder and bankers and will continue to streamline the operations of the Group and the Company to generate positive cash flows and future profits.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (c) Liquidity Risks (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Carrying amount RM | Contractual cash flows RM | On demand or within 1year RM | 1 to 2 years RM | 2 to 5 years RM |
| **Group** | | | | | |
| Financial liabilities: | | | | | |
| Trade payables | 87,327,648 | 87,327,648 | 87,327,648 | - | - |
| Other payables | 159,047,005 | 159,047,005 | 159,047,005 | - | - |
| Finance lease payables | 2,342,239 | 2,468,424 | 1,654,189 | 645,993 | 168,242 |
| Amount owing to Director | 73,293,607 | 73,293,607 | 73,293,607 | - | - |
| Promissory note -secured | 154,191,781 | 154,191,781 | 154,191,781 | - | - |
| Term loan - secured | 232,226,989 | 239,129,030 | 230,321,505 | - | 8,807,525 |
| | 708,429,269 | 715,457,495 | 705,835,735 | 645,993 | 8,975,767 |
| **Company** | | | | | |
| Financial liabilities: | | | | | |
| Other payables | 20,038,023 | 20,038,023 | 20,038,023 | - | - |
| Amount owing to Director | 15,749,201 | 15,749,201 | 15,749,201 | - | - |
| Amount owing to subsidiaries | 55,540,339 | 55,540,339 | 55,540,339 | - | - |
| Promissory note - secured | 154,191,781 | 154,191,781 | 154,191,781 | - | - |
| | 245,519,344 | 245,519,344 | 245,519,344 | - | - |

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (c) Liquidity Risks (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations (Cont'd):

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Carrying amount RM | Contractual cash flows RM | On demand or within 1year RM | 1 to 2 years RM | 2 to 5 years RM |
| **Group** | | | | | |
| Financial liabilities: | | | | | |
| Trade payables | 99,754,834 | 99,754,834 | 99,754,834 | - | - |
| Other payables | 143,976,260 | 143,976,260 | 143,976,260 | - | - |
| Finance lease payables | 3,852,017 | 4,145,507 | 2,160,357 | 1,280,765 | 704,385 |
| Amount owing to Director | 45,384,294 | 45,384,294 | 45,384,294 | - | - |
| Promissory note -secured | 152,673,973 | 152,673,973 | 152,673,973 | - | - |
| Term loan - secured | 343,309,039 | 393,132,374 | 115,874,308 | 74,667,874 | 202,590,192 |
| | 788,950,417 | 839,067,242 | 559,824,026 | 75,948,639 | 203,294,577 |
| **Company** | | | | | |
| Financial liabilities: | | | | | |
| Other payables | 19,505,615 | 19,505,615 | 19,505,615 | - | - |
| Amount owing to Director | 11,360,764 | 11,360,764 | 11,360,764 | - | - |
| Amount owing to subsidiaries | 44,666,659 | 44,666,659 | 44,666,659 | - | - |
| Promissory note -secured | 152,673,973 | 152,673,973 | 152,673,973 | - | - |
| | 228,207,011 | 228,207,011 | 228,207,011 | - | - |

### (d) Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of its bank borrowings of which the currency denomination differs from its functional currency.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

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

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| | Profit/(loss) net of tax | |
| USD/RM - strengthened 8% | **(148,876)** | (4,171,879) |
| - weakened 8% | **148,876** | 4,171,879 |

## 42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to determine the fair value of the following classes of the following classes of financial assets and liabilities are as follows:

### (a) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

### (b) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amount of long term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease payables and fixed rate loan is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values except for the following:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying Amount RM | Fair Values RM | Carrying Amount RM | Fair Values RM |
| **2012** | | | | |
| **Financial Asset** | | | | |
| Available-for-sale financial assets (Note 12) | 130,000 | * | 60,000 | * |
| Financial Liabilities | | | | |
| Finance lease payables (non-current) | 780,594 | 785,326 | - | - |
| **2011** | | | | |
| **Financial Asset** | | | | |
| Available-for-sale financial assets (Note 12) | 200,000 | * | 60,000 | * |
| **Financial Liabilities** | | | | |
| Finance lease payables (non-current) | 1,876,589 | 1,885,408 | - | - |

* Information regarding fair value of unquoted equity instruments is disclosed in Note 12.

## 43. CAPITAL MANAGEMENT

The primary objective of the Group and the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. Net debts comprise bank borrowings less cash and cash equivalents (excluding bank overdrafts) whilst total capital is the total equity of the Group. The debt-to-equity ratio as at 31 March 2012 and 31 March 2011, which are within the Group's objectives of capital management are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Total interest-bearing borrowings (RM) | **388,761,009** | 499,835,029 | **154,191,781** | 152,673,973 |
| Less: Cash and cash equivalents (RM) | **5,948,984** | 7,895,241 | **756,890** | 891,663 |
| Total net debts (RM) | **382,812,025** | 491,939,788 | **153,434,891** | 151,782,310 |
| Total equity (RM) | **571,287,665** | 698,779,060 | **651,261,433** | 694,112,746 |
| Debt-to-equity ratio (%) | **67%** | 70% | **24%** | 22% |

A subsidiary is required to comply with externally imposed capital requirements on gearing ratio, leverage ratio and maintain certain net worth in respect of its bank borrowings. The subsidiary has complied with those capital requirements.

## 44. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current financial year presentation:-

| | Group 2011 | |
|---|---|---|
| | **As previously classified RM** | **As reclassified RM** |
| **Statement of Comprehensive Income** | | |
| Administrative costs | (19,934,137) | (19,933,567) |
| Finance costs | (37,314,150) | (37,287,091) |
| Direct costs | (112,913,492) | (113,065,252) |
| Other costs | (335,074,243) | (334,950,112) |

This is in respect of reclassification of costs to conform with current year's presentation.

# Supplementary Information

On the Disclosure of Realised and Unrealised Profits or Losses

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

The following analysis of realised and unrealised accumulated losses of the Group and of the Company at 31 March 2012 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and 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.

The accumulated losses of the Group and of the Company as at 31 March 2012 is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Total accumulated losses of the Company and its subsidiary companies | | | | |
| - realised | **(1,238,978,452)** | (1,195,682,101) | **(475,304,206)** | (432,452,893) |
| - unrealised | **(10,403,575)** | (14,001,000) | **-** | - |
| | **(1,249,382,027)** | (1,209,683,101) | **(475,304,206)** | (432,452,893) |
| Less: Consolidation adjustments | **472,891,198** | 475,789,244 | **-** | - |
| Total accumulated losses | **(776,490,829)** | (733,893,857) | **(475,304,206)** | (432,452,893) |

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

# Group Properties

As at 31 March 2012

| | Location | Area (Hectares) | Description | Tenure | Year of Expiry | Age of Building | Carrying Value RM |
|---|---|---|---|---|---|---|---|
| 1 | CL.045091174<br>Mukim Menggatal<br>Kota Kinabalu<br>Sabah | 242.81 | Resort Development | Leasehold : 999 years | 2897 | - | 858,102 |
| 2 | CL.045091174<br>Mukim Menggatal<br>Kota Kinabalu<br>Sabah | 364.10 | Resort Development | Leased : 99 years | 2093 | - | 425,468 |
| 3 | Lots 12292, 12293 & PT 2182<br>Mukim Dengkil<br>District of Sepang<br>Selangor | 551.59 | Resort Development | Leasehold : 99 years | 2087 | - | 140,845 |
| 4 | Country Lease<br>No 015414972<br>Miles 13 Tuaran Road<br>District of Kota Kinabalu<br>Sabah | 118.06 | Mixed Development | Leasehold : 99 years | 2905 | - | 55,301 |
| | | | | | | | **1,479,716** |

# Shareholders' Information

As at 31 July 2012

| | | |
|---|---|---|
| Authorised Share Capital | : | RM2,000,000,000.00 divided into 4,000,000,000 ordinary shares of RM0.50 each |
| Issued & Fully Paid-up | : | RM1,015,029,840.00 divided into 2,030,059,680 ordinary shares of RM0.50 each |
| Class of Shares | : | Ordinary Shares of RM0.50 each |
| Voting Rights | : | Every member present in person or by proxy has one (1) vote on a show of hands and on a poll, every member present in person or by proxy has one (1) vote for each share he holds |

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1-99 | 476 | 0.903% | 19,107 | 0.001% |
| 100 -1,000 | 10,726 | 20.351% | 10,439,158 | 0.514% |
| 1,001 - 10,000 | 29,980 | 56.884% | 138,191,729 | 6.807% |
| 10,001 - 100,000 | 10,137 | 19.234% | 346,423,248 | 17.065% |
| 100,001 to less than 5% of issued shares | 1,382 | 2.622% | 643,863,922 | 31.717% |
| 5% and above of issued shares | 3 | 0.006% | 891,122,516 | 43.896% |
| **TOTAL** | **52,704** | **100.000%** | **2,030,059,680** | **100.000%** |

**LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS**

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1 | Chen Lip Keong | 481,640,720 | 23.725% |
| 2 | HSBC Nominees (Tempatan) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (Chen Lip Keong) | 253,481,763 | 12.486% |
| 3 | OSK Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Sri Dr Chen Lip Keong | 156,000,033 | 7.685% |
| 4 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Dimensional Emerging Markets Value Fund | 19,239,800 | 0.948% |
| 5 | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt an for OCBC Securities Private Limited | 14,573,118 | 0.718% |
| 6 | HSBC Nominees (Asing) Sdn Bhd<br>HSBC-FS for Asian Emerging Countries Fund | 13,839,000 | 0.682% |
| 7 | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Sew Hoey (Tan Siew Hoey) | 11,297,600 | 0.557% |
| 8 | AIBB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Batu Bara Resources Corporation Sdn Bhd | 10,340,100 | 0.509% |
| 9 | HDM Nominees (Asing) Sdn Bhd<br>DBS Vickers Secs (S) Pte Ltd for River Estates Incorporated | 10,000,000 | 0.493% |
| 10 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Wong Lay Leng | 10,000,000 | 0.493% |
| 11 | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Ng Chai Hock (MY0972) | 8,565,000 | 0.422% |

# Shareholders' Information (Cont'd)

As at 31 July 2012

## LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS (Cont'd)

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 12 | Quah Choo Chunn | 8,355,200 | 0.412% |
| 13 | Quantum Symbol Sdn Bhd | 8,150,000 | 0.401% |
| 14 | Song Kim Lee | 6,000,000 | 0.296% |
| 15 | How Lea Peng | 6,000,000 | 0.296% |
| 16 | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Kwee Eng | 5,850,000 | 0.288% |
| 17 | CIMSEC Nominees (Asing) Sdn Bhd<br>Exempt an for CIMB Securities (Singapore) Pte Ltd | 5,725,268 | 0.282% |
| 18 | Yeoh Kean Hua | 5,490,000 | 0.270% |
| 19 | Gan Siew Liat | 5,000,000 | 0.246% |
| 20 | Choo Keng Kit | 4,750,000 | 0.234% |
| 21 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Small Cap Series | 4,654,100 | 0.229% |
| 22 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC | 4,574,700 | 0.225% |
| 23 | Ho Swee Choon | 4,469,800 | 0.220% |
| 24 | Jin Fu | 4,283,000 | 0.211% |
| 25 | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Kok Siong | 4,200,000 | 0.207% |
| 26 | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Liew Chun Kim @ Liew Chun Tai | 3,902,300 | 0.192% |
| 27 | AMSEC Nominees (Asing) Sdn Bhd<br>DBS Vickers Secs (S) Pte Ltd for Tan Swee Tin | 3,700,000 | 0.182% |
| 28 | HDM Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ho Tau Tai (MOB) | 3,520,000 | 0.173% |
| 29 | How Ley Hun | 3,500,000 | 0.172% |
| 30 | Jasmi Bin Mohd Ismail | 3,500,000 | 0.172% |
| | **TOTAL** | **1,084,601,502** | **53.427%** |

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | Direct No. of Ordinary Shares Held | % | Indirect No. of Ordinary Shares Held | % |
|---|---|---|---|---|
| Tan Sri Dr Chen Lip Keong | 891,122,516 (a) | 43.90 | - | - |

(a) Held through HSBC Nominees (Tempatan) Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd

# Directors' Shareholdings

As at 31 July 2012

| Name of Directors | | Direct No. of Ordinary Shares Held | % | Indirect No. of Ordinary Shares Held | % |
|---|---|---|---|---|---|
| 1. | Tan Sri Datuk Sri Panglima Abdul Kadir bin Haji Sheikh Fadzir | - | - | - | - |
| 2. | Tan Sri Dr Chen Lip Keong | (a) 891,122,516 | 43.90 | - | - |
| 3 | Chen Yiy Fon | - | - | - | - |
| 4. | Datuk Robin Loh Hoon Loi | - | - | - | - |
| 5. | Datuk Wan Kassim bin Ahmed | - | - | - | - |
| 6. | Chen Yiy Hwuan | - | - | - | - |
| 7. | Dato' Dr Mohd Aminuddin bin Mohd Rouse | - | - | - | - |
| 8. | Lim Mun Kee | - | - | - | - |

**Notes :**

(a) Held through HSBC Nominees (Tempatan) Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Forty-Sixth Annual General Meeting of Karambunai Corp Bhd will be held at Magibah, Nexus Resort & Spa Karambunai, No. 1, Nexus Drive West, Karambunai, off Jalan Sepangar, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia on Wednesday, 26 September 2012 at 10.00 a.m. for the following purposes :-

**AGENDA**

**As Ordinary Business**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2012 together with the Reports of Directors and Auditors. **Ordinary Resolution 1**

2. To approve the payment of Directors' fees for the financial year ended 31 March 2012. **Ordinary Resolution 2**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association :-

   **Under Article 107**

   Dato' Dr Mohd Aminuddin bin Mohd Rouse **Ordinary Resolution 3**

   Chen Yiy Hwuan **Ordinary Resolution 4**

   Lim Mun Kee **Ordinary Resolution 5**

4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   **"THAT** pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir who is over the age of seventy years, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Ordinary Resolution 6**

5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

**As Special Business**

To consider and, if thought fit, pass with or without modifications the following Resolutions :-

6. **Ordinary Resolution - Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965.**

   **"THAT** the Directors of the Company be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time subject to Section 132D(3) and upon such terms and conditions and for such purposes 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 issued capital of the Company for the time being." **Ordinary Resolution 8**

7. **Special Resolution - Proposed Amendments to the Articles of Association**

   **"THAT** the proposed alteration, modification, variation and additions to the Articles of Association of the Company as contained in Appendix I of the Circular to Shareholders dated 4 September 2012 be approved." **Special Resolution 1**

8. To transact any other ordinary business of which due notice shall have been received.

**By Order of the Board**
LIM TIONG JIN, MIA 16286
CHANG YUET MEI, MAICSA 0781552
Company Secretaries

Kota Kinabalu
4 September 2012

**Notes :-**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation either under its common seal, or the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which the instrument is signed or a notarily certified copy of that power of authority, shall be deposited at the Company's Registered Office, No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjourned meeting.

5. Please note that in order to attend and vote at the Meeting, a member must be registered in the Record of Depositors at 4.00 p.m. on 18 September 2012 in accordance with Article 51 (e) of the Company's Articles of Association. Any changes in the entries on the Record of Depositors after the above mentioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

6. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Bhd, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

7. The 2012 Annual Report is in CD-ROM format. Printed copies of the Annual Report shall be provided to the shareholders upon request. Shareholders who wish to receive a printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Mr Goh Chin Khoon at Tel: 03-79681222 & Fax: 03-79588013 or Ms Candice Lo at Tel: 088–480870 / 411111 & Fax: 088-480899 / 412111 or e-mail to cosec@karambunaicorp.com.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

**ORDINARY RESOLUTION 8**

Ordinary Resolution 8 is proposed pursuant to Section 132D of the Companies Act, 1965 and if passed, will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

No proceeds were raised from the previous mandate.

The renewed mandate will provide flexibility to the Company for any possible fund raising activities for the purpose of funding further investment project(s), working capital and/or acquisitions.

**SPECIAL RESOLUTION 1**

The Special Resolution 1 proposed, if passed, will allow the Company to incorporate the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in line with the enhancement to the Listing Requirements. The details of this proposal are set out in Appendix I of the Circular to shareholders dated 4 September 2012.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Name of Directors standing for re-election / re-appointment

| | | | |
|---|---|---|---|
| (a) | Dato' Dr Mohd Aminuddin bin Mohd Rouse | - | Ordinary Resolution 3 |
| (b) | Chen Yiy Hwuan | - | Ordinary Resolution 4 |
| (c) | Lim Mun Kee | - | Ordinary Resolution 5 |
| (d) | Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir | - | Ordinary Resolution 6 |

2. Information on the above Directors is set out on pages 8 and 9 of the Annual Report.

   Details of attendance of Board Meetings held during the financial year ended 31 March 2012 for the above Directors are set out on page 23 of this Annual Report.

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**Karambunai Corp Bhd (6461-P)**
(Incorporated in Malaysia)

# PROXY FORM

| Number of Shares | | | CDS Account No. | |
|---|---|---|---|---|

I/We, ______________________________________________
*(Please use block letters)*

of ______________________________________________
*(Full address)*

being a member/members of KARAMBUNAI CORP BHD hereby appoint ______________________

NRIC ______________________ of ______________________ or

failing him/her ______________________ NRIC ______________________

of ______________________________________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at the Magibah, Nexus Resort & Spa Karambunai, No. 1, Nexus Drive West, Karambunai, off Jalan Sepangar, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia on Wednesday, 26 September 2012 at 10.00 a.m. and any adjournment thereof.

*Please indicate with "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the Notice of the Annual General Meeting. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.*

| No. | Resolutions | FOR | AGAINST |
|---|---|---|---|
| | **Ordinary Resolutions** | | |
| 1 | Adoption of Audited Financial Statements and Reports | | |
| 2 | Approval of the Payment of Directors' fees | | |
| 3 | Re-election of Dato' Dr Mohd Aminuddin bin Mohd Rouse as Director | | |
| 4 | Re-election of Mr Chen Yiy Hwuan as Director | | |
| 5 | Re-election of Mr Lim Mun Kee as Director | | |
| 6 | Re-appointment of Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir as Director | | |
| 7 | Re-appointment of Messrs Moore Stephens AC as Auditors | | |
| 8 | Authority pursuant to Section 132D of the Companies Act, 1965 | | |
| | **Special Resolution** | | |
| 1 | Proposed Amendments to the Articles of Association | | |

Signed this ______________________ day of ______________________, 2012

Signature/Seal of Shareholder

Telephone No. (during office hours)

**NOTES:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote, in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing, or if such appointer is a corporation, either under seal, or the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which the instrument is signed or a notarily certified copy of that power or authority, shall be deposited at the Company's Registered Office, No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.
5. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Bhd, which allow a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 September 2012 shall be entitled to attend, speak on & vote at the meeting.

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AFFIX
STAMP

**THE COMPANY SECRETARIES**
**KARAMBUNAI CORP BHD** 6461-P

No. 9020, Nexus Drive West, Karambunai
PPM No. 200, Menggatal
88450 Kota Kinabalu
Sabah, Malaysia

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