# In The News


ParGolf
CARNOUSTIE
Exclusive villas to call home in Nexus Karambunai
Nexus Resort to sport new look
Karambunai plans high-end tourism projects
NANYANG N.PAPER (BUSINESS)
SATURDAY, AUGUST 2007
佳南汶莱董事部改组
THE EDGE DAILY
THE STAR, 7 AUGUST
03-08-2007: Karambunai announces key appointments
Lahiri holds on to the lead
golf
New faces at Amateur Open
Business
Karambunai rakes in RM53.3m in profit
BUSINESS
THE BORNEO POST
Karambunai posts RM53m profit in sharp turnaround
SPORT
RANKING ON JUNIOR
加拉布奈集團董事局改組
羅雲來榮升首席執行員
CHINA PRESS
SATURDAY, 3 AUGUST 2007
K'bunai Corp reports turnaround with RM53.3m ga
AN UNSPOILT AND UNTOUCHED ECO-SANCTUARY
UTUSAN MALAYSIA
SABTU, 3 AUGUST 2007
Karambunai lantik tiga muka baru
Tourism hub set to lift Sabah real estate
BUSINESS
Robin Loh new of Karambunai
Nexus Residence takes show on the r
Business
Karambunai Corp expects turnaround improve track reco
KCB optimistic of further

# Calendar of Events

**MAY 2007** • Nexus Golf - 105th Malaysian Amateur Open



**MAY 2007** • Nexus Residence – Shanghai Exhibition


**JUNE 2007** • Nexus Residence – Hong Kong Exhibition


**JULY 2007** • Nexus Residence – London Exhibition



**JULY 2007** • Nexus Resort – Blood Donation Campaign



**OCTOBER 2007** • Nexus Resort – Hari Raya Open House for students of Sekolah Ugama Islam Sabah Tambunan




# Calendar of Events

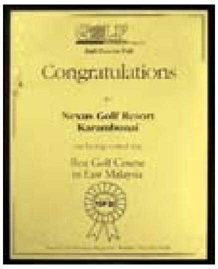
**OCT 2007 •** Nexus Resort – Blood Donation Campaign


**NOV 2007 •** Nexus Resort – Hospitality Fiesta Awards



**NOV 2007 •** Nexus Resort – Hospitality Asia Platinum Award & Sabah Tourism Awards 2007


**FEB 2008 •** Nexus Golf - Awards from Golf Malaysia Magazine


**FEB 2008 •** Bandar Sierra - Chinese New Year Open House



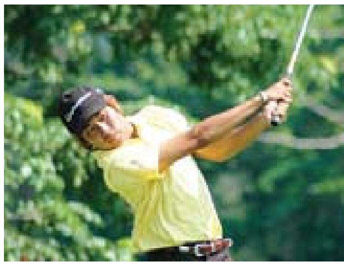

**FEB 2008** • Nexus Resort – ASEAN Green Hotel Recognition Award

**MAR 2008** • Nexus Residence – Hong Kong Exhibition



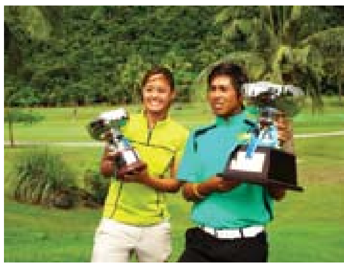
**MAY 2008** • Nexus Golf – 24th Sabah Amateur Open



**MAY 2008** • Nexus Golf – 9th Karambunai Amateur Golf Open Championship



# Our Awards
In 2007 - 2008


1. **2008**
   ASEAN Green Hotel Recognition Award
   ASEAN Green Hotel Standard Recognition Award 2008 - 2009

2. **2007**
   Sabah Tourism Awards 2007
   Winner-Excellence in Hotel Services (3, 4 & 5 Stars)

3. **2007**
   HAPA (Hospitality Asia Platinum Award) 2007-2008
   i. Top 5 HAPA Golf Resort of the Year
   ii. Top 5 HAPA MICE Hotel of the Year
   iii. Top 10 HAPA Luxury Resort of the Year

# Our Awards
## In 2007 - 2008


**4. 2007**
Virgin Holidays Silver Award 2007
Best Resort in the Far East & Australasia

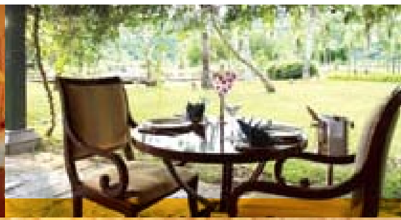
**5. 2007**
SAGA Holidays
Travellers World, Good Food Award

**6. 2007**
SAGA Holidays
Travellers World, Top Stay Award

**7. 2007**
Expat Lifestyle - Best of Malaysia Awards October 2007
Excellence Award for Best Beach Resort and Best Beach

# Peaceful Heaven






# Core Business

## EAST MALAYSIA

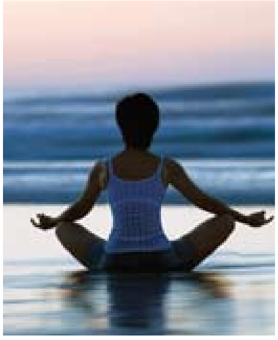
### KARAMBUNAI RESORTS

Karambunai Resorts is located in the state of Sabah, which is part of the exotic Borneo island. Comprising approximately 1,500 acres of the Karambunai Peninsular, it 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.

The jewel in the crown, Karambunai Resorts will continue to be the focus of the Group's eco-tourism and residence developments. The Nexus Residence Karambunai is the latest residence development project in Karambunai Resorts and other completed developments include the Nexus Resort Karambunai, the Nexus Golf Resort Karambunai and infrastructure services.

### NEXUS RESORT KARAMBUNAI

Nexus Resort Karambunai ("NRK"), 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. NRK has won many accolades including the prestigious awards from FIABCI for the Award of Distinction Year 2000 for 'Best Leisure/Resort Development' in Malaysia, the "Top Ten Award" and "Good Food Award" by SAGA Holidays Group for 5 years from 2001 to 2004 and 2006, Malaysian Tourism Awards for 'Excellence in Hotel Services – 5 Star (Resort Hotel)' for Year 2001/2002 and The Minister's Special Award in Year 2003, World Travel Awards for "Malaysia's Leading Golf Resort" for Year 2004 and 2005, Virgin Holidays Gold Award 2006 for "Best Resort in Far East & Australasia", China Golf Award 2006 for "My Favourite Overseas Golf Travel Destination", Expat Lifestyle – Best of Malaysia Awards October 2007 for "Excellence Award for Best Beach Resort and Best Beach", SAGA Holidays for "Top Stay Award" and "Good Food Award" for 2007, Virgin Holidays Silver Award 2007 for "Best Resort in the Far East & Australasia", HAPA (Hospitality Asia Platinum Award) 2007-2008 for "Top 5 HAPA MICE Hotel of the Year", "Top 5 HAPA Golf Resort of the Year" and "Top 10 HAPA Luxury Resort of the Year", Sabah Tourism Awards 2007 for "Winner – Excellence in Hotel Services (3, 4 & 5 Stars)" and ASEAN Green Hotel Recognition Award 2008 for "ASEAN Green Hotel Standard Recognition Award 2008 – 2009".




**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 and the latest accolades includes 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.

**FIRST TRAVEL & TOURS (M) SDN BHD**

First Travel & Tours ("FTT") was established since 1977, located within the Golden Triangle of Kuala Lumpur city centre and continues to maintain its reputation as one of the leaders in the travel and tours industry. The business segments of FTT include inbound/domestic tour, chartered flights, incentive groups and ticketing.

**SCANPLY INTERNATIONAL WOOD PRODUCT LTD**

Scanply trades internationally in timber and wood-based products, particularly garden furniture. Due to its extensive network and experience in the trading of wood-based product business, Scanply has gained a strong reputation and presence in the market.


# Our Projects

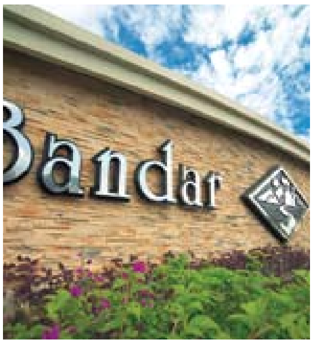
## NEXUS RESIDENCE KARAMBUNAI

Nexus Residence Karambunai features exclusive beachfront villas in a destination that's on par with the world's most luxurious holiday destinations of Hawaii, Bali, Hilton Head, Cancun and Phuket. It is located within the Karambunai Peninsular, next to the Nexus Resort Karambunai, an international award-winning 5-star resort and the Nexus Golf Resort Karambunai, an international championship 18-hole golf course.

Designed by world-renowed Hawaiian architects Wimberly Allison Tong & Goo, the Nexus Residence villas will comprise of approximately 2,000 units of beach-fronting villas that are designed to open up to the 6-km of pristine sandy beach with ocean view that spans the horizon.

The first phase of Nexus Residence, Dillenia Precinct, comprises of 243 units of villas and was launched in 2005. Sales exhibition were held in Hong Kong, Shanghai, Singapore, London and Dublin and attracted many buyers from all over the world, mainly under the "Malaysia My Second Home" programme.

In view of the expected sell out of Dillenia precinct in a short period of time, Nexus Residence is now planning to launch its second phase, named "Amabilis precinct" comprising of luxury villas and "Nexus Residence Commercial" comprising commercial lots in the near future.



## 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.

Phase 1A & 1B comprises 404 units of double storey link and semi-detached houses. To-date, more than 90% of the units have been sold. Another development on the Bandar Sierra land is the Phase 3A1 which consists of 8 blocks apartment with total of 448 units. The project is carried out by Beribu Ukiran Sdn Bhd, the associated company of KCB. To-date, about 80% of the units have been sold.

As the sales for the current phases in Bandar Sierra is coming to completion soon, the Group has lined up a series of new launches in Bandar Sierra that will comprise of landed properties, apartments and commercial lots that is expected to be launched in the coming months.

# Luxurious Environment

# 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 15.26 of the Bursa Malaysia Securities 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 Compliance 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. Four (4) Board meetings were held during the financial year ended 31 March 2008 with details of attendance presented under Other Compliance 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. In particular, an inhouse seminar on Changes to Regulatory Framework, was held during the financial year.

### 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 President 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. Leow Ming Fong @ Leow Min Fong

During the financial year, the full Committee met twice on 23/05/2007 and 27/07/2007.

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.

### 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 7.28 (2) of the Bursa Malaysia Securities 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. Leow Ming Fong @ Leow Min Fong
3. Datuk Robin Loh Hoon Loi

During the financial year, the full Committee met once on 23/5/2007.

### 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.

# Corporate Governance Statement

## 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 available 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 2008.*

# Statement on Internal Control

## PREAMBLE

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities 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 with well defined 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 operationally by Executive and Management Committees. These committees convene periodically to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Well documented policies, procedures and standards have been established, periodically reviewed and kept 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.

# Statement on Internal Control

- 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 2008 and has been duly reviewed by the external auditors, pursuant to paragraph 15.24 of the Bursa Malaysia Securities Listing Requirements.*

# Audit Committee Report

## PREAMBLE

Pursuant to paragraph 15.16 of the Bursa Malaysia Securities 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
- **Leow Ming Fong @ Leow Min Fong**
  Member, Independent Non-Executive Director
- **Datuk Robin Loh Hoon Loi (resigned on 25/02/08)**
  Member, Non-Independent Executive Director
- **Tuan Haji Zainal Abidin bin Ali (appointed on 25/02/08)**
  Member, Independent Non-Executive Director

During the financial year, the composition of the Audit Committee was changed to reflect the requirements of both the Listing Requirements and the Code, wherein all members must be non-executive directors with a majority being independent directors.

### 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, at least twice a year.

# Audit Committee Report

## 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 times during the financial year and details of attendances are as follows :-

| Directors | Attendances |
|---|---|
| Datuk Wan Kassim bin Ahmed | 4/4 |
| Leow Ming Fong @ Leow Min Fong | 4/4 |
| Datuk Robin Loh Hoon Loi (resigned on 25/02/08) | 4/4 |
| Tuan Haji Zainal Abidin bin Ali (appointed on 25/02/08) | 0/0 |

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 Malaysia Securities 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. 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 Malaysia Securities 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 2008.*

# Directors' Responsibility Statement

pursuant to Paragraph 15.27(a) of the Bursa Malaysia Securities 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 2008.*

# Other Compliances Statement

## 1. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held four (4) meetings, the attendance of which were as follows:-

| | Directors | Attendance |
|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir | 3/4 |
| 2. | Tan Sri Dr Chen Lip Keong | 4/4 |
| 3. | Datuk Wan Kassim bin Ahmed | 4/4 |
| 4. | Tuan Haji Zainal Abidin bin Ali | 4/4 |
| 5. | Datuk Robin Loh Hoon Loi | 4/4 |
| 6. | Leow Ming Fong @ Leow Min Fong | 4/4 |
| 7. | Chen Yiy Hwuan (appointed on 1 August 2007) | 3/3 |
| 8. | Chen Yiy Fon (appointed on 1 August 2007) | 3/3 |

## 2. DIRECTORS' REMUNERATION

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

| Description | Fees RM | Emoluments RM | EPF (Employer's) RM | Total RM |
|---|---|---|---|---|
| Executive | - | 843,840 | 80,280 | 924,120 |
| Non- Executive | 342,000 | - | - | 342,000 |
| **Total** | **342,000** | **843,840** | **80,280** | **1,266,120** |

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 | 0 | 3 |
| 50,001 to 100,000 | 0 | 0 |
| 100,001 to 150,000 | 1 | 0 |
| 150,001 to 200,000 | 0 | 0 |
| 200,001 to 250,000 | 0 | 1 |
| 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** | **3** | **4** |

The above disclosure is in compliance with the Bursa Malaysia Securities 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.

## 3. UTILISATION OF PROCEEDS

As at 31 March 2008, 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

During the financial year, Bursa Malaysia Securities Berhad has publicly reprimanded the Company pursuant to paragraph 16.17(1) of the Listing Requirements due to breach of paragraph 9.19 (19) of the Listing Requirements for failure to make an immediate announcement when a winding-up petition was served on the Company on 2 February 2005 by PT Bank Mandiri (Persero) Tbk, Singapore branch claiming an amount of USD5,357,150 inclusive of interests as at 29 November 2004 as a result of a loan granted to Sunnyland Industries Ltd, a wholly owned subsidiary of the Company, whereby the Company is a corporate guarantor for the loan. The announcement for the petition was only made on 16 May 2007.

## 8. NON - AUDIT FEES

The non-audit fees paid to the external auditors by the Group and the Company for the financial year amount to RM23,000.

## 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 2008.*

# Financial Statements

# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2008.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are engaged in investment holdings and provision of management services.

The principal activities of the subsidiary companies are set out in note 7(b) 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 |
|---|---|---|
| Net (loss)/profit for the year | (32,082,766) | 541,810 |
| Loss attributable to shareholders:- | | |
| Equity holders of the Company | (32,082,766) | |
| Minority interest | - | |
| | (32,082,766) | |

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the Directors do not recommend any dividend payment for the current financial year.

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets 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 provisions 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 of the Group and of the Company are not aware of any circumstances which would require the writing off of 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.

# Directors' Report

## CURRENT ASSETS

Before the income statements and balance sheets 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 substantially 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, the Company did not make any new issuance of shares.

# Directors' Report

## DIRECTORS OF THE COMPANY

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

| | |
|---|---|
| TAN SRI DR. CHEN LIP KEONG | |
| DATUK WAN KASSIM BIN AHMED | |
| DATUK ROBIN LOH HOON LOI | |
| TAN SRI DATUK SERI PANGLIMA ABDUL KADIR BIN HAJI SHEIKH FADZIR | |
| TUAN HAJI ZAINAL ABIDIN BIN ALI | |
| LEOW MING FONG @ LEOW MIN FONG | |
| DATUK ABDUL GHANI BIN ABDUL RASHID | (Resigned on 1.4.07) |
| DR. HENG AIK CHENG | (Resigned on 1.4.07) |
| CHEN YIY HWUAN | (Appointed on 1.8.07) |
| CHEN YIY FON | (Appointed on 1.8.07) |

## DIRECTORS' SHAREHOLDINGS

The interests of the Directors in office as at the end of the financial year in the 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 1.4.07** | **Purchased/ (Sold)** | **At 31.3.08** |
| **Direct shareholdings** | | | |
| Tan Sri Dr. Chen Lip Keong | 788,248,562 | 102,873,954 | 891,122,516 |
| **Indirect shareholdings being shares held through corporations in which the Directors are interested** | | | |
| Tan Sri Dr. Chen Lip Keong | 79,911,321 | (79,911,321) | - |

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

Tan Sri Dr. Chen Lip Keong by virtue of his substantial interest in shares of the Company, is also deemed interested in the shares of the subsidiary companies disclosed in note 7(b) to the financial statements, to the extent the Company has an interest.

## DIRECTORATE

Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir, Tan Sri Dr. Chen Lip Keong and Datuk Wan Kassim bin Ahmed retire in accordance with Article 107 of the Company's Articles of Association at the forthcoming annual general meeting, and being eligible, to offer themselves for re-election.

## SIGNIFICANT EVENTS

Significant events arising during the year are disclosed in note 43 to the financial statements.

## SUBSEQUENT EVENT

Subsequent event arising after the financial year end is disclosed in note 44 to the financial statements.

# Directors' Report

## 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 33(c) 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 other than the warrants mentioned above.

## AUDITORS

The auditors, Messrs. Moore Stephens, were involved in a merger on 1 January 2008. The merged firm is now practicing under the name of Moore Stephens AC. In view of this merger, Messrs. Moore Stephens retires and do not seek reappointment. A resolution to appoint Messrs. Moore Stephens AC will be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

DATUK WAN KASSIM BIN AHMED

DATUK ROBIN LOH HOON LOI

Kuala Lumpur
25 July 2008

# Statement by Directors

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

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 56 to 119 , are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards issued by MASB in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

DATUK WAN KASSIM BIN AHMED

DATUK ROBIN LOH HOON LOI

Kuala Lumpur
25 July 2008

# Statutory Declaration

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

I, Lim Tiong Jin, NRIC No. : 700527-10-5771, being the person primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 56 to 119, 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 25 July 2008

LIM TIONG JIN

Before me

NORDIN HASSAN (W 321)
Commissioner for Oaths

# Independent Auditors'

REPORT TO THE MEMBER OF KARAMBUNAI CORP BHD (INCORPORATED IN MALAYSIA)

## Report on the Financial Statements

We have audited the financial statements of Karambunai Corp Bhd, which comprise the balance sheets as at 31 March 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 119.

## Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## 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 Company's preparation and fair presentation of the financial statements 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 Company'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 2008 and of their financial performance and cash flows for the year then ended.

## Report on Other Legal and Regulatory Requirements

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

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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7(c) to the financial statements.

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## 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
Chartered Accountants
(AF.0282)

CHONG KWONG CHIN
707/04/10 (J/PH)
Partner

Kuala Lumpur
25 July 2008

# Consolidated Balance Sheet

AS AT 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 298,402,234 | 306,794,926 |
| Prepaid land lease payments | 5 | 441,016,922 | 407,907,838 |
| Land held for property development | 6 | 755,927,650 | 755,453,718 |
| Interest in associated companies | 8 | 2,678,604 | 2,378,960 |
| Other investments | 9 | 522,001 | 522,001 |
| Capital work-in-progress | 10 | 54,668,405 | 49,773,915 |
| Goodwill | 11 | 18,458,856 | 18,449,834 |
| | | 1,571,674,672 | 1,541,281,192 |
| **Current assets** | | | |
| Property development costs | 12 | 44,324,914 | 50,802,516 |
| Inventories | 13 | 6,339,526 | 5,416,365 |
| Trade receivables | 14 | 94,098,480 | 99,769,630 |
| Other receivables, deposits and prepayments | 15 | 64,084,306 | 126,360,078 |
| Amount owing by associated companies | 17 | 24,584,392 | 24,580,620 |
| Tax assets | 18 | 857,339 | 789,507 |
| Cash deposits with licensed banks | 19 | 6,885,474 | 2,011,420 |
| Cash and bank balances | | 11,275,346 | 8,530,866 |
| | | 252,449,777 | 318,261,002 |
| **TOTAL ASSETS** | | 1,824,124,449 | 1,859,542,194 |

# Consolidated Balance Sheet

AS AT 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 20 | 1,015,029,840 | 1,015,029,840 |
| Reserves | 21 | (173,909,598) | (141,817,556) |
| **Total Equity** | | 841,120,242 | 873,212,284 |
| **Non-current liabilities** | | | |
| Hire purchase and lease payables | 22 | 2,422,660 | 2,330,033 |
| Bank borrowings - secured | 23 | 270,000,000 | 285,000,000 |
| Deferred taxation | 24 | 122,540,197 | 125,241,197 |
| Promissory note - secured | 25 | 138,173,973 | 131,638,356 |
| Long term payables | 26 | 622,180 | 622,180 |
| | | 533,759,010 | 544,831,766 |
| **Current liabilities** | | | |
| Trade payables | 27 | 115,898,461 | 96,505,390 |
| Other payables and accruals | 28 | 105,386,042 | 98,342,671 |
| Hire purchase and lease payables | 22 | 2,884,226 | 2,634,800 |
| Bank borrowings - secured | 23 | 85,455,275 | 83,543,638 |
| Bank overdraft - secured | 29 | - | 75,248 |
| Provisions | 30 | 444,955 | 328,272 |
| Taxation | | 139,176,238 | 160,068,125 |
| | | 449,245,197 | 441,498,144 |
| **Total Liabilities** | | 983,004,207 | 986,329,910 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,824,124,449 | 1,859,542,194 |

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

# Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| Revenue | 31 | 172,473,661 | 143,623,345 |
| Direct costs | 32 | (119,631,805) | (111,124,816) |
| **Gross profit** | | 52,841,856 | 32,498,529 |
| Other operating revenue | | 3,226,820 | 90,068,977 |
| Selling and distribution costs | | (4,274,828) | (2,082,378) |
| Administrative costs | | (28,298,660) | (30,385,159) |
| Other operating costs | | (23,461,996) | (19,519,383) |
| | | (56,035,484) | (51,986,920) |
| **Profit from operations** | | 33,192 | 70,580,586 |
| Finance costs | | (41,785,967) | (21,473,888) |
| Share of associated companies results | | 299,644 | 94,190 |
| **(Loss)/Profit before taxation** | 33 | (41,453,131) | 49,200,888 |
| Taxation | 34 | 9,370,365 | 5,448,458 |
| **Net (loss)/profit for the year** | | (32,082,766) | 54,649,346 |
| **Attributable to:-** | | | |
| Equity holders of the Company | | (32,082,766) | 54,649,346 |
| Minority interest | | - | - |
| **Net (loss)/profit attributable to shareholder** | | (32,082,766) | 54,649,346 |
| (Loss)/Earnings per ordinary share | 35 | (0.0158) | 0.0269 |

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2008

| | Share Capital RM | Share Premium RM | Reserve on Consolidation RM | Translation Reserve RM | Accumulated Losses RM | Sub-total RM | Minority Interest RM | Total Equity RM |
|---|---|---|---|---|---|---|---|---|
| **At 1.4.06** | 1,015,029,840 | 111,535,799 | 3,630,037 | 1,030,098 | (312,764,972) | 818,460,802 | - | 818,460,802 |
| Effect of adopting FRS3 | - | - | (3,630,037) | - | 3,730,755 | 100,718 | - | 100,718 |
| | 1,015,029,840 | 111,535,799 | - | 1,030,098 | (309,034,217) | 818,561,520 | - | 818,561,520 |
| Translation loss | - | - | - | 1,418 | - | 1,418 | - | 1,418 |
| Expenses recognised directly in equity | - | - | - | 1,418 | - | 1,418 | - | 1,418 |
| Net profit for the year | - | - | - | - | 54,649,346 | 54,649,346 | - | 54,649,346 |
| Total expenses and income recognised for the year | - | - | - | 1,418 | 54,649,346 | 54,650,764 | - | 54,650,764 |
| **At 31.3.07** | 1,015,029,840 | 111,535,799 | - | 1,031,516 | (254,384,871) | 873,212,284 | - | 873,212,284 |
| Translation gain | - | - | - | (9,276) | - | (9,276) | - | (9,276) |
| Expenses recognised directly in equity | - | - | - | (9,276) | - | (9,276) | - | (9,276) |
| Net loss for the year | - | - | - | - | (32,082,766) | (32,082,766) | - | (32,082,766) |
| Total expenses and income recognised for the year | - | - | - | (9,276) | (32,082,766) | (32,092,042) | - | (32,092,042) |
| **At 31.3.08** | 1,015,029,840 | 111,535,799 | - | 1,022,240 | (286,467,637) | 841,120,242 | - | 841,120,242 |

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

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| (Loss)/Profit before taxation | | (41,453,131) | 49,200,888 |
| Adjustments for:- | | | |
| Allowance for doubtful debts | | 5,006,162 | 174,137 |
| Allowance for doubtful debts no longer required | | (10,371) | (44,342) |
| Amortisation of upfront fee for a bank facility | | 1,941,748 | 500,021 |
| Amortisation of prepaid land lease payments | | 1,890,916 | 1,532,266 |
| Bad debts written-off | | 178,417 | 484,871 |
| Bad debts recovered | | (376) | - |
| Capital work-in-progress written off | | 7,620,317 | - |
| Contract cost written off | | 873,349 | - |
| Depreciation of property, plant and equipment | | 10,855,412 | 11,867,451 |
| (Gain)/Loss on disposal of property, plant and equipment | | (84,534) | 42,278 |
| Goodwill written off | | 9,370 | 8,343,394 |
| Interest expenses | | 32,234,674 | 16,610,313 |
| Interest revenue | | (305,328) | (206,958) |
| Property development cost written off | | 1,938,775 | - |
| Property, plant and equipment written off | | 1,792,787 | 91,446 |
| Provision for employee benefits | | 116,683 | - |
| Share of profits in associated companies | | (299,644) | (94,190) |
| Unrealised gain on foreign exchange | | - | (23,547) |
| Waiver of redeemables bond liabilities | | - | (85,000,000) |
| Operating profit before working capital changes | | 22,305,226 | 3,478,028 |
| (Increase)/Decrease in land and development expenditure and amount due for contract works | | (4,834,061) | 12,534,160 |
| (Increase)/Decrease in inventories | | (923,161) | 1,664,186 |
| Decrease/(Increase) in trade and other receivables | | 65,244,816 | (340,688) |
| Increase/(Decrease) in trade and other payables | | 8,159,171 | (6,336,760) |
| Cash generated from operations | | 89,951,991 | 10,998,926 |
| Income tax paid | | (14,290,354) | - |
| Interest paid | | (16,342,852) | (10,687,248) |
| Interest received | | 305,328 | 206,958 |
| Net cash generated from operating activities carried down | | 59,624,113 | 518,636 |

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| Net cash generated from operating activities brought down | | 59,624,113 | 518,636 |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of subsidiary company | 36 | - | (9,370) |
| Advances to associated companies | | (3,772) | (1,051) |
| Proceeds from disposal of property, plant and equipment | | 86,158 | 187,201 |
| Purchase of leasehold land | | (35,000,000) | - |
| Purchase of property, plant and equipment | 37 | (1,953,551) | (5,534,034) |
| Net cash used in investing activities | | (36,871,165) | (5,357,254) |
| **Cash Flows from Financing Activities** | | | |
| Drawdown of term loan | | - | 300,000,000 |
| Payments of lease obligations and hire purchase payables | | (1,961,527) | (1,363,706) |
| Repayment of bridging loan and term loans | | (13,088,363) | (45,839,201) |
| Repayment of redeemable bonds | | - | (220,000,000) |
| Net cash (used in)/generated from financing activities | | (15,049,890) | 32,797,093 |
| | | 7,703,058 | 27,958,475 |
| Translation exchange difference | | (9,276) | 1,418 |
| **Net increase in cash and cash equivalents** | | 7,693,782 | 27,959,893 |
| Cash and cash equivalents at beginning of the year | | 10,467,038 | (17,492,855) |
| **Cash and cash equivalents at end of the year** | 38 | 18,160,820 | 10,467,038 |

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

# Balance Sheet

AS AT 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 2,213,693 | 2,466,198 |
| Prepaid land lease payments | 5 | 3,252,290 | 3,309,717 |
| Investment in subsidiary companies | 7 | 304,238,856 | 304,248,255 |
| Interest in associated companies | 8 | 500,000 | 500,000 |
| Other Investments | 9 | 310,000 | 310,000 |
| | | 310,514,839 | 310,834,170 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | 15 | 16,834,099 | 72,684,304 |
| Amount owing by subsidiary companies | 16 | 1,269,462,509 | 1,235,168,296 |
| Amount owing by associated companies | 17 | 8,684,392 | 8,680,620 |
| Cash and bank balances | | 109,623 | 143,054 |
| | | 1,295,090,623 | 1,316,676,274 |
| **TOTAL ASSETS** | | 1,605,605,462 | 1,627,510,444 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 20 | 1,015,029,840 | 1,015,029,840 |
| Reserves | 21 | 105,504,130 | 104,962,320 |
| **Total Equity** | | 1,120,533,970 | 1,119,992,160 |
| **Non-current liabilities** | | | |
| Hire purchase and lease payables | 22 | - | 18,827 |
| Promissory note - secured | 25 | 138,173,973 | 131,638,356 |
| | | 138,173,973 | 131,657,183 |
| **Current liabilities** | | | |
| Other payables and accruals | 28 | 13,980,328 | 20,883,818 |
| Amount owing to subsidiary companies | 16 | 320,600,644 | 340,687,743 |
| Hire purchase and lease payables | 22 | - | 16,123 |
| Bank borrowings - secured | 23 | 12,000,000 | 12,000,000 |
| Provisions | 30 | 125,864 | - |
| Taxation | | 190,683 | 2,273,417 |
| | | 346,897,519 | 375,861,101 |
| **Total Liabilities** | | 485,071,492 | 507,518,284 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,605,605,462 | 1,627,510,444 |

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

# Income Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| Revenue | 31 | 33,874,230 | 963,813 |
| Other operating revenue | | 8,147,138 | 85,005,598 |
| Administrative costs | | (5,542,300) | (8,407,824) |
| Other operating costs | | (349,716) | (3,943,497) |
| | | (5,892,016) | (12,351,321) |
| **Profit from operations** | | 36,129,352 | 73,618,090 |
| Finance costs | | (28,880,276) | (13,606,338) |
| **Profit before taxation** | 33 | 7,249,076 | 60,011,752 |
| Taxation | 34 | (6,707,266) | - |
| **Profit for the year** | | 541,810 | 60,011,752 |

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 2008

| | Share Capital RM | Share Premium RM | Accumulated Losses RM | Total Equity RM |
|---|---|---|---|---|
| **At 1.4.06** | 1,015,029,840 | 111,535,799 | (66,585,231) | 1,059,980,408 |
| Net profit for the year | - | - | 60,011,752 | 60,011,752 |
| **At 31.3.07** | 1,015,029,840 | 111,535,799 | (6,573,479) | 1,119,992,160 |
| Net profit for the year | - | - | 541,810 | 541,810 |
| **At 31.3.08** | 1,015,029,840 | 111,535,799 | (6,031,669) | 1,120,533,970 |

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

# Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2008

| | Note | 2008 RM | 2007 RM |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Profit before taxation | | 7,249,076 | 60,011,752 |
| Adjustment for:- | | | |
| Amortisation of prepaid land lease payments | | 57,427 | 59,410 |
| Amortisation of upfront fee for a bank facility | | 1,941,748 | 500,021 |
| Depreciation of property, plant and equipment | | 326,227 | 279,288 |
| Impairment loss on investment in subsidiary companies | | 9,407 | 3,837,699 |
| Interest expenses | | 19,766,775 | 10,955,640 |
| Interest revenue | | - | (5,598) |
| Gain on disposal of property, plant and equipment | | (33,998) | - |
| Property, plant and equipment written off | | - | 186 |
| Provision for employee benefits | | 125,864 | - |
| Waiver of redeemables bond liabilities | | - | (85,000,000) |
| Operating profit/(loss) before working capital changes | | 29,442,526 | (9,361,602) |
| Decrease/(Increase) in other receivables | | 53,908,457 | (11,597,189) |
| (Decrease)/Increase in other payables | | (6,903,490) | 1,836,020 |
| Cash generated from/(used in) operations | | 76,447,493 | (19,122,771) |
| Interest paid | | (1,157,521) | (1,614,920) |
| Interest received | | - | 5,598 |
| Income tax paid | | (8,790,000) | - |
| Net cash generated from/(used in) operating activities | | 66,499,972 | (20,732,093) |
| **Cash Flows from Investing Activities** | | | |
| (Advances to)/Repayments from subsidiary companies | | (46,367,850) | 14,774,237 |
| Acquisition of subsidiary company | 36 | (8) | (9,372) |
| Additional investment in subsidiary companies | | - | (49,998) |
| Advances to associated companies | | (3,772) | (1,051) |
| Purchase of property, plant and equipment | 37 | (73,724) | (535,154) |
| Proceeds from disposal of property, plant and equipment | | 34,000 | - |
| Net cash (used in)/generated from investing activities | | (46,411,354) | 14,178,662 |
| **Cash Flows from Financing Activities** | | | |
| Repayment to subsidiary companies | | (46,910,427) | (568,559) |
| Loan from subsidiary company | | 26,823,328 | 231,921,934 |
| Payments to hire purchase payables | | (34,950) | (19,166) |
| Repayment of bank borrowings | | - | (5,000,000) |
| Repayment of redeemable bonds | | - | (220,000,000) |
| Net cash (used in)/generated from financing activities | | (20,122,049) | 6,334,209 |
| **Net decrease in cash and cash equivalents** | | (33,431) | (219,222) |
| Cash and cash equivalents at beginning of the year | | 143,054 | 362,276 |
| **Cash and cash equivalents at end of the year** | 38 | 109,623 | 143,054 |

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

# Notes to the Financial Statements

31 MARCH 2008

## 1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company are located at No. 1, Nexus Drive East, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah.

The Company is principally engaged in the business of investment holdings and provision of management services. The principal activities of the subsidiary companies are set out in Note 7(b) to the financial statements. There have been no significant changes in the nature of these activities during the year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 25 July 2008.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards issued by the Malaysian Accounting Standards Board ("MASB").

The measurement bases applied in the presentation of the financial statement of the Group and the Company include cost, recoverable amount, realisable value and revalued amount. Estimates are used in measuring these values.

The individual financial statements of each equity 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 functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

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:-

(i) Annual testing for impairment of goodwill (Note 11) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management.

(ii) 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.

(iii) Revenue recognition - the percentage-of-completion method requires the Company to estimate the works performed to-date bears as a proportion of the total works to be performed.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### New FRSs adopted

On 1 April 2007, the Group and the Company adopted the following Financial Reporting Standards ("FRS") issued by MASB mandatory for accounting periods beginning on or after 1 January 2007.

FRS 6 : Exploration for and Evaluation of Mineral Resource

FRS 6 is not relevant to the Group's and Company's operation.

### New and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations not adopted

| | | For financial periods beginning on or after |
|---|---|---|
| FRS 107 | Cash Flow Statements | 1 July 2007 |
| FRS 111 | Construction Contracts | 1 July 2007 |
| FRS 112 | Income Taxes | 1 July 2007 |
| FRS 118 | Revenue | 1 July 2007 |
| FRS 119 | Employee Benefits | 1 July 2007 |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| Amendment to FRS 121 | The effects of Changes in Foreign Exchange Rates – net investment in foreign operation | 1 July 2007 |
| FRS 126 | Accounting and Reporting by Retirement Benefit Plans | 1 July 2007 |
| FRS 134 | Interim Financial Reporting | 1 July 2007 |
| FRS 137 | Provision, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6 | Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7 | Applying the Restatement Approach under FRS $129_{2004}$ Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8 | Scope of FRS 2 | 1 July 2007 |
| FRS 139 | Financial Instruments : Recognition and Measurement | Yet to be determined |

The adoption of FRS 107, 111, 112, 118, 119, 126, 134, 137 and amendment to FRS 121 does not have any significant financial impact on the results and the financial position of the Group and the Company when these standards become effective to Group and the Company.

IC Interpretation 1, 2, 5, 6, 7, 8 and FRS 120 are not relevant to the Group and the Company's operations.

The Group and the Company have not early adopted FRS139 - Financial Instruments: Recognition and Measurement, for which MASB has yet to announce the effective date. The impact of applying this standard on these financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemption paragraph 103AB of FRS139.

# Notes to the Financial Statements

31 MARCH 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies which are disclosed in Note 7 to the financial statements made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. Consolidated financial statements reflect external transactions only.

The financial statements of subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements based on the purchase method from the effective date of acquisition or up to the effective date of disposal respectively. These assets, liabilities and contingent liabilities assumed of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

Any excess of the costs of the acquisition over the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities assumed represents goodwill. Any excess of the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the income statement.

Minority interests represents the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minority interests' share of the fair value of net assets at the acquisition date and the minorities' share of changes in the equity since then.

The consolidated financial statements are prepared on the basis that excess of losses attributable to minority shareholders over their equity interest will be absorbed by the Group. All profits subsequently reported by the subsidiary companies will be allocated to the Group until the minority shareholders' share of losses previously absorbed by the Group has been recovered.

### (b) Subsidiary Company

A subsidiary company is a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is an impairment in the value of the investments determined on an individual basis and is charged to the income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to income statement upon disposal of the investment.

### (c) Associated Company

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's financial statements.

The Group's interest in associated companies is stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of post-acquisition results of the associated companies is accounted for using the equity method of accounting in the income statement.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in that associated company. Should the associated company subsequently reports profits, the Group will only resume to recognise its share of profits after its share of profits equals to its share of losses previously not recognised.

Where audited financial statements of the associated companies are not co-terminous with those of the Group, the share of results is based on a limited review on the financial statements performed by auditors of the associated company made up to the financial year end of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (d) Goodwill

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

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities over the cost of acquisition is recognised as negative goodwill in the income statement.

Goodwill is allocated to Cash Generating Units ("CGU") 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 interest in the subsidiary company, the related goodwill will be included in the computation of gain or loss on disposal of interest in the subsidiary company in the consolidated income statement.

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is calculated on the straight line method 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:-

| | |
|---|---|
| Office building, factory building, shoplots and hotel building | 2% - 4% |
| Warehouse and jetty | 10% |
| Furniture and fittings | 10% - 25% |
| Plant and machinery | 10% - 25% |
| Computer equipment | 10% - 33.3% |
| Motor vehicles | 16.7% - 25% |
| Partition and renovation | 10% |
| Other equipment | 10% - 20% |

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with 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 the income statement.

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.

# Notes to the Financial Statements

31 MARCH 2008

**3. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(f) Impairment of Assets**

The carrying amounts of assets other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and financial assets are reviewed at each balance sheet 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 costs to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on individual asset basis, unless the asset does not generate cash flow 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 assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on revalued assets will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same assets.

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 as revenue in the income statement. However, the reversal of impairment loss on revalued assets will be taken to revaluation reserve to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. 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 (groups of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

**(g) Capital Work-In-Progress**

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which take a substantial period of time to be ready for their intended use.

Capital work-in-progress is stated at cost during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of the construction, the costs will be transferred to property, plant and equipment and investment properties.

**(h) Land Held for Property Development**

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

Land held for property development is 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.

# Notes to the Financial Statements

31 MARCH 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) 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. Costs consist of land and construction costs and other development costs including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, development revenue and costs are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date.

When the financial outcome of a development activity cannot be reliably estimated, development revenue is recognised only to the extent of 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 is recognised as an expense immediately.

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

Accrued billings as current assets represent the excess of revenue recognised in the income statement over billings to purchasers. Progress billings as current liabilities represent the excess of billings to purchasers over revenue recognised in the income statement.

### (j) Amount Due From/(To) Customers For Contract Works

Amount due from customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Amount due to customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Costs include direct materials, labour, sub-contract costs and attributable construction overheads. Allowance is made for all expected losses on construction contracts.

### (k) Inventories

Inventories of raw materials, consumables, finished goods and merchandise are stated at the lower of cost or net realisable value. Cost includes the actual cost of purchase products and incidentals in bringing the inventories into store and for manufactured inventories, they also include labour and relevant production overheads.

Inventories of completed unsold development properties are stated at the lower of cost or net realisable value. Cost is determined on the specific identification basis and includes cost of land, all direct building costs and other related development costs.

In arriving at net realisable value, due allowance has been made for all obsolete and slow-moving items.

# Notes to the Financial Statements

31 MARCH 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Leases

#### i. Finance Lease

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### ii. Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on the straight-line basis.

In the case of a lease of land, the minimum lease payments or the up-front payments made represents prepaid land lease payments and are recognised on a straight-line basis over the lease term.

### (m) Amortisation of Discount on Bonds

Discount on redeemable bonds which represents the excess of nominal value over the consideration for the issuance of the bonds is amortised over the term of the bonds using a constant periodic rate of interest on the net carrying value of the bonds. The carrying value of the bonds will gradually accrete to its nominal value on the redemption date.

### (n) Borrowings Costs

Interest incurred on borrowings related to capital work-in-progress and property development cost is capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when these assets are ready for their intended use or sale.

Upfront fee for a bank facility is amortise over 6 years.

All other borrowings are recognised in income statement in the period in which they are incurred.

### (o) Foreign Currencies

#### i. Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies 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. Foreign currency differences arising on retranslation are recognised in the income statement.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**(o) Foreign Currencies** (Cont'd)

**i. Transactions in foreign currencies** (Cont'd)

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, 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 operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period.

**ii. Translation of foreign currency financial statements**

Assets, liabilities and reserves of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Income statements items are translated at the average rate of exchange for the year which approximate the exchange rate at the date of transaction. The translation differences arising therefrom are recorded as movement in translation reserve. Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are translated at the closing rate at the balance sheet 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.

**(p) Taxation**

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for prior years' tax.

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 profit nor taxable profit. 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.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill.

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

**(q) Employee Benefits**

**i. Short Term 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.

**ii. 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 the income statement when incurred.

# Notes to the Financial Statements

31 MARCH 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (r) Provisions

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

### (s) Revenue Recognition

Revenue from sales of properties under development and from contract works undertaken are recognised in the income statement 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.

Revenue from sales of finished goods and merchandise and from services are recognised in the income statement when the goods are delivered and services are rendered respectively.

Hotel and golfing revenue is recognised in the income statement on accruals basis.

Interest revenue is recognised on an accruals basis using the effective interest method.

Rental revenue is recognised in the income statement on accruals basis.

Dividend revenue from investment in subsidiary companies, associated companies and other investments is recognised when the right to receive the dividend is established.

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

### (t) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as expense or revenue. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, lease and hire purchase payables, bank borrowings, promissory note, redeemable bonds, other non-current investments and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments comprise financial guarantees given to financial institutions and third party. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

#### i. Cash and Cash Equivalents

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (t) Financial Instruments (Cont'd)

**ii. Other Non-Current Investments**

Non-current investments other than investments in subsidiary companies and associated companies, are stated at cost less allowance for diminution in value, if any.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

**iii. Receivables**

Receivables are stated at cost less allowance for doubtful debts, if any, which is the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

**iv. Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**v. Bank Borrowings**

Interest bearing loans, bills payable, promissory note, revolving credit and overdrafts are stated at the amount of proceeds received, net of transaction costs.

The long term loan is stated at the amount of proceeds received.

**vi. Redeemable Bonds**

Redeemable bonds are stated at the nominal value less unamortised discount on the issuance of the bonds.

**vii. Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

**viii. Long Term Payables**

Long term payables are stated based on agreed settlement sum.

# Notes to the Financial Statements

31 MARCH 2008

## 4. PROPERTY, PLANT AND EQUIPMENT

| Group | Hotel, Shoplots, Building, Warehouse & Jetty RM | Plant & Machinery RM | Furniture & Fittings, Renovation & Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1.4.07 | 316,430,777 | 16,753,667 | 46,413,587 | 6,957,482 | 386,555,513 |
| Additions | - | 1,818,594 | 1,778,500 | 660,037 | 4,257,131 |
| Disposals | - | (334,885) | (293,136) | (290,477) | (918,498) |
| Written off | (1,784,951) | (171,861) | (199,891) | - | (2,156,703) |
| At 31.3.08 | 314,645,826 | 18,065,515 | 47,699,060 | 7,327,042 | 387,737,443 |
| **Accumulated Depreciation** | | | | | |
| At 1.4.07 | 30,024,340 | 12,943,449 | 31,973,419 | 4,819,379 | 79,760,587 |
| Charge for the year | 6,289,804 | 946,487 | 3,764,064 | (144,943) | 10,855,412 |
| Disposals | - | (334,856) | (291,546) | (290,472) | (916,874) |
| Written off | - | (164,026) | (199,890) | - | (363,916) |
| At 31.3.08 | 36,314,144 | 13,391,054 | 35,246,047 | 4,383,964 | 89,335,209 |
| **Net Book Value** | | | | | |
| At 31.3.08 | 278,331,682 | 4,674,461 | 12,453,013 | 2,943,078 | 298,402,234 |
| **Cost** | | | | | |
| At 1.4.06 | 316,430,777 | 15,872,266 | 42,150,094 | 6,599,424 | 381,052,561 |
| Additions | - | 8 81,401 | 6,214,616 | 486,180 | 7,582,197 |
| Disposals | - | - | (422,422) | (128,122) | (550,544) |
| Written-off | - | - | (1,528,701) | - | (1,528,701) |
| At 31.3.07 | 316,430,777 | 16,753,667 | 46,413,587 | 6,957,482 | 386,555,513 |
| **Accumulated Depreciation** | | | | | |
| At 1.4.06 | 23,733,073 | 12,078,863 | 29,719,152 | 4,120,368 | 69,651,456 |
| Charge for the year | 6,291,267 | 864,586 | 3,884,466 | 827,132 | 11,867,451 |
| Disposals | - | - | (192,944) | (128,121) | (321,065) |
| Written-off | - | - | (1,437,255) | - | (1,437,255) |
| At 31.3.07 | 30,024,340 | 12,943,449 | 31,973,419 | 4,819,379 | 79,760,587 |
| **Net Book Value** | | | | | |
| At 31.3.07 | 286,406,437 | 3,810,218 | 14,440,168 | 2,138,103 | 306,794,926 |

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

| Company | Buildings RM | Furniture & Fittings, Renovation & Equipment RM | Motor Vehicles RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1.4.07 | 3,372,160 | 1,110,333 | 1,582,367 | 6,064,860 |
| Additions | - | 73,724 | - | 73,724 |
| Disposals | - | - | (276,814) | (276,814) |
| At 31.3.08 | 3,372,160 | 1,184,057 | 1,305,553 | 5,861,770 |
| **Accumulated Depreciation** | | | | |
| At 1.4.07 | 1,654,400 | 775,400 | 1,168,862 | 3,598,662 |
| Charge for the year | 134,886 | 80,896 | 110,445 | 326,227 |
| Disposals | - | - | (276,812) | (276,812) |
| At 31.3.08 | 1,789,286 | 856,296 | 1,002,495 | 3,648,077 |
| **Net book value** | | | | |
| At 31.3.08 | 1,582,874 | 327,761 | 303,058 | 2,213,693 |
| **Cost** | | | | |
| At 1.4.06 | 3,372,160 | 1,539,089 | 1,141,567 | 6,052,816 |
| Additions | - | 94,354 | 440,800 | 535,154 |
| Written-off | - | (523,110) | - | (523,110) |
| At 31.3.07 | 3,372,160 | 1,110,333 | 1,582,367 | 6,064,860 |
| **Accumulated Depreciation** | | | | |
| At 1.4.06 | 1,519,514 | 1,204,024 | 1,118,760 | 3,842,298 |
| Charge for the year | 134,886 | 94,300 | 50,102 | 279,288 |
| Written-off | - | (522,924) | - | (522,924) |
| At 31.3.07 | 1,654,400 | 775,400 | 1,168,862 | 3,598,662 |
| **Net Book Value** | | | | |
| At 31.3.07 | 1,717,760 | 334,933 | 413,505 | 2,466,198 |

# Notes to the Financial Statements

31 MARCH 2008

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

Included in the property, plant and equipment of the Group and of the Company are assets acquired under hire purchase instalment plans and lease financing as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| **Hire purchase** | | | | |
| **Cost** | | | | |
| Motor vehicles | 3,235,160 | 2,836,592 | - | 182,848 |
| Plant & machinery | 7,249,306 | 6,349,660 | - | - |
| Furniture, fittings, renovation & equipment | 1,330,182 | 2,469,417 | - | - |
| | 11,814,648 | 11,655,669 | - | 182,848 |
| **Net book value** | | | | |
| Motor vehicles | 1,509,713 | 1,368,187 | - | 2 |
| Plant & machinery | 3,325,251 | 2,549,770 | - | - |
| Furniture, fittings, renovation & equipment | 1,239,618 | 794,466 | - | - |
| | 6,074,582 | 4,712,423 | - | 2 |
| **Lease financing** | | | | |
| **Cost** | | | | |
| Plant & machinery | 199,390 | 199,390 | - | - |
| **Net book value** | | | | |
| Plant & machinery | 1 | 1 | - | - |

Hotel of the Group with net book value of RM272,828,365/- (2007 : RM278,970,843/-) is pledged as securities for banking facility granted to a subsidiary company, Hartamas Group Berhad.

# Notes to the Financial Statements

31 MARCH 2008

## 5. PREPAID LAND LEASE PAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| At beginning of the year | 407,907,838 | 409,440,104 | 3,309,717 | 3,369,127 |
| Add: Additions | 35,000,000 | - | - | - |
| | 442,907,838 | 409,440,104 | 3,309,717 | 3,369,127 |
| Less: Amortisation | (1,890,916) | (1,532,266) | (57,427) | (59,410) |
| At end of the year | 441,016,922 | 407,907,838 | 3,252,290 | 3,309,717 |
| Analysed as:- | | | | |
| Long term leasehold land | 355,969,385 | 321,546,285 | 3,252,290 | 3,309,717 |
| Long term leased land | 85,047,537 | 86,361,553 | - | - |
| | 441,016,922 | 407,907,838 | 3,252,290 | 3,309,717 |

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

The long term leasehold land of the Group and of the Company stated at valuation was revalued by the Directors in 1984 based on valuation by independent professional valuers on the open market value basis.

Long term leasehold land and long term leased land of the Group and of the Company totalling RM407,907,838/- (2007 : RM407,907,838/-) and RM3,309,717/- (2007 : RM3,309,717/-) respectively are pledged as securities for promissory note issued by the Company and banking facilities of the Group.

# Notes to the Financial Statements

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## 6. LAND HELD FOR PROPERTY DEVELOPMENT

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| At cost, | | |
| Leasehold land | 610,331,570 | 614,016,098 |
| Less: Disposal | - | (4,904,526) |
| Add: Transfer from property development cost (note 12) | - | 1,219,998 |
| | 610,331,570 | 610,331,570 |
| Leased land | 47,218,375 | 47,218,375 |
| Total land, at cost | 657,549,945 | 657,549,945 |
| Development costs | | |
| At beginning of the year | 97,903,773 | 85,635,209 |
| Add: Additions | 473,932 | 3,598,664 |
| Add: Transfer from property development costs (note 12) | - | 8,669,900 |
| | 98,377,705 | 97,903,773 |
| Total carrying amount of land and development costs | 755,927,650 | 755,453,718 |

Leasehold land, leased land and development costs totalling RM755,927,650/- (2007 : RM755,453,718/-) are pledged as securities for promissory note issued by the Company and banking facilities of the Group and of the Company.

## 7. INVESTMENT IN SUBSIDIARY COMPANIES

(a)

| | Company 2008 RM | Company 2007 RM |
|---|---|---|
| Unquoted shares, at cost | | |
| At beginning of the year | 364,935,912 | 364,876,542 |
| Add: Additions | 8 | 59,370 |
| At end of the year | 364,935,920 | 364,935,912 |
| Less: Accumulated impairment losses | | |
| At beginning of the year | 60,687,657 | 56,849,958 |
| Add: Additions | 9,407 | 3,837,699 |
| At end of the year | (60,697,064) | (60,687,657) |
| | 304,238,856 | 304,248,255 |

# Notes to the Financial Statements

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## 7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(b) The subsidiary companies are:-

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest Direct 2008 | Effective Equity Interest Direct 2007 | Indirect 2008 | Indirect 2007 |
|---|---|---|---|---|---|---|
| **Held By The Company** | | | | | | |
| Alpha Terrace Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| Arosa Development Sdn. Bhd. | Malaysia | Property development | 100% | 100% | - | - |
| Bukit Unggul Golf and Country Resort Sdn. Bhd. | Malaysia | Golf club owner and investment holdings | 75% | 75% | 25% | 25% |
| FACBAerospace Sdn. Bhd. | Malaysia | Investment holdings | 100% | 100% | - | - |
| FACB Capital Sdn. Bhd. | Malaysia | Investment holdings, consultancy and money lending | 100% | 100 | - | - |
| FACB Construction Sdn. Bhd. | Malaysia | Construction | 100% | 100% | - | - |
| FACB Charter Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| FACB Land Sdn. Bhd. | Malaysia | Property development | 100% | 100% | - | - |
| FACB Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| FACBNET Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| First Holdings Sdn. Bhd. | 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. ("FTT") | Malaysia | Travel & tours agency | 95.69% | 95.69% | - | - |
| Greagawarni Sdn. Bhd. | Malaysia | Project contractor | 100% | 100% | - | - |
| Ikhlas Perdana Sdn. Bhd. | Malaysia | Investment holdings | 90% | 90% | - | - |
| Karambunai Residence (MM2H) Sdn. Bhd. | Malaysia | Dormant | 100% | 100% | - | - |
| * Norasia Investments Ltd. | Hong Kong | Investment holdings | 100% | 100% | - | - |
| * Sunnyland Corporation Ltd. | Hong Kong | Dormant | 100% | 100% | - | - |

# Notes to the Financial Statements

31 MARCH 2008

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(b) The subsidiary companies are (Cont'd):-

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest Direct 2008 | Direct 2007 | Indirect 2008 | Indirect 2007 |
|---|---|---|---|---|---|---|
| **Held By The Company** (cont'd) | | | | | | |
| * Sunnyland Industries Ltd ("SIL") | Hong Kong | Investment holdings | 100% | 100% | - | - |
| Bukit Unggul Tele-Suburb Sdn. Bhd. | Malaysia | Property development | 100% | 100% | - | - |
| * Oakes Invest & Finance S.A. | British Virgin Islands | Investment holdings | 100% | 100% | - | - |
| * Karambunai Corp International Ltd. | Hong Kong | Dormant | 100% | 100% | - | - |
| * Nexus Hotels and Resorts Limited | Hong Kong | Dormant | 100% | - | - | - |
| * Rendezvous Travel Services Co. Ltd. | British Virgin Islands | Dormant | 100% | - | - | - |
| **Held through Arosa Development Sdn. Bhd.** | | | | | | |
| Arosa Builders Sdn. Bhd. | Malaysia | Construction | - | - | 100% | 100% |
| **Held through Norasia Investment Ltd.** | | | | | | |
| Scanply International Wood Products (Singapore) Pte. Ltd. | Singapore | Trading of wood products | - | - | 100% | 100% |
| **Held through Sunnyland Industries Ltd.** | | | | | | |
| * Sunnyland Industries & Investments (Yunfu) Ltd. | China | Dormant | - | - | 100% | 100% |
| **Held through First Holdings Sdn. Bhd.** | | | | | | |
| Karambunai Resorts Sdn. Bhd. ("KRSB") | Malaysia | Property development | - | - | 100% | 100% |
| Hartamas Group Berhad | Malaysia | Hotel resort operations, management and investment holdings | #42.91% | #42.91% | #57.09% | #57.09% |
| **Held through Hartamas Group Berhad** | | | | | | |
| FACB Marketing And Sales Services Sdn. Bhd. | Malaysia | Property development | - | - | 100% | 100% |

# Notes to the Financial Statements

31 MARCH 2008

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(b) The subsidiary companies are (Cont'd):-

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest Direct 2008 | Effective Equity Interest Direct 2007 | Effective Equity Interest Indirect 2008 | Effective Equity Interest Indirect 2007 |
|---|---|---|---|---|---|---|
| **Held through Ikhlas Perdana Sdn. Bhd.** | | | | | | |
| Composites Technology Development Corporation Sdn. Bhd. | Malaysia | Property development | - | - | 63% | 63% |
| **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 Berhad | Malaysia | Golf and country club operation and management | - | - | 100% | 100% |
| **Held through Karambunai Resorts Sdn. Bhd.** | | | | | | |
| Dapan Construction Sdn. Bhd. | Malaysia | Construction and project contractor | - | - | 100% | 100% |
| Dapan Holdings Sdn. Bhd. | Malaysia | Property development and sales of quarry stone | - | - | 100% | 100% |
| Karambunai Golf Management Berhad | Malaysia | Management and operation of golf club | - | - | 100% | 100% |
| Nexus Vacation Club Bhd. | Malaysia | Marketing of resort membership | - | - | 100% | 100% |
| Nexus Bay Resort Karambunai Sdn. Bhd. | Malaysia | Property development | - | - | 100% | 100% |
| Nexus Resort Karambunai Sdn. Bhd. | Malaysia | Resort hotel operation and management | - | - | 100% | 100% |
| * Nexus Naga S.A. | Panama | Dormant | - | - | 100% | 100% |
| Nexus Resorts and Hotels International Sdn. Bhd. | Malaysia | Dormant | - | - | 100% | 100% |
| * Sahara Red Incorporated | British Virgin Island | Investment holdings | - | - | 100% | 100% |

# Notes to the Financial Statements

31 MARCH 2008

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(b) The subsidiary companies are (Cont'd):-

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest Direct 2008 | Direct 2007 | Indirect 2008 | Indirect 2007 |
|---|---|---|---|---|---|---|
| **Held through Scanply International Wood Products (Singapore) Pte. Ltd.** | | | | | | |
| Scanply Wood Products (Malaysia) Sdn. Bhd. | Malaysia | Purchasing and sourcing of timber for sale to related company | - | - | 100% | 100% |
| **Held through Nexus Hotels And Resorts Limited** | | | | | | |
| * Nexus Hotel Phnom Penh Limited | Cambodia | Dormant | - | - | 100% | - |

* Subsidiary companies included in the consolidated financial statements based on unaudited management financial statements.

# The equity interests held through the Company, FHSB and FACBLand are 42.91% (2007: 42.91%), 53.03% (2007 : 53.03%) and 4.06% (2007 : 4.06%) respectively.

(c) The financial statements of the following subsidiary companies are not audited by the Company's auditors:-

Karambunai Corp International Ltd.
Nexus Naga S.A.
Norasia Investments Ltd.
Oakes Invest And Finance S.A.
Sahara Red Incorporated
Scanply International Wood Products (Singapore) Pte. Ltd.
Sunnyland Industries & Investments (Yunfu) Ltd.
Sunnyland Industries Ltd.
Sunnyland Corporation Ltd.
Nexus Hotels and Resorts Limited (formerly known as Karambunai Resorts Limited)
Rendezvous Travel Services Co. Ltd.
Nexus Hotel Phnom Penh Limited

# Notes to the Financial Statements

31 MARCH 2008

## 8. INTEREST IN ASSOCIATED COMPANIES

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | 625,001 | 625,001 | 500,000 | 500,000 |
| Group's share of post acquisition profit | 2,053,603 | 1,753,959 | - | - |
| | 2,678,604 | 2,378,960 | 500,000 | 500,000 |
| Represented by:- | | | | |
| Share of net assets of associated companies | 2,607,850 | 2 ,308,206 | | |
| Goodwill | 70,754 | 70,754 | | |
| | 2,678,604 | 2,378,960 | | |

The associated companies, all incorporated in Malaysia, are as follows:-

| Name of Company | Principal Activities | Effective Equity Interest Direct 2008 | Direct 2007 | Indirect 2008 | Indirect 2007 |
|---|---|---|---|---|---|
| **Held by the Company** | | | | | |
| * Beribu Ukiran Sdn. Bhd. | Property development | 40% | 40% | - | - |
| * CTRM-FACB Consortium Sdn. Bhd. | Property development | 40% | 40% | - | - |
| * Richpool Sdn. Bhd. | Investment holdings | - | - | 25% | 25% |

* Interest in associated companies included in the consolidated financial statements are based on unaudited management financial statements.

The summarised financial information of the associated companies are as follows:-

| | 2008 RM | 2007 RM |
|---|---|---|
| Total assets | 84,020,102 | 82,699,881 |
| Total liabilities | 77,488,086 | 76,968,422 |
| Operating revenue | 8,634,987 | 2,464,781 |
| Net profits | 748,934 | 235,304 |

The detail of goodwill/(negative goodwill) included within the Group's carrying amount of investment in associated companies are as follows:-

| | 2008 RM | 2007 RM |
|---|---|---|
| At 1 April | 70,754 | (29,964) |
| Effect of adopting FRS 3 | - | 100,718 |
| At 31 March | 70,754 | 70,754 |

# Notes to the Financial Statements

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## 9. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| At cost; | | | | |
| Unquoted shares in Malaysia | 1,702,000 | 1,702,000 | 310,000 | 310,000 |
| Less: Allowance for diminution in value | (1,219,999) | (1,219,999) | - | - |
| | 482,001 | 482,001 | 310,000 | 310,000 |
| Transferable contribution rights | 140,000 | 140,000 | - | - |
| Less: Allowance for diminution in value | (100,000) | (100,000) | - | - |
| | 40,000 | 40,000 | - | - |
| | 522,001 | 522,001 | 310,000 | 310,000 |

The transferable contribution rights are in respect of rights to memberships of a golf club which are registered in the name of Tan Sri Dr. Chen Lip Keong, a director of the Company, and Dato' Ho See Sin, a former director of a subsidiary company.

## 10. CAPITAL WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Development costs | | |
| At beginning of the year | 49,773,915 | 49,773,915 |
| Add: Additions | 12,514,807 | - |
| Less: Written off | (7,620,317) | - |
| At end of the year | 54,668,405 | 49,773,915 |

These are incurred on the development of hotel resorts.

# Notes to the Financial Statements

31 MARCH 2008

## 11. GOODWILL

| | Group 2008 RM | 2007 RM |
|---|---|---|
| Goodwill arising from acquisition of subsidiary companies | 18,449,834 | 33,948,391 |
| Effects of adopting FRS 3 | - | (7,164,533) |
| | 18,449,834 | 26,783,858 |
| Addition | 18,392 | 9,370 |
| Written off | (9,370) | (8,343,394) |
| | 18,458,856 | 18,449,834 |
| Less: Accumulated amortisation of goodwill on consolidation | | |
| At beginning of the year | - | 7,164,533 |
| Effect of adopting FRS3 | - | (7,164,533) |
| | - | - |
| At end of the year | 18,458,856 | 18,449,834 |

## 12. PROPERTY DEVELOPMENT COSTS

| | Group 2008 RM | 2007 RM |
|---|---|---|
| Leasehold land, at cost | | |
| At beginning of the year | 31,062,940 | 37,252,908 |
| Add: Transfer to land held for property development (note 6) | - | (1,219,998) |
| Less: Disposal | - | (4,969,970) |
| Less: Written off | (963,565) | - |
| At end of the year | 30,099,375 | 31,062,940 |
| Property development costs | | |
| At beginning of the year | 105,045,926 | 101,884,898 |
| Add: Additions | 41,568,602 | 16,927,915 |
| Less: Disposal | - | (5,096,987) |
| Less: Written off | (975,210) | - |
| Less: Transfer to land held for property development (note 6) | - | (8,669,900) |
| At end of the year | 145,639,318 | 105,045,926 |
| | 175,738,693 | 136,108,866 |
| Less: Cost recognised as an expense | | |
| - Previous years | (85,306,350) | (65,858,402) |
| - Current year | (46,107,429) | (19,447,948) |
| Total property development costs | 44,324,914 | 50,802,516 |

Property development cost with carrying value of RM43,670,816/- (2007 : RM48,319,216/-) are pledged as securities for promissory note issued by the Company and banking facilities of the Group.

# Notes to the Financial Statements

31 MARCH 2008

## 13. INVENTORIES

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| At cost; | | |
| Completed development properties | 846,129 | 846,129 |
| Consumables | 1,751,954 | 1,315,892 |
| Finished goods | 3,741,443 | 3,254,344 |
| | 6,339,526 | 5,416,365 |

## 14. TRADE RECEIVABLES

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| **Current** | | |
| **Trade receiveables** | | |
| Third parties | 43,402,647 | 55,481,350 |
| Associated company | 7,745,708 | 2,267,401 |
| | 51,148,355 | 57,748,751 |
| Less: Allowance for doubtful debts | (7,182,763) | (3,680,143) |
| | 43,965,592 | 54,068,608 |
| Amount due from customers for contract work (note 39) | 50,132,888 | 45,701,022 |
| | 94,098,480 | 99,769,630 |

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.

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

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| United states dollar | 2,788,066 | 3,830,837 |

# Notes to the Financial Statements

31 MARCH 2008

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Other reveivables | 29,750,520 | 87,787,504 | 9,545,932 | 63,381,689 |
| Less: Allowance for doubtful debts | (4,718,229) | (3,226,351) | (407,756) | (407,756) |
| | 25,032,291 | 84,561,153 | 9,138,176 | 62,973,933 |
| Deposits | 29,731,068 | 29,861,145 | 137,692 | 210,392 |
| Prepayments | 9,320,947 | 11,937,780 | 7,558,231 | 9,499,979 |
| | 39,052,015 | 41,798,925 | 7,695,923 | 9,710,371 |
| | 64,084,306 | 126,360,078 | 16,834,099 | 72,684,304 |

Included in prepayment of the Group and of the Company is prepayment of upfront fee for a bank facility granted to a subsidiary company, Hartamas Group Berhad, amounting to RM7,558,231/- (2007 : RM9,499,979/-).

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

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Singapore Dollar | - | 167,249 |
| United States Dollar | 2,939,385 | - |
| Hong Kong Dollar | 2,089 | - |
| Chinese Renminbi | 16,252 | 495,535 |
| | 2,957,726 | 662,784 |

## 16. AMOUNT OWING BY/TO SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Amount owing by subsidiary companies | 1,269,462,509 | 1,235,168,296 |
| Amount owing to subsidiary companies | 47,308,971 | 79,264,918 |
| Loans from subsidiary companies | 273,291,673 | 261,422,825 |
| | 320,600,644 | 340,687,743 |

Amount owing by/to subsidiary companies are non-trade in nature, unsecured, interest free, repayable on demand and are to be settled in cash.

Loans from subsidiary companies amounting to RM273,291,673/- (2007 : RM261,422,825/-) which bear interest at rates ranging from 4.25% to 10.00% (2007 : 4.25% to 10.00%) per annum.

# Notes to the Financial Statements

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## 17. AMOUNT OWING BY ASSOCIATED COMPANIES

These amounts owing by associated companies are unsecured, interest free, repayable on demand and are to be settled in cash except for an amount of RM15,900,000/- (2007 : RM15,900,000/-) owing by the associated company, Beribu Ukiran Sdn. Bhd. which is assigned as security for Term Loan III as disclosed in note 40 to the financial statements.

## 18. TAX ASSETS

This is in respect of tax recoverable from Inland Revenue Board.

## 19. CASH DEPOSITS WITH LICENSED BANKS

Cash deposits of the Group totalling RM2,112,769/- (2007 : RM2,011,420/-) are pledged for bank guarantee facilities granted to certain subsidiary companies of the Group.

The maturity profile and effective interest rates of the cash deposits with licensed banks are as follows:-

| | Effective Interest rate % | Total RM | Current Within 1 Year RM |
|---|---|---|---|
| **Group** | | | |
| **2008** | | | |
| **Financial assets** | | | |
| Cash deposits with licensed banks | 2.90 - 4.70 | 6,885,474 | 6,885,474 |
| **2007** | | | |
| **Financial assets** | | | |
| Cash deposits with licensed banks | 2.90 - 4.70 | 2,011,420 | 2,011,420 |

The foreign currency exposure profile is as follows:-

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| United States Dollar | 617,002 | 630,508 |

## 20. SHARE CAPITAL

| | Group/Company | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Authorised:<br>4,000,000,000 ordinary shares of RM0.50 each | 2,000,000,000 | 2,000,000,000 |
| Issued and fully paid:<br>2,030,059,680 ordinary shares of RM0.50 each | 1,015,029,840 | 1,015,029,840 |

# Notes to the Financial Statements

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## 21. RESERVES

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| Accumulated losses | (286,467,637) | (254,384,871) | (6,031,669) | (6,573,479) |
| **Non-distributable** | | | | |
| Share premium | 111,535,799 | 111,535,799 | 111,535,799 | 111,535,799 |
| Foreign exchange translation reserve | 1,022,240 | 1,031,516 | - | - |
| | 112,558,039 | 112,567,315 | 111,535,799 | 111,535,799 |
| | (173,909,598) | (141,817,556) | 105,504,130 | 104,962,320 |

## 22. HIRE PURCHASE AND LEASE PAYABLES

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| **Hire purchase payables** | | | | |
| Payable within 1 year | | | | |
| Total instalment payments | 3,092,430 | 2,821,628 | - | 16,923 |
| Less: Future finance charges | (221,954) | (200,578) | - | (800) |
| Present value of hire purchase liabilities | 2,870,476 | 2,621,050 | - | 16,123 |
| Payable after 1 year but not later than 5 years | | | | |
| Total instalment payments | 2,587,785 | 2,505,719 | - | 20,548 |
| Less: Future finance charges | (165,125) | (175,686) | - | (1,721) |
| Present value of hire purchase liabilities | 2,422,660 | 2,330,033 | - | 18,827 |
| | 5,293,136 | 4,951,083 | - | 34,950 |
| **Lease payables** | | | | |
| Payable within 1 year | | | | |
| Mininum installment payments | 13,971 | 13,971 | - | - |
| Less: Future finance charges | (221) | (221) | - | - |
| Present value of lease payables | 13,750 | 13,750 | - | - |
| Total principal sum payable | | | | |
| - within 1 year | 2,884,226 | 2,634,800 | - | 16,123 |
| - after 1 year but not later than 5 years | 2,422,660 | 2,330,033 | - | 18,827 |
| | 5,306,886 | 4,964,833 | - | 34,950 |

The hire purchase and lease payables of the Group bear interest at rates ranging from 4.32% to 10.31% (2007 : 3.30% to 11.30%).

In previous year, the hire purchase payables of the Company bore interest at rates ranging from 7.08% to 7.47% per annum.

# Notes to the Financial Statements

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## 22. HIRE PURCHASE AND LEASE PAYABLES (Cont'd)

The maturity profile of hire purchase and lease payables of the Group and of the Company are as follows:-

| Group | Current Within 1 Year RM | Non-current Within 1 - 2 Years RM | Within 2 - 3 Years RM | Within 3 - 4 Years RM | Within 4 - 5 Years RM | Sub Total RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Hire purchase payables | 2,870,476 | 1,422,357 | 685,905 | 270,333 | 44,065 | 2,422,660 | 5,293,136 |
| Lease payables | 13,750 | - | - | - | - | - | 13,750 |
| **2007** | | | | | | | |
| Hire purchase payables | 2,621,050 | 1,152,343 | 947,575 | 230,115 | - | 2,330,033 | 4,951,083 |
| Lease payables | 13,750 | - | - | - | - | - | 13,750 |
| **Company** | | | | | | | |
| **2007** | | | | | | | |
| Hire purchase payables | 16,123 | 13,935 | 4,892 | - | - | 18,827 | 34,950 |

## 23. BANK BORROWINGS - SECURED

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| **Current** | | | | |
| Term loans (note 40) | 71,589,659 | 68,635,871 | - | - |
| Bridging loan | 766,758 | 2,760,376 | - | - |
| Revolving credit | 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 |
| Bills payable | 1,098,858 | 147,391 | - | - |
| | 85,455,275 | 83,543,638 | 12,000,000 | 12,000,000 |
| **Non-current** | | | | |
| Term loans (note 40) | 270,000,000 | 285,000,000 | - | - |
| | 355,455,275 | 368,543,638 | 12,000,000 | 12,000,000 |

The secured bridging loan bears interest at a rate of 9.50% (2007 : 9.50%) per annum and is secured by a fixed charge over the leasehold land of a subsidiary company and a corporate guarantee by the Company.

The secured revolving credit facilities bears interest at a rate of 7.00% (2007 : 7.00%) per annum and is secured on fixed charge over the Company's leasehold land.

# Notes to the Financial Statements

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## 23. BANK BORROWINGS - SECURED (Cont'd)

The secured bills payable facility bears interest at rates ranging from 5.01% to 7.01% (2007: 5.01% to 7.01%) per annum and is secured and supported as follows:-

(a) assignment of export credit insurance policies; and
(b) corporate guarantee of the Company and a subsidiary company.

The interest rates, securities, repayment terms and the maturity profile of the term loans of the Group are disclosed in note 40 to the financial statements.

The maturity profile and effective interest rates for bridging loan, revolving credit and bills payables of the Group and of the Company are as follows:-

| | Effective Interest rate % | Total RM | Current Within 1 Year RM |
|---|---|---|---|
| **Group** | | | |
| **2008** | | | |
| **Bank borrowings - secured** | | | |
| Bridging loan | 9.50% | 766,758 | 766,758 |
| Revolving credit | 7.00% | 12,000,000 | 12,000,000 |
| Bills payable | 5.01% - 7.01% | 1,098,858 | 1,098,858 |
| **2007** | | | |
| **Bank borrowings - secured** | | | |
| Bridging loan | 9.50% | 2,760,376 | 2,760,376 |
| Revolving credit | 7.00% | 12,000,000 | 12,000,000 |
| Bills payable | 5.01% - 7.01% | 147,391 | 147,391 |
| **Company** | | | |
| **2008** | | | |
| **Bank borrowings - secured** | | | |
| Revolving credit | 7.00% | 12,000,000 | 12,000,000 |
| **2007** | | | |
| **Bank borrowings - secured** | | | |
| Revolving credit | 7.00% | 12,000,000 | 12,000,000 |

The foreign currency exposure profile is as follows:-

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| **Bills payable** | | |
| United States Dollar | 1,098,858 | 147,391 |

# Notes to the Financial Statements

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## 24. DEFERRED TAXATION

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| At beginning of the year | 125,241,197 | 131,815,053 |
| Transferred to income statement (note 34) | (2,701,000) | (6,573,856) |
| At end of the year | 122,540,197 | 125,241,197 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Difference between the carrying amount of property, plant and equipment and its tax base | 15,040,600 | 15,080,620 | 52,900 | 6,700 |
| Fair value adjustment in respect of acquisition of subsidiary companies | 112,957,797 | 118,127,697 | - | - |
| Deductible temporary differences in respect of expenses | (590,500) | - | (31,500) | - |
| Unrelieved tax losses | (4,044,500) | (3,941,100) | - | - |
| Others | - | 259,000 | - | - |
| Unabsorbed capital allowances | (823,200) | (4,285,020) | (21,400) | (6,700) |
| | 122,540,197 | 125,241,197 | - | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Difference between the carrying amount of property, plant and equipment and its tax base | 113,000 | - | - | - |
| Unrelieved tax losses | 262,443,300 | 254,838,900 | 22,432,300 | 27,968,800 |
| Unabsorbed capital allowance | 14,193,400 | 14,142,920 | 2,253,300 | 3,031,000 |
| Deductible temporary differences in respect of expenses and others | 3,506,000 | 5,633,800 | - | - |
| | 280,255,700 | 274,615,620 | 24,685,600 | 30,999,800 |

The estimated unrelieved tax losses and unabsorbed capital allowances are subject to agreement by the tax authority of the foreign subsidiary companies and are not available for set-off within the Group.

# Notes to the Financial Statements

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## 25. PROMISSORY NOTE – SECURED

| | Group/Company 2008 RM | 2007 RM |
|---|---|---|
| Issuance of promissory note | 130,000,000 | 130,000,000 |
| Promissory note interest accrual | 8,173,973 | 1,638,356 |
| | 138,173,973 | 131,638,356 |

Promissory note totalling RM130,000,000/- was issued as partial settlement sum for the redemption of Bonds 2001/2005.

The promissory note which bears interest at a rate of 5% per annum is payable on demand on the third anniversary of the first payment date and is secured and supported as follows:-

(i) third party first legal charge over the land held for property development and prepaid land lease payments of certain subsidiary companies of the Company namely, Bukit Unggul Golf and Country Resort Sdn. Bhd., FACB Marketing and Sales Services Sdn. Bhd. and Bukit Unggul Tele-Suburb Sdn. Bhd.;

(ii) debenture comprising fixed and floating charges on all assets of the Company and of certain subsidiary companies of the Company namely, Bukit Unggul Golf and Country Resort Sdn. Bhd., FACB Construction Sdn. Bhd., Composites Technology Development Corporation Sdn. Bhd. and FACB Marketing and Sales Services Sdn. Bhd.;

(iii) memorandum of deposit and charge over the entire issued and paid-up share capital of Bukit Unggul Golf and Country Resort Sdn. Bhd. and FACB Marketing and Sales Services Sdn. Bhd.; and

(iv) purchased guarantee of a director of the Company in accordingly to the settlement agreement on the settlement of the bonds 2001/2005.

## 26. LONG-TERM PAYABLES

This amount is in respect of lease premium less advances on a subsidiary company's leased land and not expected to be settled within one year.

## 27. TRADE PAYABLES

| | Group 2008 RM | 2007 RM |
|---|---|---|
| Third parties | 42,696,536 | 46,112,926 |
| Progress billings in respect of property development costs | 63,859,009 | 49,970,614 |
| | 106,555,545 | 96,083,540 |
| Amount due to customers for contract works (Note 39) | 9,342,916 | 421,850 |
| | 115,898,461 | 96,505,390 |

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

# Notes to the Financial Statements

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## 27. TRADE PAYABLES (Cont'd)

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

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| United States Dollar | 3,384,278 | 2,812,271 |

## 28. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Other payables | 30,985,354 | 51,214,892 | 2,306,549 | 9,169,658 |
| Refundable deposits | 1,888,311 | 619,141 | 1,815,501 | 550,500 |
| Tax penalty and interest accrued | 35,346,229 | 10,687,927 | 272,772 | - |
| Accruals | 36,858,295 | 33,762,195 | 9,277,653 | 9,105,144 |
| Other payables and accruals | 105,078,189 | 96,284,155 | 13,672,475 | 18,825,302 |
| Amount owing to a director | 307,853 | 2,058,516 | 307,853 | 2,058,516 |
| | 105,386,042 | 98,342,671 | 13,980,328 | 20,883,818 |

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

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| United States Dollar | 195,823 | 39,484 |
| Singapore Dollar | - | 145,252 |
| Hong Kong Dollar | 2,291,662 | 2,271,458 |
| Chinese Renminbi | 420,192 | 652,370 |
| | 2,907,677 | 3,108,564 |

The tax penalty and interest accrued are payable to the Inland Revenue Board.

The amount owing to a director, Tan Sri Dr. Chen Lip Keong, is non-trade in nature, unsecured, interest free, repayable on demand and is to be settled in cash.

## 29. BANK OVERDRAFTS - SECURED

In previous year, the secured bank overdrafts bore effective interest at 8.50% (2007:8.50%) per annum and are secured and supported as follows:-

(a) fixed charges on the leasehold properties of the subsidiary company concerned;
(b) second debenture comprising fixed and floating charges on all assets of certain subsidiary companies;
(c) corporate guarantee of the Company; and
(d) personal guarantee by a director of the Company.

# Notes to the Financial Statements

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## 30. PROVISIONS

This is in respect of provision made for short-term accumulating compensated absences for the Group and for the Company.

## 31. REVENUE

Revenue comprises the followings:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Attributable revenue from construction contract | 969,063 | (727,240) | - | - |
| Attributable revenue from development properties | 65,473,192 | 28,412,544 | - | - |
| Revenue arising from disposal of development property | - | 10,000,000 | - | - |
| Sales of goods and services | 20,174,472 | 28,168,335 | - | - |
| Hotel and golfing revenue | 84,982,704 | 76,805,893 | - | - |
| Rental revenue | 874,230 | 963,813 | 874,230 | 963,813 |
| Dividend revenue | - | - | 33,000,000 | - |
| | 172,473,661 | 143,623,345 | 33,874,230 | 963,813 |

## 32. DIRECT COSTS

Direct costs comprise the following:-

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Attributable construction contract cost | 823,704 | (618,154) |
| Attributable property development costs | 42,736,945 | 19,447,948 |
| Costs arising from disposal of development property | - | 14,971,483 |
| Cost of sales and services | 76,071,156 | 77,323,539 |
| | 119,631,805 | 111,124,816 |

# Notes to the Financial Statements

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## 33. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting):-

(a) Other items

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| Amortisation of prepaid land lease payments | 1,890,916 | 1,532,266 | 57,427 | 59,410 |
| Amortisation of upfront fee for a bank facility | 1,941,748 | 500,021 | 1,941,748 | 500,021 |
| Allowance for doubtful debts | 5,006,162 | 174,137 | - | - |
| Allowance for doubtful debts no longer required | (10,371) | (44,342) | - | - |
| Auditors' remuneration | 318,674 | 319,747 | 38,000 | 38,000 |
| Bad debt recovered | (376) | - | - | - |
| Bad debt written off | 178,417 | 484,871 | - | - |
| Bank guarantee commission | 7,330,479 | 1,931,507 | 7,330,479 | 1,931,507 |
| Capital work in progress written off | 7,620,317 | - | - | - |
| Contract costs written off | 873,349 | - | - | - |
| Depreciation of property, plant and equipment | 10,855,412 | 11,867,451 | 326,227 | 279,288 |
| Property development cost written off | 1,938,775 | - | - | - |
| Goodwill written off | 9,370 | 8,343,394 | - | - |
| Impairment loss on investment in subsidiary companies | - | - | 9,407 | 3,837,699 |
| Interest expense | 32,234,674 | 16,610,313 | 19,766,775 | 10,955,640 |
| Interest revenue | (305,328) | (206,958) | - | (5,598) |
| Property, plant and equipment written off | 1,792,787 | 91,446 | - | 186 |
| Provision for employee benefits | 116,683 | - | 125,864 | - |
| Rental of equipment | 151,683 | 211,058 | - | - |
| Rental of motor vehicles | 22,366 | 5,771 | - | - |
| Rental of premises | 1,014,269 | 1,076,032 | 4,000 | 104,784 |
| (Gain)/Loss on disposal of property, plant and equipment | (84,534) | 42,278 | (33,998) | - |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 1,710,149 | (131,622) | - | - |
| - unrealised | - | (23,547) | - | - |
| Gain on insurance claim | - | (7,108) | - | - |
| Rental of motor vehicles revenue | (33) | - | - | - |
| Rental of premises revenue | (933,100) | (1,068,811) | (874,230) | (963,813) |
| Dividend revenue | - | - | (33,000,000) | - |
| Waiver of debts | - | - | (8,112,764) | - |
| Waiver of redeemable bond liabilities | - | (85,000,000) | - | (85,000,000) |

## 33. (LOSS)/PROFIT BEFORE TAXATION (Cont'd)

(Loss)/Profit before taxation is arrived at after charging/(crediting):- (cont'd)

(b) Staff costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Staff costs | 26,582,688 | 28,564,626 | 2,531,351 | 2,870,192 |
| Included in staff costs are:- | | | | |
| Remuneration of full time directors | 924,120 | 963,751 | 924,120 | 836,634 |
| Contribution to defined contribution plan and Social Security Contribution | 2,273,867 | 2,749,643 | 151,341 | 606,445 |

(c) Directors' Remuneration

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

**Non-Independent Executive Directors**

Tan Sri Dr. Chen Lip Keong
Datuk Robin Loh Hoon Loi
Datuk Abdul Ghani bin Abdul Rashid (Resigned on 1.4.07)
Chen Yiy Fon (Appointed on 1.8.07)
Chen Yiy Hwuan (Appointed on 1.8.07)

**Independent Non-Executive Directors**

Datuk Wan Kassim bin Ahmed
Tan Sri Datuk Seri Panglima Abdul Kadir bin Haji Sheikh Fadzir
Tuan Haji Zainal Abidin bin Ali
Leow Ming Fong @ Leow Min Fong
Dr. Heng Aik Cheng (Resigned on 1.4.07)

The aggregate amount of emoluments receivable by directors of the Group and of the Company during the financial year are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| **Non-Independent Executive Directors** | | | | |
| - Other emoluments | 924,120 | 963,751 | 924,120 | 836,634 |
| **Independent Non-Executive Directors** | | | | |
| - Fees | 342,000 | 372,194 | 342,000 | 336,194 |

# Notes to the Financial Statements

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## 34. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Based on result for the year | 2,172,734 | 1,088,254 | 6,707,266 | - |
| Reversal of temporary differences (note 24) | (2,701,000) | (6,573,856) | - | - |
| | (528,266) | (5,485,602) | 6,707,266 | - |
| (Over)/Underprovision of taxation in prior year | (8,842,099) | 37,144 | - | - |
| Tax (credit)/expense | (9,370,365) | (5,448,458) | 6,707,266 | - |

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Accounting (loss)/profit before taxation | (41,453,131) | 49,200,888 | 7,249,076 | 60,011,752 |
| Tax at the Malaysian statutory income tax rate:- | | | | |
| - at 26% | (10,777,800) | - | 1,884,800 | - |
| - at 27% | - | 13,284,300 | - | 16,203,200 |
| Effect of lower tax rate of Malaysian subsidiary companies with issued and paid-up capital below RM2,500,000/- | - | (27,700) | - | - |
| Tax effect on non-deductible expenses | 18,856,434 | 10,894,700 | 7,093,166 | 4,797,600 |
| Tax effect on non-taxable revenue | (2,781,900) | (22,970,802) | (2,118,300) | (22,950,000) |
| Deferred tax assets not recognised during the year | 146,800 | 2,487,800 | - | 1,401,000 |
| Utilisation of deferred tax assets not recognised in previos year | (1,140,100) | (1,010,000) | (152,400) | - |
| Adjustment on deferred tax resulting reduction in tax rates | (4,759,900) | (8,237,800) | - | 548,200 |
| (Over)/Underprovision in prior years | | | | |
| - current taxation | (8,842,099) | 37,144 | - | - |
| - deferred taxation | (71,800) | 93,900 | - | - |
| Tax (credit)/expense | (9,370,365) | (5,448,458) | 6,707,266 | - |

The Company has estimated tax credit of approximately RM36,501,000/- (2007 : RM27,711,000/-) under Section 108 of the Income Tax Act, 1967, to frank future payment of dividends of approximately RM109,503,000/- (2007 : RM74,922,000/-) without incurring additional tax liability.

The Company has undistributed tax exempt income of RM758,000/- (2007 : RM758,000/-) available for distribution by way of tax exempt dividend.

## 34. TAXATION (Cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Unrelieved tax losses | 262,443,300 | 267,583,400 | 22,432,300 | 27,968,800 |
| Unabsorbed capital allowances | 14,240,900 | 30,609,020 | 2,253,300 | 3,075,500 |
| | 276,684,200 | 298,192,420 | 24,685,600 | 31,044,300 |

The estimated unrelieved tax losses and unabsorbed capital allowances are not available for set-off within the Group.

## 35. (LOSS)/EARNINGS PER ORDINARY SHARE

### Basic

The basic (loss) / earnings per ordinary share has been calculated based on the Group's (loss) / profit attributable to shareholders of (RM32,082,766/-) (2007 : RM54,649,346/-) divided by the number of ordinary share in issue during the financial year of 2,030,059,680 (2007 : 2,030,059,680) ordinary shares of RM0.50 each.

## 36. ACQUISITION OF SUBSIDIARY COMPANY

During the financial year,

(i) the Company incorporated a wholly owned subsidiary company, Rendezvous Travel Services Limited. with an authorised and paid-up share capital of 2 ordinary shares of USD1/- each;

(ii) the Company acquired 2 ordinary shares of HKD1/- each, representing the entire issued and paid-up share capital of Nexus Hotel And Resorts Ltd. (formerly known as Karambunai Resorts Limited) for a total cash consideration of HKD2/-; and

(iii) the Group incorporated a wholly owned subsidiary company, Nexus Hotel Phnom Penh Ltd. with an authorised and paid-up share capital of 2 ordinary shares of USD1/- each.

In previous year, the Company acquired Karambunai Corp International Ltd.,

(a) Effect of acquisition of subsidiary company, net of cash acquired

The fair value of the assets and liabilities assumed are as follows:-

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Cash in hand | 1 | 2 |
| Amount owing to shareholders | (18,392) | - |
| Goodwill on consolidation (note11) | 18,392 | 9,370 |
| Total purchase consideration | 1 | 9,372 |
| Cash balance of subsidiary company acquired | (1) | (2) |
| Effect of acquisition of subsidiary company, net of cash acquired | - | 9,370 |

# Notes to the Financial Statements

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## 36. ACQUISITION OF SUBSIDIARY COMPANY (Cont'd)

(b) Effect on Consolidated Income Statement

The effect on the consolidated results of the Group from their effective date of acquisition are as follows:-

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| Revenue | - | - |
| Administrative costs | (17,807) | - |
| | (17,807) | - |

(c) Effect on Consolidated Balance Sheet

The effect on the consolidated financial position of the Group as at year end are as follows:-

| | Group 2008 RM | Group 2007 RM |
|---|---|---|
| Investment in subsidiary company | 7 | - |
| Amount owing by subsidiary company | 9,069 | - |
| Other receivables and deposits | - | 443,881 |
| Cash and bank balances | 1 | 2 |
| Amount owing to holding company | (26,869) | - |
| Other payables and accruals | (18,392) | - |
| | (36,184) | 443,883 |

## 37. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM4,257,131/- (2007 : RM7,582,197/-) and RM73,274/- (2007 : RM535,154/-) respectively which are satisfied as follows:-

| | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|---|---|---|---|
| Hire purchase financing | 2,303,580 | 2,048,163 | - | - |
| Cash payments | 1,953,551 | 5,534,034 | 73,724 | 535,154 |
| | 4,257,131 | 7,582,197 | 73,724 | 535,154 |

# Notes to the Financial Statements

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## 38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Cash held under housing development accounts | 95,905 | 732,073 | - | - |
| Cash and bank balances | 11,179,441 | 7,798,793 | 109,623 | 143,054 |
| | 11,275,346 | 8,530,866 | 109,623 | 143,054 |
| Cash on deposits with licensed banks | 6,885,474 | 2,011,420 | - | - |
| Bank overdrafts | - | (75,248) | - | - |
| | 18,160,820 | 10,467,038 | 109,623 | 143,054 |

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; and

(b) cash deposits of the Group amounting to RM2,112,769/- (2007 : RM2,011,420/-) pledged for banking facilities granted to certain subsidiary companies. These deposits can only be utilised to repay the said facilities.

The foreign currency exposure profile is as follows:-

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| **Cash and cash equivalents** | | |
| Australian Dollar | 923 | - |
| Canadian Dollar | 977 | - |
| Chinese Renminbi | 417,315 | 417,735 |
| Euro | 12,621 | 12,621 |
| Hong Kong Dollar | 11,203 | 11,203 |
| Japanese Yen | 960 | - |
| New Zealand Dollar | 877 | - |
| Singapore Dollar | 4,391 | 264,967 |
| Sterling Pound | 882 | 145,038 |
| Swiss Franc | 944 | - |
| United States Dollar | 826,930 | 1,679,757 |
| | 1,278,023 | 2,531,321 |

# Notes to the Financial Statements

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## 39. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

| | Group 2008 RM | 2007 RM |
|---|---|---|
| Contract costs | 104,004,691 | 85,950,016 |
| Add: Portion of profit attributable to contract work performed to date | 11,849,858 | 7,689,160 |
| | 115,854,549 | 93,639,176 |
| Less: Progress billings | (75,064,577) | (48,360,004) |
| | 40,789,972 | 45,279,172 |
| Represented by:- | | |
| Amount due from customers for contract works (note 14) | 50,132,888 | 45,701,022 |
| Amount due to customers for contract works (note 27) | (9,342,916) | (421,850) |
| | 40,789,972 | 45,279,172 |

The total retention sums included in the progress billings amounted to RM4,836,810/- (2007: RM3,209,999/-).

## 40. TERM LOANS – SECURED

| | Group 2008 RM | 2007 RM |
|---|---|---|
| Term Loan I<br>7.75% to 8.40% (2007 : 7.75% to 8.40%) term loan | 18,133,162 | 18,133,162 |
| Term Loan II<br>10% fixed rate term loan repayable commencing April 2004 | 5,465,026 | 4,999,069 |
| Term Loan III<br>10% fixed rate term loan repayable commencing September 2002 | 29,453,975 | 26,956,795 |
| Term Loan IV<br>10% term loan repayable in full at the end of June 2004 | 3,537,496 | 3,546,845 |
| Term Loan V<br>4.25% term loan repayable | | |
| - in 12 half yearly instalments commencing in June 2007 | 135,000,000 | 150,000,000 |
| - by sale proceeds of Nexus Residence Karambunai project | 150,000,000 | 150,000,000 |
| | 285,000,000 | 300,000,000 |
| | 341,589,659 | 353,635,871 |
| Repayment due within twelve months (note 23) | (71,589,659) | (68,635,871) |
| Repayment due after twelve months (note 23) | 270,000,000 | 285,000,000 |

## 40. TERM LOANS – SECURED (Cont'd)

The term loans are secured as follows:-

(a) fixed charges on certain development properties of certain subsidiary companies;
(b) debenture comprising fixed and floating charges over all present and future assets of certain subsidiary companies;
(c) deed of mortgage on the Company's entire investment in the shares of a subsidiary company;
(d) corporate guarantee of the Company and of a subsidiary company;
(e) assignment of debt on a trade balance owing by Beribu Ukiran Sdn. Bhd., an associated company;
(f) personal guarantee by a director of the Company; and
(g) Syndicated Standby Letter of Credit ("SBLC") for up to RM300 million.

The RM300 million Syndicated SBLC facility is secured and supported as follow:-

(a) fixed and floating charge over the assets and undertaking of the subsidiary company, Hartamas Group Berhad ("HGB"). However, the Syndicated Lenders shall disclaim all its right over FACB Marketing and Sales Services Sdn. Bhd. ("FMSS") and the assets including landed properties of FMSS;
(b) charge over shares (and all rights thereto) issued by the subsidiary company, HGB, but excluding share currently charged to Malaysian Assurance Alliance and PT Bank Mandiri, amounting to RM5 million and RM42 million shares respectively issued by the HGB;
(c) charge over shares (and all rights thereto) issued by a subsidiary company, Karambunai Resorts Sdn. Bhd. ("KRSB");
(d) first ranking, fixed charge and registered mortgage by the subsidiary company, HGB, over the Nexus Resort Karambunai Hotel ("NRKH") with a valuation of RM380 million;
(e) first ranking, third party fixed charge and registered mortgage by a subsidiary company, KRSB over its land bank in Karambunai with a total valuation not less than RM533 million;
(f) assignment of the rights and benefits of sales proceeds under the Sale and Purchase Agreement entered into between KRSB and Nexus Bay Resort Karambunai Sdn. Bhd. ("NBRK") with purchasers of the Nexus Residences project;
(g) assignment of all project insurance and proceeds thereof;
(h) assignment of the designated accounts (NRKH revenue account, NRKH operating account, Nexus Residences project account, Debts Service Reserve accounts);
(i) assignment of the rights title, interest and benefit of KRSB and NBRK over the joint venture agreement;
(j) corporate guarantee of the Company; and
(k) corporate guarantee of the subsidiary companies, namely KRSB, NBRK and Nexus Resort Karambunai Sdn. Bhd..

The term loans of the Group bear interest rates ranging from 4.25% to 10.00% (2007 : 4.25% to 10.00%) per annum.

The foreign currency exposure profile is as follows:-

| | Group | |
|---|---|---|
| | 2008<br>RM | 2007<br>RM |
| United States Dollar | 18,133,162 | 18,133,162 |

# Notes to the Financial Statements

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## 40. TERM LOANS – SECURED (Cont'd)

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

| Group | Current | <------ | ------ | Non-current | ------ | ------ | ------> | |
|---|---|---|---|---|---|---|---|---|
| | Within | Within | Within | Within | Within | After | | |
| | 1 Year | 1 - 2 Years | 2 - 3 Years | 3 - 4 Years | 4 - 5 Years | 5 years | Sub Total | Total |
| 2008 | RM | RM | RM | RM | RM | RM | RM | RM |
| Term loan | | | | | | | | |
| I | 18,133,162 | - | - | - | - | - | - | 18,133,162 |
| II | 5,465,026 | - | - | - | - | - | - | 5,465,026 |
| III | 29,453,975 | - | - | - | - | - | - | 29,453,975 |
| IV | 3,537,496 | - | - | - | - | - | - | 3,537,496 |
| V | 15,000,000 | 16,500,000 | 19,125,000 | 24,375,000 | 60,000,000 | 150,000,000 | 270,000,000 | 285,000,000 |
| **2007** | | | | | | | | |
| Term loan | | | | | | | | |
| I | 18,133,162 | - | - | - | - | - | - | 18,133,162 |
| II | 4,999,069 | - | - | - | - | - | - | 4,999,069 |
| III | 26,956,795 | - | - | - | - | - | - | 26,956,795 |
| IV | 3,546,845 | - | - | - | - | - | - | 3,546,845 |
| V | 15,000,000 | 15,000,000 | 16,500,000 | 19,125,000 | 24,375,000 | 210,000,000 | 285,000,000 | 300,000,000 |

## 41. REDEEMABLE BONDS – SECURED

| | Group/Company | |
|---|---|---|
| | 2008 | 2007 |
| | RM | RM |
| 4 years zero coupon redeemable secured bonds 2001/2005 ("Bonds 2001/2005") | - | 432,333,333 |
| Add : Bond interest | - | 2,666,667 |
| | - | 435,000,000 |
| Less : | | |
| Waiver of bond liabilities | - | 85,000,000 |
| Final settlement | - | 220,000,000 |
| Issuance of promissory note (note 25) | - | 130,000,000 |
| | - | (435,000,000) |
| | - | - |

In previous years, Bonds 2001/2005 totalling RM420,000,000/- nominal value was issued under a Trust Deed dated 19 March 2001, as consideration for the purchase and cancellation of RM250,000,000/- nominal value of Bonds 1997/2002 together with the unpaid interest thereon.

## 41. REDEEMABLE BONDS – SECURED (Cont'd)

The securities for the bonds are as follow:-

Bonds 2001/2005

(a) First legal charge on land and buildings of two subsidiary companies, KRSB and BUGCR, with a security coverage of at least 1.8 times of the nominal value of the outstanding Bonds 2001/2005;
(b) Second legal charge on land and buildings of a subsidiary company, KRSB;
(c) A debenture comprising fixed and floating charges on assets of the Company and of four subsidiary companies, namely BUGCR, KRSB, FACBC and CTDC, to the extent of RM420 million; and
(d) A charge over a sinking fund in favour of the trustee.

The Bonds 2001/2005 are required to be redeemed by the Company at its nominal amount on the day preceding the fourth anniversary of the date of issuance of these bonds which falls on 11 April 2005.

On 29 December 2006, the Company had fully redeemed the Bonds 2001/2005 by way of a cash settlement of RM220,000,000/- and issuance of promissory note amounting to RM130,000,000/- to Abrar Discounts Berhad in accordance with the terms and conditions of the settlement agreement as supplemented by the First and Second Supplement Settlement Agreement. As a result, a waiver of bond liability amounting to RM85,000,000/- was granted to the Company.

## 42. SIGNIFICANT RELATED PARTIES TRANSACTIONS

(a) Significant intra-group transactions are as follows:-

| | Group | |
|---|---|---|
| | 2008 RM | 2007 RM |
| Purchase of air tickets and tour from a subsidiary company | 439 | 137,503 |
| Staff costs allocated to subsidiary companies | 727,850 | 814,342 |
| Term loan interest charges by subsidiary companies | 11,868,848 | 5,035,697 |
| Rental received and receivable from subsidiary companies | (240,000) | (160,000) |
| Dividend received from a subsidiary company | (33,000,000) | - |

Information regarding outstanding balances arising from intra-group transactions as at 31 March 2008 is mentioned in note 16 to the financial statements.

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## 42. SIGNIFICANT RELATED PARTIES TRANSACTIONS (Cont'd)

(b) The significant transactions with companies in which certain directors and persons connected to the Directors have substantial financial interests are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Received and receivable from public listed companies in which certain directors of the Company have substantial financial interest and are also directors | | | | |
| - Office rental revenue | (300,000) | (300,000) | (300,000) | (300,000) |
| - Ticketing and tour revenue | (48,008) | (12,669) | - | - |
| Received and receivable from companies in which a director of the Company, Tan Sri Dr. Chen Lip Keong, has substantial financial interest and is also director | | | | |
| - Office rental revenue | (36,006) | (33,813) | (36,006) | (33,813) |
| - Ticketing and tour revenue | (842,877) | (679,250) | - | - |

(c) Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Short-term employee benefits | 1,185,840 | 1,335,945 | 1,185,840 | 1,172,828 |
| Post employment benefits | 80,280 | - | 80,280 | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Directors' remuneration | 1,266,120 | 1,335,945 | 1,266,120 | 1,172,828 |

## 43. SIGNIFICANT EVENTS

(a) On 14 September 2007, KCB acquired 2 ordinary shares of HK$1/- each, representing 100% of the share capital in Nexus Hotels and Resorts Limited ("NHRL") (formerly known as Karambunai Resorts Limited) for a cash consideration HK$2/-. As a result, NHRL became a wholly-owned subsidiary company of KCB.

(b) On 7 December 2007, KCB has agreed to the terms of and entered into a Sale and Purchase Agreement with PTB Horticulture Farm Sdn Bhd ("PHFSB"), a wholly-owned subsidiary of Petaling Tin Berhad ("PTB"), in respect of the proposed disposal, of approximately 8,201.86 square metres of leasehold land in Petaling Jaya together with a four storey office building with an annexed single storey warehouse and ancillary building for a cash consideration of RM12.0 million ("Proposed Disposal"). Salient terms of the Sale and Purchase Agreement are as follows:-

(i) The Property will be sold free from all encumbrances but subject to the conditions of title whether expressed or implied and restriction in interest (if any) affecting the Property on an "as is where is" basis.

(ii) The Sale Consideration will be paid in the following manner:-

(1.) 3% of the Sale Consideration being earnest deposit ("Earnest Deposit") has been paid by the Purchaser to the Vendor;

(2.) 7% of the Sale Consideration ("Balance Deposit") shall be paid to the Vendor upon the execution of this Agreement. (The Earnest Deposit and Balance Deposit shall be collectively referred to as "the Deposit"); and

(3.) the balance 90% of the Sale Consideration ("Balance Consideration") shall be paid within 6 months after fulfillment of conditions precedent.

(iii) In the event the Purchaser is unable to pay the Balance Consideration on the Completion Date the Vendor shall grant the Purchaser an extension of time of 3 months to pay the Balance Consideration or any part thereof remaining unpaid subject to the Purchaser paying the Vendor late payment interest at the rate of eight per centum (8%) per annum on such part of the Balance Consideration outstanding on daily basis from the day after the Completion Date to the date of receipt by the Purchaser's Solicitors of the Balance Consideration in full.

(iv) The Proposed Disposal is conditional upon the Purchaser's notification to the Foreign Investment Committee ("FIC") within 3 months from the date of the Agreement.

(v) The Vendor shall be deemed to have delivered possession of the Property upon full payment by the Purchaser of the Sale Consideration.

(c) On 12 February 2008, PHFSB has made a notification to the Foreign Investment Committee for the Proposed Disposal.

(d) On 13 February 2008, KCB has incorporated a wholly owned subsidiary, namely Rendezvous Travel Services Co. Ltd.,("RTSCL") in the British Virgin Islands, with an issued and paid-up share capital of USD$2/- comprising 2 ordinary shares of USD$1.00 each.

## 44. SUBSEQUENT EVENT

On 4 July 2008, a wholly-owned subsidiary company of KCB, Karambunai Resorts Sdn. Bhd., signed a Memorandum of Understanding ("MOU") with Landlovers Korea Co. Ltd to form the basis of setting up a joint venture company ("JV Co"). The JV Co will develop parcels of land situated at Karambunai peninsular in the district of Kota Kinabalu, Sabah. The identified parcels of land for the JV Co is Lot 17, 18 and 19 ("Project Land") measuring approximately 66.32 acres where KRSB is the registered proprietor. The JV Co will purchase the Project Land at the agreed consideration sum of RM30 per sq. ft. or approximately RM86,666,976/-, subject to any revision by the relevant authorities and the terms of the purchase.

The MOU will be valid for 1 month from the date of signing, subject to an extension of another 1 month or until such time a formal agreement is executed, whichever is earlier.

# Notes to the Financial Statements

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## 45. SEGMENT INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest bearing loans and expenses and other items that cannot be reasonably allocated to any segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

### Business Segments

The Group comprises the following main business segments:-

| | |
|---|---|
| Management services, venture capital and investment holdings and others | Investment holding, provision of management services, information technology, 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 and resort hotel operation and management. |
| Trading | Trading of wood products and purchasing and sourcing of timber for sale. |

### Geographical Segments

The businesses of the Group are solely operated in Malaysia except for the trading of wood products and purchasing and sourcing of timber for sale which are operated in Hong Kong, Singapore and United Kingdom.

(a) Primary Reporting Format - Major Business Segments

| | Management Services, Venture Capital & Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| **Revenue** | | | | | | |
| External revenue | 36,211,233 | 102,500,119 | 87,103,999 | 17,948,244 | (71,289,934) | 172,473,661 |
| Inter-segment revenue | (33,766,880) | (35,401,759) | (2,121,295) | - | 71,289,934 | - |
| Total revenue | 2,444,353 | 67,098,360 | 84,982,704 | 17,948,244 | - | 172,473,661 |

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## 45. SEGMENT INFORMATION - GROUP (Cont'd)

(a) Primary Reporting Format - Major Business Segments (Cont'd)

| | Management Services, Venture Capital & Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| **Result** | | | | | | |
| Segment result | (16,357,706) | (10,278,676) | 17,427,132 | (614,179) | - | (9,823,429) |
| Interest expenses | (10,052,213) | (8,549,513) | (13,561,859) | ( 71,089) | - | (32,234,674) |
| Interest revenue | 171 | 257,661 | 19,130 | 28,366 | - | 305,328 |
| Share of results of associated companies | - | 299,644 | - | - | - | 299,644 |
| Taxation | | | | | | 9,370,365 |
| Profit for the year | | | | | | (32,082,766) |
| Minority interest | | | | | | - |
| Profit attributable to shareholders | | | | | | (32,082,766) |
| **Other information** | | | | | | |
| Segment Assets | 59,178,313 | 1,343,534,740 | 361,222,815 | 7,581,255 | - | 1,771,517,123 |
| Amount owing by associated companies | - | 24,584,392 | - | - | - | 24,584,392 |
| Interest in associated companies | - | 2,678,604 | - | - | - | 2,678,604 |
| Unallocated corporate assets | | | | | | 25,344,330 |
| Consolidated total assets | | | | | | 1,824,124,449 |
| Segment liabilities | 18,548,543 | 171,308,018 | 34,315,211 | 3,486,752 | - | 227,658,524 |
| Taxation | 258,355 | 132,431,415 | 6,486,468 | - | - | 139,176,238 |
| Deferred taxation | 7,500 | 108,893,997 | 13,638,700 | - | - | 122,540,197 |
| Unallocated corporate liabilities | | | | | | 493,629,248 |
| Consolidated total liabilities | | | | | | 983,004,207 |
| Capital expenditure | 35,723,361 | 13,198,636 | 2,849,942 | - | - | 51,771,939 |
| Depreciation of property, plant and equipment | 500,411 | 749,820 | 9,548,103 | 57,078 | - | 10,855,412 |

# Notes to the Financial Statements

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## 45. SEGMENT INFORMATION - GROUP (Cont'd)

(a) Primary Reporting Format - Major Business Segments (Cont'd)

| | Management Services, Venture Capital & Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| **Significant non-cash expenses other than depreciation** | | | | | | |
| Property, plant and equipment written-off | 7,835 | 1,784,952 | - | - | - | 1,792,787 |
| Amortisation of prepaid land lease payments | 194,682 | 1,665,958 | 30,276 | - | - | 1,890,916 |
| Bad debts written-off | - | - | 131,967 | 46,450 | - | 178,417 |
| Allowance for doubtful debts | 79,737 | 4,844,047 | 82,378 | - | - | 5,006,162 |
| Goodwill written-off | 9,370 | - | - | - | - | 9,370 |
| Amortisation of upfront fee | 1,941,748 | - | - | - | - | 1,941,748 |
| Gain on disposal of property, plant and equipment | 33,998 | 48,996 | 1,540 | - | - | 84,534 |
| **2007** | | | | | | |
| **Revenue** | | | | | | |
| External revenue | 1,575,799 | 38,868,443 | 84,652,517 | 18,664,089 | (137,503) | 143,623,345 |
| Inter-segment revenue | - | - | (137,503) | - | 137,503 | - |
| Total revenue | 1,575,799 | 38,868,443 | 84,515,014 | 18,664,089 | - | 143,623,345 |

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## 45. SEGMENT INFORMATION - GROUP (Cont'd)

(a) Primary Reporting Format - Major Business Segments (Cont'd)

| | Management Services, Venture Capital & Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| **Result** | | | | | | |
| Segment result | (17,788,040) | (13,061,065) | 12,273,126 | (913,968) | - | (19,489,947) |
| Interest expenses | (8,423,105) | (4,649,035) | (3,530,793) | (7,380) | - | (16,610,313) |
| Interest revenue | 5,598 | 165,054 | 7,940 | 28,366 | - | 206,958 |
| Waiver of redeemable bonds | 85,000,000 | - | - | - | - | 85,000,000 |
| Share of results of associated companies | - | 94,190 | - | - | - | 94,190 |
| Taxation | | | | | | 5,448,458 |
| Profit for the year | | | | | | 54,649,346 |
| Minority interest | | | | | | - |
| Profit attributable to shareholders | | | | | | 54,649,346 |
| **Other information** | | | | | | |
| Segment Assets | 91,895,030 | 1,349,090,411 | 364,640,485 | 6,495,434 | - | 1,812,121,360 |
| Amount owing by associated companies | - | 24,580,620 | - | - | - | 24,580,620 |
| Interest in associated companies | - | 2,378,960 | - | - | - | 2,378,960 |
| Unallocated corporate assets | | | | | | 20,461,254 |
| Consolidated total assets | | | | | | 1,859,542,194 |

# Notes to the Financial Statements

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## 45. SEGMENT INFORMATION - GROUP (Cont'd)

(a) Primary Reporting Format - Major Business Segments (Cont'd)

| | Management Services, Venture Capital & Investment Holding & Others RM | Property Development & Construction RM | Leisure & Tourism RM | Trading RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| Segment liabilities | 25,966,501 | 150,915,771 | 23,629,044 | 3,159,797 | - | 203,671,113 |
| Taxation | 2,987,008 | 150,345,921 | 6,696,468 | 38,728 | - | 160,068,125 |
| Deferred taxation | 350,000 | 114,687,297 | 10,203,900 | - | - | 125,241,197 |
| Unallocated corporate liabilities | | | | | | 497,349,475 |
| Consolidated total liabilities | | | | | | 986,329,910 |
| Capital expenditure | 548,155 | 413,601 | 6,617,261 | 3,180 | - | 7,582,197 |
| Depreciation of property, plant and equipment | 429,750 | 666,636 | 10,679,076 | 91,989 | - | 11,867,451 |
| **Significant non-cash expenses other than depreciation** | | | | | | |
| Property, plant and equipment written-off | 10,510 | 16,200 | 64,584 | 152 | - | 91,446 |
| Amortisation of prepaid land lease payments | 59,410 | 1,442,580 | 30,276 | - | - | 1,532,266 |
| Bad debts written-off | - | 164,642 | 320,229 | - | - | 484,871 |
| Allowance for doubtful debts | - | - | 174,137 | - | - | 174,137 |
| Goodwill written-off | 8,343,394 | - | - | - | - | 8,343,394 |
| Amortisation of upfront fee | 500,021 | - | - | - | - | 500,021 |
| Loss on disposal of property, plant and equipment | - | 3,601 | 38,677 | - | - | 42,278 |

Inter-segment revenue which are eliminated upon consolidation, are entered in the ordinary course of business and have been established under terms mutually agreed between the parties concerned.

## 45. SEGMENT INFORMATION - GROUP (Cont'd)

(b) Secondary Reporting Format - Geographical Segments

| | Malaysia RM | Asia Pacific RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|
| **2008** | | | | |
| Total revenue from external customers | 154,525,417 | 17,948,244 | - | 172,473,661 |
| Segments assets | 1,763,935,868 | 7,581,255 | - | 1,771,517,123 |
| Amount owing by associated companies | 24,584,392 | - | - | 24,584,392 |
| Interest in associated companies | 2,678,604 | - | - | 2,678,604 |
| Unallocated corporate assets | | | | 25,344,330 |
| Consolidated total assets | | | | 1,824,124,449 |
| Capital expenditure | 51,771,939 | - | - | 51,771,939 |
| **2007** | | | | |
| Total revenue from external customers | 124,959,256 | 18,664,089 | - | 143,623,345 |
| Segments assets | 1,805,625,926 | 6,495,434 | - | 1,812,121,360 |
| Amount owing by associated companies | 24,580,620 | - | - | 24,580,620 |
| Interest in associated companies | 2,378,960 | - | - | 2,378,960 |
| Unallocated corporate assets | | | | 20,461,254 |
| Consolidated total assets | | | | 1,859,542,194 |
| Capital expenditure | 7,579,017 | 3,180 | - | 7,582,197 |

All inter-segment revenue comprises inter-segment sales which were priced at cost plus a percentage profit mark-up.

## 46. MATERIAL LITIGATIONS

### Group

(i) A minority shareholder of a subsidiary company, FTT, has presented a legal petition against FTT, the Company and a director of the Company ("Respondents") to wind-up FTT pursuant to Section 181 of the Companies Act, 1965, on allegation that the affairs of FTT were being conducted in a manner oppressive to him and in a manner oppressive to him and in disregard of his interest as shareholder.

On 7 May 2008, the Learned Judge maintained that she had the discretion of how the trial should proceed and directed that the Respondent's witnesses be called first and has set the trial date on 27 and 28 August 2008.

No provision has been made for possible losses arising from the above legal proceedings as the legal proceedings are still in process.

# Notes to the Financial Statements

31 MARCH 2008

## 46. MATERIAL LITIGATIONS (Cont'd)

(ii) The PT Bank Mandiri (Persero) Tbk, Singapore branch ("the Petitioner") has presented a winding up petition ("the Petition") against the Company. Whereby the Company is a corporate guarantor for the loan granted to Sunnyland Industries Ltd., a wholly-owned subsidiary company of the Company. The subject amount being claimed is USD5,357,151/-inclusive of interest.

The Company disputed the debts and commenced proceedings against the Petitioner in the High Court of Kota Kinabalu ("the Suit"), however, the Suit was set aside on the ground that the jurisdiction to try the Suit lies more properly with the Singapore Court, however, the Company had filed an appeal to the Court of Appeal against the decision to set aside the service on the Petitioner of the Writ of Summons for the Suit. Currently, the Company's solicitors are seeking a postponement on the hearing of the Petition and have filed an Affidavit in Opposition.

High Court of Sabah and Sarawak at Kota Kinabalu had on 20 June 2007 dismissed the Winding-up Petition filed by the Petitioner with costs and further ordered that the said Petitioner pay damages to be assessed to the Company.

No provision has been made for possible losses arising from the above legal proceedings as it has been fully accounted for in the Group's financial statements, although the amount is being disputed.

## 47. CONTINGENT LIABILITIES – UNSECURED

| | Company | |
|---|---|---|
| | 2008<br>RM | 2007<br>RM |
| Corporate guarantee given by the Company to financial institutions and third parties for banking and outstanding credit facilities of the following subsidiary companies:- | | |
| - Hartamas Group Berhad | 285,000,000 | 300,000,000 |
| - Dapan Holdings Sdn. Bhd. | 34,919,001 | 34,716,200 |
| - First Travel & Tours (M) Sdn. Bhd. | - | 1,500,000 |
| - Scanply International Wood Products (Singapore) Pte. Ltd. | 1,098,858 | 147,400 |
| - Composites Technology Development Corporation Sdn. Bhd. | 3,537,496 | 3,546,900 |
| - Karambunai Golf Management Berhad | - | 800,100 |
| - Sunnyland Industries Ltd. | 18,133,000 | 18,133,000 |
| | 342,688,355 | 358,843,600 |

## 48. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Group's normal course of business are as follows:-

**i. Foreign Exchange Risk**

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currencies. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

**ii. Interest Rate Risk**

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities.

- Interest bearing financial assets
  Cash on deposits with licensed banks are short term in nature and are not held for speculative purposes but are placed to satisfy conditions for bank guarantee and borrowing facilities granted to the Group and for better yield returns than cash at banks.

- Interest bearing financial liabilities
  Interest bearing financial liabilities included bank overdrafts, term loans, bridging loan, revolving credits, bills payable, promissory note and hire purchase and lease payables.

The Group manages its interest exposure by maintaining of prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

**iii. Credit Risk**

The Group's exposure to credit risk arises from its receivable and the maximum risk associated with the recognised financial assets is the carrying amounts as presented in the balance sheet.

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.

The Group does not have any significant exposure to any individual customer.

**iv. Liquidity and Cash Flow Risks**

The Group actively manages its operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

As part of overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

# Notes to the Financial Statements

31 MARCH 2008

**48. FINANCIAL INSTRUMENTS** (Cont'd)

**(b) Fair Values**

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:-

**i. Cash Deposits with Licensed Banks, Cash And Cash Equivalents**
The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets.

**ii. Long Term Payables**
The carrying amount of long term payables is reasonable estimate of fair values because they are based on agreed settlement sum.

**iii. Trade and Other Receivables and Payables**
The carrying amounts of trade receivables and payables are subject to normal trade credit terms. The carrying amounts of these receivables and payables are reasonable estimate of fair values due to the relatively short term maturities of these financial assets and liabilities.

**iv. Lease and Hire Purchase Payables**
The fair values of lease and hire purchase are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangement.

**v. Borrowings**
The carrying amounts of bank overdrafts, bridging loan, revolving credit and bills payable approximate fair values due to the relatively short term maturities of these financial liabilities.

The fair values of term loans and promissory note are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

## 48. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Fair Values (Cont'd)

#### v. Borrowings (Cont'd)

The carrying amounts of financial assets and liabilities recognised in the balance sheet approximate to their fair values except for the following:-

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying Amount RM | Fair Values RM | Carrying Amount RM | Fair Values RM |
| **2008** | | | | |
| **Financial Asset** | | | | |
| Other investment | 522,001 | # - | 310,000 | # - |
| **Financial Liabilities** | | | | |
| Term loans | 341,589,659 | 382,467,895 | - | - |
| Promissory note | 138,173,973 | 144,480,669 | 138,173,973 | - |
| Hire purchase and lease payables | 5,306,886 | 5,340,885 | - | - |
| **2007** | | | | |
| **Financial Asset** | | | | |
| Other investment | 522,001 | # - | 310,000 | # - |
| **Financial Liabilities** | | | | |
| Term loans | 353,635,871 | 304,576,805 | - | - |
| Promissory note | 131,638,356 | 129,143,721 | 131,638,356 | 129,143,721 |
| Hire purchase and lease payables | 4,964,833 | 4,959,373 | 34,950 | 34,690 |

# It is not practical to estimate the fair value of golf club membership and unquoted shares in other investments due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The nominal amount and fair value of financial instruments not recognised in the Company's balance sheets are as follows:-

| | Nominal Value RM | Fair Values RM |
|---|---|---|
| **2008** | | |
| Contingent liabilities | 342,688,355 | # - |
| **2007** | | |
| Contingent liabilities | 358,843,600 | # - |

# It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

# Group Properties

31 MARCH 2008

| Location | Area (Hectares) | Description | Tenure | Year of Expiry | Age of Building | Carrying Value RM'000 |
|---|---|---|---|---|---|---|
| CL. 045091174<br>Mukim Menggatal<br>Kota Kinabalu<br>Sabah | 242.81 | Resort Development | Leasehold: 999 years | 2897 | – | 819,905 |
| CL. 045091174<br>Mukim Menggatal<br>Kota Kinabalu<br>Sabah | 420.80 | Resort Development | Leased: 99 years | 2093 | – | 293,173 |
| Lots P.T. 2180<br>2181 & 2182<br>Mukim of Dengkil<br>District of Sepang<br>Selangor | 551.59 | Resort Development | Leasehold: 99 years | 2087 | – | 375,356 |
| H.S. (D) 38228<br>Lot P.T. 6<br>Mukim Ampang<br>District of Ulu Langat<br>Selangor | 0.05 | Mixed Development | Leasehold: 99 years | 2078 | – | 767 |
| Country Lease<br>No. 015414972<br>Mile 13 Tuaran Road<br>District of Kota Kinabalu<br>Sabah | 116.41 | Mixed Development | Leasehold: 999 years | 2905 | – | 35,704 |
| Lot No.4, Section 36<br>Town of Petaling Jaya<br>Selangor | 0.82 | Four storey office/ showroom building and annexed factory | Leasehold: 99 years | 2060 | 10 years | 4,835 |
| H.S. (M) 808<br>813 & 814<br>Lots P.T. 6032 - 35,<br>6037 & 6038, 6040 & 6041<br>Mukim Batu Berendam<br>Melaka | 21.34 | Mixed Development | Leasehold: 99 years | 2095 | – | 5,211 |

# Shareholders' Information

AS AT 31 MARCH 2008

| | | |
|---|---|---|
| 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 | 395 | 0.654% | 15,940 | 0.001% |
| 100 -1,000 | 11,917 | 19.743% | 11,655,564 | 0.574% |
| 1,001 - 10,000 | 35,977 | 59.603% | 167,485,489 | 8.250% |
| 10,001 - 100,000 | 10,843 | 17.964% | 340,946,289 | 16.795% |
| 100,001 to less than 5% of issued shares | 1,226 | 2.031% | 618,833,915 | 30.484% |
| 5% and above of issued shares | 3 | 0.005% | 891,122,483 | 43.896% |
| **TOTAL** | **60,361** | **100.000%** | **2,030,059,680** | **100.000%** |

## TOP THIRTY SHAREHOLDERS AS AT 31 JULY, 2008

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chen Lip Keong | 483,794,566 | 23.832% |
| 2. | HSBC Nominees (Tempatan) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (Chen Lip Keong) | 253,481,763 | 12.486% |
| 3. | Chen Lip Keong | 153,846,154 | 7.578% |
| 4. | Quah Choo Chunn | 21,254,100 | 1.047% |
| 5. | AIBB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Batu Bara Resources Incorporation Sdn Bhd | 20,586,900 | 1.014% |
| 6. | Thzew Bee Choo | 14,224,000 | 0.701% |
| 7. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt an for OCBC Securities Pte Ltd | 14,014,266 | 0.690% |
| 8. | HSBC Nominees (Asing) Sdn Bhd<br>HSBC-FS for Asian Emerging Countries Fund | 13,839,000 | 0.682% |
| 9. | Lee Chin Yong | 10,210,700 | 0.503% |
| 10. | HDM Nominees (Asing) Sdn Bhd<br>DBS Vickers Secs (S) Pte Ltd for River Estates Incorporated | 10,000,000 | 0.493% |
| 11. | CIMSEC Nominees (Asing) Sdn Bhd<br>Exempt an for CIMB-GK Securities Pte Ltd | 8,226,313 | 0.405% |
| 12. | TCL Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ng Chai Hock | 7,065,000 | 0.348% |
| 13. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Fund | 6,839,800 | 0.337% |
| 14. | Teh Hean It | 6,686,700 | 0.329% |
| 15. | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chung Kin Chuan | 6,000,000 | 0.296% |
| 16. | Yeoh Kean Hua | 5,600,000 | 0.276% |

# Shareholders' Information

AS AT 31 MARCH 2008

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 17. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Small Cap Series | 5,564,900 | 0.274% |
| 18. | Mayban Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Khoo Beng Chuan | 5,535,100 | 0.273% |
| 19. | Ng Chee Peng | 5,455,000 | 0.269% |
| 20. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Uni. Asia Life Assurance Berhad (Life Fund) | 5,260,300 | 0.259% |
| 21. | Lim Lee Seng | 4,950,000 | 0.244% |
| 22. | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for H'ng Siew Tuan | 4,676,400 | 0.230% |
| 23. | Quantum Symbol Sdn Bhd | 4,650,000 | 0.229% |
| 24. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Dimensional Funds II PLC | 4,133,500 | 0.204% |
| 25. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt an for Mellon Bank (Mellon) | 3,988,700 | 0.196% |
| 26. | HLG Nominees (Asing) Sdn Bhd<br>Exempt an for UOB Kay Hian Pte Ltd (A/c Clients) | 3,964,028 | 0.195% |
| 27. | Lembaga Tabung Angkatan Tentera | 3,619,000 | 0.178% |
| 28. | Lim Kim Hock | 3,500,000 | 0.172% |
| 29. | Song Phaik Gim | 3,250,000 | 0.160% |
| 30. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (Singapore) | 3,050,000 | 0.150% |
| | TOTAL | 1,097,266,190 | 54.051% |

**SUBSTANTIAL SHAREHOLDINGS**
**REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 JULY, 2008**

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

Note :

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

# Directors' Shareholdings

AS AT 31 MARCH 2008

| Name of Directors | Number of Shares Direct | Deemed | Percentage Of Issued Capital |
|---|---|---|---|
| 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 Datuk Wan Kassim bin Ahmed | - | - | - |
| 4. Datuk Robin Loh Hoon Loi | - | - | - |
| 5. Chen Yiy Fon | - | - | - |
| 6. Tuan Haji Zainal Abidin bin Ali | - | - | - |
| 7. Leow Ming Fong @ Leow Min Fong | - | - | - |
| 8. Chen Yiy Hwuan | - | - | - |

Notes :

(a) Held through CIMB Group Nominees (Tempatan) Sdn Bhd, OSK Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.

# Annexure A

**Annexure A**

**LETTER OF NOMINATION**

Mr David Wan Young Yin
No. 4, Mt. Zion
Jalan Kolam, Luyang
88300 Kota Kinabalu
Sabah.

25 August 2008

The Board of Directors
**Karambunai Corp Bhd**
No. 1, Nexus Drive East
Karambunai, Menggatal
88450 Kota Kinabalu
Sabah.

Dear Sirs,

**RE: NOTICE OF NOMINATION OF MESSRS MOORE STEPHENS AC**

I, David Wan Young Yin, a member of Karambunai Corp Bhd, hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs Moore Stephens AC as auditors of the Company in place of the retiring auditors, Messrs Moore Stephens.

Yours faithfully,

.........................................
DAVID WAN YOUNG YIN

# Request Form

KARAMBUNAI CORP BHD (6461-P)

**Dear Shareholders,**

Please complete your particulars below and return this form through mail or fax to +6088 412 111 or +603 7958 8013 should you wish to receive a hardcopy of the Annual Report 2008 of Karambunai Corp Bhd. You may also contact Mr Goh Chin Koon at Tel No. +603 7968 1222 or Ms Joanne Yew at Tel No. +6088 411 111 / 499 934 or email your request to joanneyew@karambunaicorp.com

The hardcopy of the Annual Report will be posted to you within four (4) market days from the date of receipt of your verbal or written request.

**Particulars of Shareholders**

| | |
|---|---|
| Name of shareholder | |
| I/C No./Passport No.<br>or Company No. | |
| CDS Account No. | |
| Correspondence Address | |
| | |
| | |
| | |
| | |
| Telephone Number | |

Dated this____________________day of____________________, 2008

______________________________

Signature

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AFFIX
STAMP
HERE

THE COMPANY SECRETARIES

**KARAMBUNAI CORP BHD**
1 Nexus Drive East, Karambunai
PPM No. 200, Menggatal
88450 Kota Kinabalu
Sabah, Malaysia

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# Proxy Porm

KARAMBUNAI CORP BHD (6461-P)

| 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-Second Annual General Meeting of the Company to be held at the Balingoi, Nexus Resort Karambunai, off Jalan Sepangar, No. 1, Nexus Drive West, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia on Thursday, 25 September 2008 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. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| No. 1 | Adoption of Audited Financial Statements and Reports | | |
| No. 2 | Approval of Directors' fees | | |
| No. 3 | Re-election of Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Shiekh Fadzir as Director | | |
| No. 4 | Re-election of Tan Sri Dr Chen Lip Keong as Director | | |
| No. 5 | Re-election of Datuk Wan Kassim Bin Ahmed as Director | | |
| No. 6 | Retirement of Messrs Moore Stephens and appointment of Messrs Moore Stephens AC as Auditors | | |
| No. 7 | Authority pursuant to Section 132D of the Companies Act, 1965 | | |

Signed this ______________ day of ______________, 2008

______________________ 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 specified 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 appointor or his attorney duly authorised in writing, or if such appointor 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. 1, Nexus Drive East, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.

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AFFIX
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HERE

THE COMPANY SECRETARIES

**KARAMBUNAI CORP BHD**
1 Nexus Drive East, Karambunai
PPM No. 200, Menggatal
88450 Kota Kinabalu
Sabah, Malaysia

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Karambunai Corp Bhd 6461-P
**No 1, Nexus Drive East**
**Karambunai, Menggatal**
**88450 Kota Kinabalu**
**Sabah, Malaysia**

**Tel: +6088-411 111  Fax: +6088-412 111**
**e mail: joanneyew@karambunaicorp.com**

www.karambunaicorp.com

Nexus Resort Karambunai Sdn Bhd 130571-M
**1, Nexus Drive West**
**Karambunai, Off Jalan Sepangar**
**Locked Bag 100**
**88993 Kota Kinabalu**
**Sabah, Malaysia**

**Tel: +6088-411 222  Fax: +6088-412 020**
**e mail: info@nexusresort.com**

www.nexusresort.com