MKH




# MKH BERHAD

(50948-T)

# ANNUAL REPORT 2012

# contents

# Notice of Thirty-Third Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Third Annual General Meeting ("33rd AGM") of MKH Berhad will be held at Ballroom, First Floor, Prescott Metro Inn, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Tuesday, 5 February 2013 at 10.00 a.m. to transact the following businesses:

**Ordinary Business:**

1. To receive the Audited Financial Statements for the financial year ended 30 September 2012 together with the Directors' and Auditors' reports thereon. **(Please refer to Explanatory Note A)**

2. To approve Directors' fees amounting to RM120,000-00 for the financial year ended 30 September 2012. **(Ordinary Resolution 1)**

3. To approve a Final Dividend of 5.0 sen less 25% Malaysian Income Tax per ordinary share of RM1.00 each for the financial year ended 30 September 2012. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire by rotation pursuant to Article 110(1) of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Datuk Chen Lok Loi **(Ordinary Resolution 3)**
   (b) Mohammed Chudi Bin Haji Ghazali **(Ordinary Resolution 4)**

5. To re-appoint the following Directors who retire pursuant to Section 129(2) of the Companies Act, 1965:-

   (a) Haji Mohamed Bin Ismail **(Ordinary Resolution 5)**
   (b) Haji Othman Bin Sonoh **(Ordinary Resolution 6)**

6. To re-appoint Messrs Baker Tilly AC as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

**Special Business:**

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

7. Ordinary Resolution
   *Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965.*

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares of the Company at any time until the conclusion of the next Annual General Meeting of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 per centum of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad." **(Ordinary Resolution 8)**

# Notice of Thirty-Third Annual General Meeting
(continued)

8. Ordinary Resolution
*Proposed Renewal Of Authority For The Company To Purchase Its Own Shares (“Proposed Renewal Of Share Buy-Back”)*

“**THAT** subject to Section 67A of the Companies Act, 1965, provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Directors of the Company be and are hereby authorised to exercise the power of the Company to purchase such amount of ordinary shares in the Company from time to time through Bursa Securities subject further to the following:

(i) the aggregate number of shares purchased does not exceed 10% of the total issued and paid-up share capital of the Company (“Purchased Shares”) at the point of purchase;

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing the Purchased Shares shall not exceed the total retained profits and share premium account of the Company at the time of the purchase(s); and

(iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:
(a) the conclusion of the next Annual General Meeting (“AGM”) of the Company unless the authority is renewed subject to conditions; or
(b) the expiration of the period within which the next AGM after that date is required by law to be held; or
(c) it is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first,

(iv) upon the completion of the purchase(s) of the Purchased Shares, the Directors of the Company be and are hereby authorised to deal with the Purchased Shares in the following manner:-
(a) to cancel the Purchased Shares so purchased; or
(b) to retain the Purchased Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; or
(c) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or
(d) to deal in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

**AND THAT** the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalize and give full effect to the Proposed Renewal of Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company.” **(Ordinary Resolution 9)**

# Notice of Thirty-Third Annual General Meeting
(continued)

9. Ordinary Resolution
*Retention of Independent Directors*

(a) "**THAT** subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Mohammed Chudi Bin Haji Ghazali, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 10)**

(b) "**THAT** subject to the passing of Ordinary Resolution 6, approval be and is hereby given to Haji Othman Bin Sonoh, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 11)**

**Any Other Business:**

10. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT** a Final Dividend of 5.0 sen less 25% Malaysian Income Tax per ordinary share of RM1.00 each in respect of the financial year ended 30 September 2012, if approved by the members, will be paid on 5 March 2013 to Depositors registered in the Record of Depositors at the close of business on 21 February 2013.

A Depositor shall qualify for entitlement only in respect of:

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 21 February 2013 in respect of ordinary transfers; and

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

By Order of the Board,

**TAN WAN SAN** (MIA 10195)
*Group Company Secretary*
*Kajang, Selangor Darul Ehsan*
*Date : 10 January 2013*

# Notice of Thirty-Third Annual General Meeting

(continued)

***Notes:***

1. *A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or attorney or duly authorised representative may but need not be a member of the Company.*

2. *The power of attorney or an office copy or a notarially certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. If the appointor is a corporation, it must be executed under its common seal or in the manner authorised by its constitution.*

3. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*

4. *If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

5. *Only members whose names appear in the Record of Depositors as at 29 January 2013 will be entitled to attend and vote at the meeting or appoint a proxy or proxies to attend and vote in his/ her stead.*

6. *The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or an office copy or a notarially certified copy thereof must be deposited at the registered office at Suite 1, 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan, at least 48 hours before the time appointed for holding the meeting.*

7. ***Explanatory Note A***

   *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the audited financial statements. As such, this item is not put forward for voting.*

8. ***Explanatory Statement Pertaining to Ordinary Business***

   ***Ordinary Resolutions 5 & 6***

   *The proposed Ordinary Resolutions 5 & 6 under item 5 is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Haji Mohamed Bin Ismail and Haji Othman Bin Sonoh who are over 70 years of age as Directors of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This resolution must be passed by a majority of not less than three-fourth of such Members of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the Annual General Meeting ("AGM") of the Company.*

   ***Ordinary Resolution 7***

   *The Company's auditor, Moore Stephens AC has merged with Baker Tilly Monteiro Heng and is now known as Baker Tilly AC.*

# Notice of Thirty-Third Annual General Meeting
(continued)

9. ***Explanatory Statement Pertaining to Special Business***

***Ordinary Resolution 8***

The proposed Ordinary Resolution 8, if passed, will give the Directors authority to issue and allot new shares of the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion consider to be in the best interest of the Company, without having to convene a general meeting, provided that the aggregate number of shares issued pursuant thereto does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Thirty-Second ($32^{nd}$) AGM held on 2 March 2012. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible future bonus issue and/or fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

As at the date of this Notice, 26,458,525 new ordinary shares of RM1.00 in the Company were issued on 22 May 2012 by way of bonus issue and listed on the Bursa Securities on 23 May 2012 pursuant to the last mandate granted to the Directors at the 32nd AGM which will lapse at the conclusion of the 33rd AGM to be held on Tuesday, 5 February 2013.

***Ordinary Resolution 9***

The proposed Ordinary Resolution 9, if passed, will give authority to the Directors of the Company to exercise the power of the Company to purchase up to 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.

The detailed information on the Proposed Renewal of Share Buy-Back is set out in the Statement to Shareholders dated 10 January 2013 which is dispatched together with the Annual Report 2012.

***Ordinary Resolutions 10 and 11***

The Nomination Committee has assessed the independence of the following Directors, who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

***Ordinary Resolution 10: Mohammed Chudi Bin Haji Ghazali***

i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.
ii) His vast experience in the banking industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
iii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the management.

# Notice of Thirty-Third Annual General Meeting
(continued)

***Ordinary Resolution 11: Haji Othman Bin Sonoh***

i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.
ii) His vast experience in the civil servant enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
iii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the management.

# Statement Accompanying Notice of Thirty-Third Annual General Meeting
(Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors who are standing for re-election and re-appointment at the 33rd AGM of MKH Berhad are as follows:-

   (a) Datuk Chen Lok Loi (Ordinary Resolution 3)
   (b) Mohammed Chudi Bin Haji Ghazali (Ordinary Resolution 4)
   (c) Haji Mohamed Bin Ismail (Ordinary Resolution 5)
   (d) Haji Othman Bin Sonoh (Ordinary Resolution 6)

2. The profiles of the Directors who are standing for re-election/re-appointment are set out on pages 16 and 17 of the Annual Report.

3. The information relating to the shareholding of the above directors in the Company and its related corporation are set out on page 170 of this Annual Report.

# Corporate Information

## BOARD OF DIRECTORS

**Y. Bhg. Dato' Chen Kooi Chiew @ Cheng Ngi Chong**
*Executive Chairman*

**Y. Bhg. Datuk Chen Lok Loi**
*Managing Director*

**Chen Fook Wah**
*Deputy Managing Director*

**Mah Swee Buoy**
*Executive Director*

**Haji Othman Bin Sonoh**
*Independent Non-Executive Director*

**Mohammed Chudi Bin Haji Ghazali**
*Senior Independent Non-Executive Director*

**Haji Mohamed Bin Ismail**
*Independent Non-Executive Director*

**Jeffrey Bin Bosra**
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Jeffrey Bin Bosra (Chairman)
Mohammed Chudi Bin Haji Ghazali (Member)
Haji Mohamed Bin Ismail (Member)

## NOMINATION COMMITTEE

Mohammed Chudi Bin Haji Ghazali (Chairman)
Haji Othman Bin Sonoh (Member)
Haji Mohamed Bin Ismail (Member)

## REMUNERATION COMMITTEE

Haji Mohamed Bin Ismail (Chairman)
Jeffrey Bin Bosra (Member)
Mah Swee Buoy (Member)

## CHIEF OPERATING OFFICER

Mah Swee Buoy

## GROUP COMPANY SECRETARY

Tan Wan San (MIA 10195)

## EXTERNAL AUDITORS

Baker Tilly AC (AF 001826)
Baker Tilly MH Tower, Level 10
Tower 1, Avenue 5, Bangsar South City
59200 Kuala Lumpur
Tel No : (603) 2297 1000
Fax No: (603) 2282 9980

## INTERNAL AUDITORS

KPMG Management & Risk Consulting Sdn Bhd (formerly known as KPMG Business Advisory Sdn Bhd)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel No: (603) 7721 3388
Fax No: (603) 7721 3399

## PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
Industrial And Commercial Bank Of China (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
RHB Bank (L) Ltd
United Overseas Bank (Malaysia) Berhad

## REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No : (603) 2264 3883
Fax No : (603) 2282 1886

## REGISTERED OFFICE

Suite 1, 5th Floor
Wisma MKH, Jalan Semenyih
43000 Kajang
Selangor Darul Ehsan
Tel No : (603) 8737 8228
Fax No : (603) 8736 5436

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : MKH
Stock No : 6114

## CORPORATE WEBSITE

www.mkhberhad.com

# Chairman's Statement and Operational Review

On behalf of the Board of MKH Berhad ("the Company" or "the Group"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended ("FYE") 30 September 2012.

## OVERVIEW

Amidst the challenging global environment, the Malaysian economy recorded a growth of 5.2% in the third quarter of 2012 ("3Q 12") (2Q 12: 5.6%) (1Q 12: 4.9%). Growth was driven by a continued robust expansion in domestic demand. Domestic demand expanded by 11.4% in 3Q 12 supported by the favourable performance of private consumption and investment activities by both the private and public sectors.

Gross fixed capital formation grew by 22.7% in the third quarter, supported by capital spending by both the private and public sectors in transportation, infrastructure, real estate and utilities sub-sectors and the on-going implementation of projects in the oil and gas sector.

In the construction sector, growth remained robust in 3Q 12 of 18.3%, driven by the civil engineering sub-sector. The pickup in progress of newer projects namely the Klang Valley Mass Rapid Transit ("MRT") covering Sungai Buloh – Kajang route and Greater Kuala Lumpur/ Klang Valley ("GKL/ KV") to house one million residents by 2020 have supported the growth of the residential and non-residential sub-sectors through the implementation of the Economic Transformation Programme ("ETP").

The Malaysian economy is projected to be on track to achieve the 4.5% to 5.0% official growth target for 2012. The monetary policy by Bank Negara remained supportive of economic activities with the Overnight Policy Rate ("OPR") remain unchanged at 3.0%.

On the property front, demand for affordable homes and well-planned, high-end developments in the Klang Valley remained strong and is expected to receive a boost from the ongoing Economic Transformation Programme such as Greater Kuala Lumpur/ Klang Valley development and the first MRT line between Sungai Buloh and Kajang.

The palm-oil industry remained resilient although the crude palm oil ("CPO") price has reduced from an average high of about RM3,500 per tonne to about RM2,300 to RM2,500 per tonne currently, which is a more sustainable price in the longer term.

# Chairman's Statement and Operational Review
(continued)

## FINANCIAL REVIEW

Despite the challenging environment, the Group recorded total revenue of RM555.9 million from both the continuing operations of RM545.3 million and the discontinued operations of RM10.6 million, representing an increase of RM213.9 million or approximately 62.5% as compared to the total revenue for the financial year ended 30 September 2011

("FYE 2011") of RM342.0 million. The increase in the revenue was mainly attributed to the higher sales netted by the property and construction division, trading division, and new sales netted by the plantation division, which contributed approximately 70.3%, 11.3% and 8.1% respectively to the Group's total revenue for FYE 30 September 2012.

The Group registered a 112% increase in profit before tax of RM100.1 million for the current year as compared to the FYE 2011 of RM47.2 million due to higher percentage of sales and profits recognition of on-going and new projects namely, Hill Park 2, Pelangi Semenyih 2, Kajang 2, Saville @ Melawati and Sentosa Heights, from the property and construction division and a turnaround from a loss before tax position to a profit before tax position by the plantation division as a result of the increase in sales and gross profit of CPO from both matured and immatured palms.

The Group's profit after tax increased by 92.8% to RM72.7 million compared to RM37.7 million in the FYE 2011.

For FYE 30 September 2012, the Group has locked-in RM400.0 million of unbilled sales of which the sales revenue and profits will be recognised progressively in tandem with the development's percentage of completion.

The Net Assets per share is RM2.66 for the financial year under review and in the same period, the Group's gearing ratio has increased from 51% to 65% resulting from the Group's funding of its oil palm plantation in East Kalimantan, Indonesia.

The Board's relentless effort in enhancing value for its shareholders has set a track record of continuous profit since commencing business more than twenty-four years ago.

The property development and construction division remains the major contributor to the Group's operating revenue and profit in the current year.

# Chairman's Statement and Operational Review

(continued)

## PROPERTY DEVELOPMENT AND CONSTRUCTION

For the purpose of segmental reporting, the construction division has been combined with the property development division to form a reportable segment since a major part of the construction's revenue is derived from internal development projects.

The Group's property development and construction division profit before tax has jumped close to two-folds from the FYE 2011 of RM31.4 million to RM84.6 million for the current year.

The Sentosa Heights in Kajang project has sold over 59% of its units while Areca Residence in Kepong, a joint-venture project has garnered a take-up rate of 95% since their launch in July and November 2010, respectively. Both are high-end project comprising mostly semi-detached and bungalow units.

Pelangi Semenyih 2, an integrated township project launched in September 2010 set to continue to perform well with over 76% of the units snapped up as at to-date.

The Saville @ Melawati project comprising 408 units of service apartment and 24 units of strata shop office in Taman Melawati, Kuala Lumpur recorded a take-up rate of 86% since its launch in November 2010.

Another major integrated township project, Kajang 2, sold over 68% of its units since its launch in December 2010.

The Saville @ the Park, a joint-venture project comprising 408 units of service apartment and 18 units of 2½ storey town villas semi-detached units in Bangsar, Kuala Lumpur has garnered a take-up rate of more than 50% since its launch in March 2012.

Demand for the Group's Hill Park 2 project experienced a very strong demand with 96% of its units sold since its launch in January 2011. This medium-end project offers 399 units comprising mostly double storey link houses and semi-detached.

The maiden launch of the Group's Pelangi Seri Alam project mixed residential and commercial development in Puncak Alam, Shah Alam has garnered a good take out rate of more than 65%.

The Board is confident that its property development and construction division will achieve satisfactory results for the financial year ending 30 September 2013.

## HOTEL AND PROPERTY INVESTMENT

The Group's asset under the management of the hotel and property division comprised two shopping complexes; a 3-Star hotel-cum-office block; four parcels of commercial land leased to two hypermarkets and two leading fast-food restaurants in Kajang and Semenyih; and four units of stratified office lots with 125 car park bay. In year 2003, the Group outsourced the administration of the hotel to a management company to enable itself to focus on the core business.

The five-storey Plaza Metro Kajang shopping complex strategically located in the heart of Kajang town continues to enjoy over 99% occupancy rate (2011: 99%). The Metro Point Complex which started operating in June 2007 has an occupancy rate of 96% (2011: 94%).

# Chairman's Statement and Operational Review

(continued)

This division recorded revenue and profit before tax of RM32.2 million and RM23.7 million for the current year as compared to the FYE 2011 of RM31.8 million and RM20.3 million respectively. The increase in revenue and profit before tax was mainly due to increase in average rental rates, lower operating costs couple with the higher recognition of gain on changes in fair value of certain investment properties by RM3.5 million in the current year as compared to the FYE 2011.

This division is expected to achieve satisfactory results for the financial year ending 30 September 2013.

## LIVESTOCK FARMING, FOOD PROCESSING AND RETAIL

This division recorded revenue and profit before tax of RM10.6 million and RM1.5 million for the three (3) months period ended 31 December 2011 as the Group has completed the disposal of this Non-Halal division on 16 January 2012 with a net gain on disposal of investment in subsidiaries of RM0.6 million. Consequently and subsequent to 16 January 2012, there will be no revenue and operation profit contribution from this division.

## MANUFACTURING

For the financial year under review, the furniture manufacturing subsidiary company in China, Vast Furniture Manufacturing (Kunshan) Co. Ltd. recorded a higher profit before tax of RM1.3 million as compared to the FYE 2011 of RM0.5 million, mainly due to the higher sales order and better cost control measures.

This division is expected to achieve satisfactory results for the financial year ending 30 September 2013.

## TRADING

This division, which is mainly involved in the trading of building material and fixture for the Group's property development project, registered a higher profit before tax of RM4.4 million as compared to the FYE 2011 of RM3.5 million, mainly due to the increase sale of building material to the Group's subcontractors.

This division is expected to achieve satisfactory results for the financial year ending 30 September 2013.

## OIL PALM PLANTATION DIVISION

The Group has in January 2008 acquired about 15,942.60 hectares (39,395 acres) of land in East Kalimantan, Indonesia for oil palm cultivation. Work is progressing well with about 98% of the 15,200 hectares of cultivable land planted with trees as at to-date.

This division's has commenced its CPO production in the current year and recorded a turnaround from the previous year loss before tax position of RM8.7 million to current year profit before tax position of RM66,000-00 which resulted from the increase in sales and gross profit of CPO from both matured and immatured palms.

The oil palm plantation division is expected to contribute positively to the Group's profit before tax for the financial year ending 30 September 2013 and drive the Group's earnings over the years when harvesting activities are peaking.

# Chairman's Statement and Operational Review

(continued)

## DIVIDEND

The Board of Directors has proposed a Final Dividend of 5.0 sen less 25% tax per ordinary share of RM1-00 each for FYE 30 September 2012. (FYE 2011: Final Dividend of 5.0 sen less 25% tax per ordinary share of RM1-00 each).

## PROSPECTS

The Malaysian economy is expected to moderate due to the debt crisis in Europe. Nevertheless, the Malaysian economy is expected to be resilient due to the supportive Government policies and the implementation of projects such as the Tenth Malaysia Plan, ongoing ETP and 1Malaysia Housing Programme with objectives to provide affordable housing for Malaysian in both rural and urban areas, focusing on lower-income groups. Private consumption is expected to remain healthy with the implementation of mega infrastructure projects such as MRT, Tanjung Bin power plant, ongoing major infrastructure and oil and gas projects such as the Kakap project and Sabah-Sarawak Gas pipeline generating significant multiplier effects to the economy. In addition, our country's fundamentals remain sound, backed by large international reserves and a well-capitalised and well-managed banking system.

The Property and Construction Division is expected to expand further with the maiden launch of Pelangi Seri Alam – a mixed development of residential and commercial properties in Puncak Alam at Shah Alam and MKH Boulevard, another mixed development of residential and commercial properties in Kajang town centre, the ongoing township projects of Kajang 2, Hillpark Homes in Kajang, Pelangi Semenyih 2 in Semenyih, Saville @ Melawati Service Apartment project at Desa Melawati and a joint venture residential development project known as Saville @ the Park, Bangsar, Kuala Lumpur.

The Group is subject to certain business and operation risks inherent in the property sector and oil palm plantation industry that include, among others, changes in demand for housing, retail and/or commercial units, shortage of suitable land bank, variation in cost of building materials and fluctuation in crude palm oil ("CPO") price, competition from existing and new producers, changes in weather conditions and foreign exchange translation fluctuation. Nevertheless, the Group has taken steps to mitigate the risk such as strict tender process to ensure that only main contractors with proven track record and adequate financial resources are engaged to undertake construction works, close monitoring of projects, widening customer base, hedging of CPO sales through forward and futures contract and other measures.

Moving forward, the Group will continue to strengthen its position as a developer of choice through innovative and quality home development that caters to the evolving lifestyle. The Group has adopted the Quality Assessment System in Construction ("QLASSIC"), a system offered by the Construction Industry Development Board ("CIDB) to measure and evaluate the quality of a construction work based on the relevant approved standard, in its projects. Our construction division has also been ISO 9001:2000 certified. We will continue to

leverage on the demand for affordable residential units and selected exclusive, lifestyle-themed residential properties at prime locations to ensure continuous growth in our sales and earnings. The Board foresees that affordable homes as well as selected exclusive residential and commercial development at prime locations in the south of Klang Valley such as Kajang, Semenyih and Cyberjaya will continue to attract demand in 2013.

# Chairman's Statement and Operational Review
(continued)

Palm oil being an important commodity for the edible oil and bio fuel industry will continue to have good demand in the global market.

The Board is confident that the Group will achieve satisfactory results for the financial year ending 30 September 2013.

## CORPORATE EXERCISE

The renounceable rights issue of 29,104,378 new ordinary shares of RM1.00 each in MKH Berhad ("MKH") ("MKH Share(s)") ("Rights Share(s)") on the basis of one (1) Rights Share for every ten (10) existing MKH Shares held together with 29,104,378 free detachable Warrants and 29,104,378 Bonus Shares in MKH ("Warrant(s)") on the basis of one (1) Warrant and (1) Bonus Share for every one (1) Rights Share subscribed for at 5.00 p.m. on 10 December 2012 at an issue price of RM1.80 per Rights Share ("Rights Issue with Warrants and Bonus Share"), have received a good subscription rate of 119.63% as at 5.00 p.m. of 26 December 2012. The above Corporate Exercise is targeted to complete by mid January 2013.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR") is an integral part of our business and is firmly embedded in the Group's philosophy and strategy. Our CSR commitment is exemplified by numerous projects that the company organises or supports in the community that we operate in. For more information on how we are advancing sustainable development, please refer to our Corporate Social Responsibility Statement on pages 26 and 27 of the Annual Report.

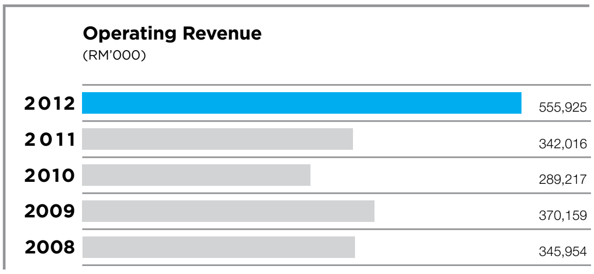
## ACKNOWLEDGEMENT

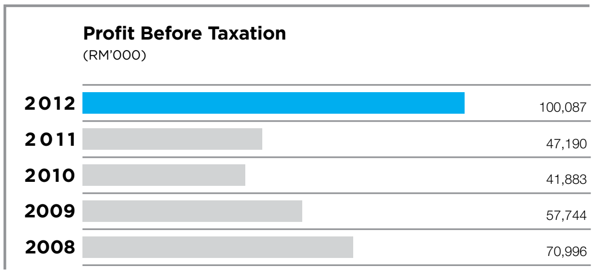
On behalf of the Board of Directors, I would like to extend our sincere appreciation and thanks to our shareholders, valued customers, bankers, business associates and the relevant authorities for their continued support because of their confidence in us. I would also like to extend our heartfelt thanks to the management team and staff for all their hard work during the past year, as well as for their unwavering dedication, loyalty and commitment which have made the success of the Group possible.

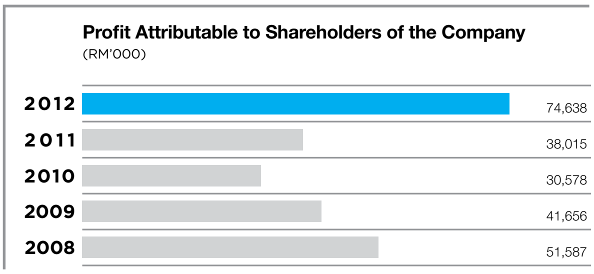

Thank you.

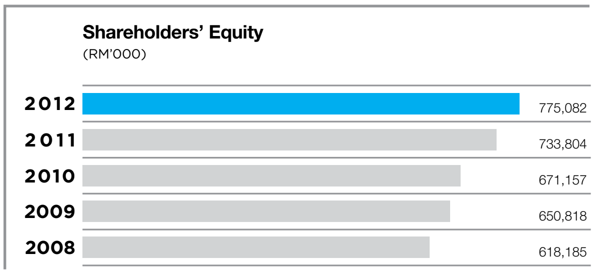
**Dato' Chen Kooi Chiew @ Cheng Ngi Chong**
*Executive Chairman*

# 5 Years Group Financial Highlights




| | | * 2012 RM'000 | * 2011 RM'000 | 2010 RM'000 | 2009 RM'000 | 2008 RM'000 |
|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | |
| | Revenue | **555,925** | 342,016 | 289,217 | 370,159 | 345,954 |
| | Profit Before Taxation | **100,087** | 47,190 | 41,883 | 57,744 | 70,996 |
| | Profit After Taxation | **72,682** | 37,688 | 30,935 | 42,731 | 51,437 |
| | Profit Attributable to Shareholders of the Company | **74,638** | 38,015 | 30,578 | 41,656 | 51,587 |
| **BALANCE SHEET** | | | | | | |
| | Issued and Paid up Capital | **291,044** | 264,585 | 240,532 | 229,078 | 229,078 |
| | Shareholders' Equity | **775,082** | 733,804 | 671,157 | 650,818 | 618,185 |
| **RATIOS** | | | | | | |
| | Dividend per share (sen) | **5.00** | 5.00 | 5.00 | 5.00 | 5.00 |
| @ ^ | Net Earnings per share (sen) | **25.64** | 13.06 | 10.51 | 14.31 | 17.72 |
| ^ | Net Assets per share (RM) | **2.66** | 2.52 | 2.31 | 2.24 | 2.12 |
| | Debt/Equity ratio (%) | **65** | 51 | 35 | 25 | 28 |
| | Return on Shareholders' Equity (%) | **10** | 5 | 5 | 6 | 8 |

* *Represents continuing operations and discontinued operations of the Group.*

@ *Attributable to the equity holders of the Company.*

^ *The preceding years' net earnings per share and net assets per share have been restated to effect the Bonus Issues made in March 2010, March 2011 and May 2012.*

The above information should be read in conjunction with the Group's audited financial statements for the financial year ended 30 September 2012.

# Directors' Profile

### DATO' CHEN KOOI CHIEW @ CHENG NGI CHONG
*Executive Chairman*

**Dato' Chen Kooi Chiew @ Cheng Ngi Chong**, aged 69, a Malaysian, was appointed to the Board on 27 September 1979 and holding the present position as Executive Chairman since 30 October 2006. He is also a member of the Executive Committee. Dato' Chen Kooi Chiew @ Cheng Ngi Chong is also the Chairman of The Merchants Club in Kajang and a member of the Yu Hua School Board. He has been involved in business for about 52 years of which 34 years were in property development and construction industries and 20 years were in plantation sector. He is the brother of Datuk Chen Lok Loi and Mr. Chen Fook Wah. He has no conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are no longer involved in property development business.

### DATUK CHEN LOK LOI
*Managing Director*

**Datuk Chen Lok Loi,** aged 60, a Malaysian, holds a Bachelor of Business Studies (Marketing) from Monash University, Australia. He was appointed to the Board on 31 July 1984 and holding the present position as Managing Director since 19 January 2005. He is also a member of the Executive Committee. He has more than 31 years of experience in property development and construction related businesses.

He is a Patron, Past President of Real Estate and Housing Developers' Association (REHDA) of Malaysia and Chairman of the Board of Trustees of the REHDA Institute and sits on various government-private sector committees that formulate policies governing the housing and real estate industry.

Datuk Chen Lok Loi sits in Pemudah National Task Force and is also a member of the Advisory Board of the Construction Labour Exchange Berhad, Deputy Chairman for Construction and Property Committee in the Association Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), the Honorary Treasurer of the Malaysia Crime Prevention Foundation (MCPF) and served as the Deputy President of Eastern Regional Organisation for Planning & Housing Malaysia (EAROPH) Malaysia Chapter. He is also the President of the Race Walkers' Association of Malaysia (RWAM). Datuk Chen Lok Loi is the brother of Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Mr. Chen Fook Wah. He has no conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are no longer involved in property development business.

### MR. CHEN FOOK WAH
*Deputy Managing Director*

**Mr. Chen Fook Wah**, aged 56, a Malaysian, holds a Master of Business Administration from University of Wales. He was appointed to the Board on 25 November 1999 and holding the present position as Deputy Managing Director since 19 January 2005. He is currently a member of the Executive Committee. He was admitted to the Board of Valuers and Real Estate Agent of Malaysia in 1986. Prior to joining the Group, he was with Guthrie Trading Sdn Bhd from 1973 to 1974 and Hilton Realty from 1975 to 1978. He is the brother of Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Datuk Chen Lok Loi. He has no conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are no longer involved in property development business.

### MS. MAH SWEE BUOY
*Executive Director/Chief Operating Officer*

**Ms. Mah Swee Buoy**, aged 51, a Malaysian, was appointed to the Board on 5 May 2011. She is also a member of the Executive Committee and Remuneration Committee. She started her professional career with Somura Development Sdn Bhd in July 1985. She later joined MKH Berhad in January 1988 as an Accountant. She was promoted to Chief Accountant in 1994 and subsequently promoted to General Manager (Corporate Finance) in 2003. On 19th January 2005, she was appointed as the Chief Operating Officer of MKH Berhad and held the position until today. She does not

# Directors' Profile
(continued)

have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

## HAJI OTHMAN BIN SONOH
*Independent Non-Executive Director*

**Haji Othman Bin Sonoh**, aged 70, a Malaysian, was appointed to the Board on 24 October 1996. He is also a member of the Nomination Committee. He was a civil servant from 1968 to 1993 in various departments including a position in the Ministry of Finance. He is involved in the supply of telecommunication equipment since 1996. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

## EN. MOHAMMED CHUDI BIN HAJI GHAZALI
*Senior Independent Non-Executive Director*

**En. Mohammed Chudi Bin Haji Ghazali**, aged 69, a Malaysian, was appointed to the Board on 19 March 2003. He is also a member of the Audit Committee and Chairman of the Nomination Committee. He was attached to Standard Chartered Bank Malaysia Berhad for 36 years and was a Senior Manager prior to his retirement in 1999. He has attended banking courses conducted at National Westminister Bank Staff College, Oxford and Manchester University Business School. He is currently a Board member of Koperasi Serbaguna Anak-Anak Selangor Berhad. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

## HAJI MOHAMED BIN ISMAIL
*Independent Non-Executive Director*

**Haji Mohamed Bin Ismail**, aged 72, a Malaysian, was appointed to the Board on 18 March 2004. He was appointed as a member of the Audit Committee on 29 August 2012 and is also the Chairman of the Remuneration Committee and a member of the Nomination Committee. He was the State Director of Lembaga Pertubuhan Peladang from 1978 to 1989. He later became the Director General of Lembaga Tembakau Negara ("LTN") from 1990 to 2000 and was the Chairman of LTN from 2001 to 2002. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

## EN. JEFFREY BIN BOSRA
*Independent Non-Executive Director*

**En. Jeffrey Bin Bosra**, aged 44, a Malaysian, was appointed to the Board on 1 August 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. He is currently a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and The Malaysian Institute of Accountants ("MIA"). He started his professional career with Arthur Andersen & Co. focusing on external audits and business advisory works. He later joined an established commercial group as the Finance Manager from 1996 to 2000. He then joined Ernst & Young as the Senior Manager specializing in corporate governance, risk management, internal audits, special investigation and turnaround management related service. Encik Jeffrey Bin Bosra left Ernst & Young in 2004 and started his own audit firm. He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

# Statement on Corporate Governance

The Board of Directors of MKH Berhad ("Board") is pleased to report to stockholders on the manner MKH Berhad ("MKH" or "the Company") and its subsidiaries ("the Group") has applied the Principles, and the extent of compliance with the Recommendations of good governance as set out in the Malaysian Code On Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission, aimed to enhance the effectiveness of corporate governance framework to safeguard the interest of shareholders and other stakeholders as prescribed under Paragraph 15.25 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

The Company and the Group have compiled with the relevant Principles and Recommendations set out in the MCCG 2012 during this transition period. The Board having duly considered the rationale for the said exception as explained in this Annual Report is committed to comply with the Principles and Recommendations of the MCCG 2012.

## THE BOARD OF DIRECTORS

### 1. Composition, Duties and Responsibilities

During the year in review, the Board, led by an experienced Executive Chairman, Dato' Chen Kooi Chiew @ Cheng Ngi Chong was made up of eight (8) members comprising four (4) Executive Directors including the Chairman and Managing Director and four (4) other Non-Executive Directors whom are Independent Directors. The composition of the Board was well balanced, representing both the major and minority shareholders' interests and complied with the Listing Requirements where at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must comprise of Independent Directors.

The Board having reviewed its size and composition is satisfied that its current size and composition is well balanced, with diverse professional background, skills, expertise and knowledge in discharging its responsibilities for the proper functioning of the Board and fairly reflects the investment in the Company by shareholders apart from the largest shareholder.

The roles of the Executive Chairman and Managing Director are distinct and separate to ensure a balance of power and authority. The Executive Chairman's primary role is to lead and manage the Board. The Managing Director is responsible for the development and implementation of strategy, and overseeing and managing the day-to-day operations of the Group. The Executive Directors take on the primary responsibility of managing the Group's business and resources, led by the Executive Chairman, Dato' Chen Kooi Chiew @ Cheng Ngi Chong and the Managing Director, Datuk Chen Lok Loi.

As part of its commitment, the Board supports the highest standards of corporate governance and the development of best practices for the Company. The Independent Non-Executive Directors as defined under Paragraph 1.01 of the Listing Requirements are independent from management and are free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Independent Non-Executive Directors are required to voice their reservations of any Board decisions in areas such as policies and strategies which could be detrimental to the interest of the minority shareholders.

The Board has identified and appointed Mohammed Chudi Bin Haji Ghazali as the Senior Independent Non-Executive Director to whom concerns of shareholders, management and others may be conveyed. The Independent Directors led by Mohammed Chudi Bin Haji Ghazali provide a broader view, independent and balanced assessment of proposals from the Executive Directors. The Board is assisted by a management team relevant to the Group's business operations.

# Statement on Corporate Governance
(continued)

The Board takes full responsibility for the overall performance of the Company and the Group. This includes the following 6 specific areas:-

- reviewing and adopting strategic plans for the Group.
- overseeing the conduct of the Group's businesses to evaluate whether the businesses are being properly managed.
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.
- succession planning, including the implementation of appropriate systems for appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- developing and implementing an investor relations programme for the Company, as it is important that the Company is able to communicate effectively with its shareholders.
- reviewing the adequacy and the integrity of the Group's internal control systems and management systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

**2. Board Charter**

The Board has adopted a Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities including the vision and mission and principles of the Company and the policies and strategy development of the Group. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Charter is available for reference at the Company's website at www.mkhberhad.com.

**3. Board Meeting and Supply of Information**

The Board meets at least 4 times a year and has a formal schedule of matters reserved to it. Additional meetings are held on an ad-hoc basis to deliberate on matters requiring its immediate attention. The Board is supplied with full and timely information to enable it to discharge its responsibilities. During these meetings, the Board reviews the Group's financial performance, business operations, reports of the various board committees and results are deliberated and considered. Management and performance of the Group and any other strategic issues that affect or may affect the Group's businesses are also deliberated.

During the financial year, the Board met six (6) times; whereat it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and direction of the Group. A summary of attendance for each of the Board of Directors are as follows:

| **Name of Director** | **No. of Meetings Attended** |
|---|---|
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 6/6 |
| Datuk Chen Lok Loi | 6/6 |
| Chen Fook Wah | 6/6 |
| Chen Ying @ Chin Ying * | 5/6 |
| Mah Swee Buoy | 6/6 |
| Haji Othman Bin Sonoh | 6/6 |
| Mohammed Chudi Bin Haji Ghazali | 6/6 |
| Haji Mohamed Bin Ismail | 6/6 |
| Jeffrey Bin Bosra | 6/6 |

* *Resigned w.e.f. 14/09/2012*

# Statement on Corporate Governance

(continued)

In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

Directors have access to all information within the Company and to the advice and services of a competent Company Secretary who is qualified under the Companies Act, 1965 and is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. The Directors may seek independent professional advice, at the Company's expense, if required in furtherance of their duties. The Board recognises that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

**4. Retirement by Rotation and Re-Election of Directors**

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subjected to re-election by the shareholders in the next Annual General Meeting ("AGM") subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once in three (3) years but shall be eligible for re-election.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, directors who are or over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

**5. Directors' Training**

In order to keep abreast with the latest regulatory development, all Directors are required to attend the Mandatory Accreditation Programme ("MAP"). All the directors have successfully completed the MAP conducted by Bursatra Sdn Bhd.

The Board has taken on the responsibility in evaluating and determining the specific and continuous training needs of the Directors on a regular basis. The Directors have attended courses/seminars and in house training from time to time to enhance their skills and knowledge and to keep abreast with the relevant changes in laws, Listing Requirements, regulations and business environment in order to discharge their duties more effectively. The training programmes, seminars and/or conferences attended by the Directors during the financial year are as follows:

| Key Areas | Topics |
|---|---|
| Listing Requirements | Amendments to the Listing Requirements in relation to Disclosure & Other Obligations, and Issuance of Corporate Disclosure Guide |
| Corporate Governance | The Malaysian Code On Corporate Governance 2012 organised by Federation of Public Listed Companies Bhd |
| | Advocacy Sessions On Disclosure for Chief Executive Officers and Chief Financial Officers organised by Bursa Malaysia Securities Berhad |

# Statement on Corporate Governance
(continued)

## 6. Directors' Remuneration

The Director's remuneration is linked to experience, scope of responsibilities, service seniority, performance and published market survey information.

(a) Aggregate remuneration of Directors categorised into appropriate components:-

| Remuneration (RM) | Executive | Non-Executive |
|---|---|---|
| Fees | – | 120,000 |
| Other emoluments | 18,316,722 | 86,115 |
| Estimated monetary value of benefits-in-kind | 109,696 | 5,300 |
| Total | 18,426,418 | 211,415 |

(b) Breakdown of Directors' remuneration for the year ended 30 September 2012, by category and in each successive band of RM50,000-00 are as follows: -

| | No. of Directors | |
|---|---|---|
| Range of Remuneration (RM) | Executive | Non-Executive |
| 1 - 50,000 | – | 2 |
| 50,001 - 100,000 | – | 2 |
| 650,001 - 700,000 | 1 | – |
| 900,001 - 950,000 | 1 | – |
| 1,450,001 - 1,500,000 | 1 | – |
| 2,900,001 - 2,950,000 | 1 | – |
| 3,500,001 - 3,550,000 | 1 | – |
| Total | 5 | 4 |

## 7. Board Committees

To assist the Board to discharge its role and functions effectively, the Board has delegated certain responsibilities to the various Board Committees. The terms of reference, functions and authorities delegated to the Board Committees are as follows:-

### 7.1 The Executive Committee

The Executive Committee which meets at least once a month to examine strategic matters, policies and business risks which may affect the Group such as any new investment proposed to be undertaken by the Group and reviews the performance of each of the Group's business divisions.

### 7.2 The Audit Committee

The Audit Committee's composition complies with the Listing Requirements. The key functions and responsibilities of the Audit Committee, its activities during the financial year, details of attendance of each member and the number of meetings held are set out on pages 28 to 29 of this Annual Report.

# Statement on Corporate Governance
(continued)

**7.3 Risk Management Committee**

The Risk Management Committee whose current members comprised of three (3) members from the Senior Management assists the Audit Committee and the Board in discharging its risk management and control responsibilities.

In fulfilling the primary objectives, the Risk Management Committee has been tasked to identify and communicate the existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee.

**7.4 Nomination Committee**

The Nomination Committee was established on 27 November 2012 and comprises of three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nomination Committee are as follows:

- Mohammed Chudi Bin Haji Ghazali - Chairman
  *(Senior Independent Non-Executive Director)*
- Haji Othman Bin Sonoh - Member
  *(Independent Non-Executive Director)*
- Haji Mohamed Bin Ismail - Member
  *(Independent Non-Executive Director)*

The role of Nomination Committee is to assist the Board in their responsibilities in nominating new nominees to the Board and assessing the effectiveness of the Board on an on-going basis.

The terms of reference of the Nomination Committee are as follows:-

- To identify, evaluate and recommend new candidates to the Board and any Board committee, taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism and integrity;
- To identify, evaluate and recommend or approve, as the case may be, the appointment of new Board and/or committee members;
- To review on an annual basis, the size of the Board and the required mix of skills, experience, responsibilities and other qualities including core competencies which Non-Executive Directors should bring to the board in ensuring the continued effectiveness of the Board; and
- To assess on annual basis the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Executive Directors.

**7.5 Remuneration Committee**

The Remuneration Committee was established on 27 November 2012 and comprises of three (3) members, majority of whom are Independent Non-Executive Directors. The members of the Nomination Committee are as follows:

- Haji Mohamed Bin Ismail - Chairman
  *(Independent Non-Executive Director)*
- Jeffrey Bin Bosra - Member
  *(Independent Non-Executive Director)*
- Mah Swee Buoy - Member
  *(Executive Director)*

This Remuneration Committee is responsible for recommending to the Board on the remuneration framework and packages of all Directors. The Directors shall abstain from deliberations and voting's on their own remuneration.

# Statement on Corporate Governance
(continued)

**7.5 Remuneration Committee** (continued)

The terms of reference of the Remuneration Committee are as follows:-

- To assist the Board in determining the policy and structure for the compensation of Non-Executive Directors and remuneration of the Executive Directors;
- To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary; and
- In the case of Non-Executive Directors, the determination of their remuneration is a matter for the Board as a whole and the level of remuneration reflects the experience and level of responsibility undertaken by the particular Non-Executive Director.

The levels of remuneration for Executive Directors are structured according to the skills, experience and performance of the Executive Directors in order to attract, retain and motivate the Executive Directors to run the Group in ways that enhance the Group's long term profitability and value.

**8. Accountability and Audit**

**8.1 Financial Reporting: Statement of Directors' Responsibilities in respect of the Audited Financial Statements**

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance and prospects at the end of the financial year, primarily through the financial statements; the Chairman's Statement and Operations Review in the Annual Report.

In preparing the above financial statements the Directors have:

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

**8.2 Internal Audit Function**

**(a) The internal audit function and its role**

To assist the Audit Committee in monitoring the adequacy and integrity of the Group's system of internal controls, the Company outsourced its internal audit function to KPMG Management & Risk Consulting Sdn Bhd (formerly known as KPMG Business Advisory Sdn Bhd), an independent professional firm, which reports directly to the Audit Committee.

The principal role of the internal audit function is to undertake, on a prioritized approach, an independent and systematic assessment of the Group's system of internal controls as established by Management in addressing the principal business risks faced by the Group. Weaknesses in systems noted and areas that required improvement, including the recommendations thereof and action plans agreed to be deployed by Management to address the issues raised, were highlighted by the independent internal audit function by way of internal audit reports issued to the Audit Committee.

# Statement on Corporate Governance
(continued)

**8.2 Internal Audit Function** (continued)

**(b) Internal audit activities carried out during the financial year under review**

The internal audit function conducted its work based on an annual internal audit plan which was tabled before, and approved by, the Audit Committee. The main activities carried out by the internal audit function are set out below:

**(i) Conduct of internal audit**

The internal audit function adopted a risk-based approach in identifying specific areas and processes to be covered. During the financial year under review, the internal audit function focused on selected key processes of the Group's Plantation Division, including the risks inherent in this Division. Issues relating to control deficiencies and areas for improvements on estate management, mill operations, regulatory requirement management, inventory management and procurement and payment, including the relevant recommendations to address the issues noted, were highlighted in an internal audit report furnished to the Audit Committee; and

**(ii) Follow-up Internal Audit Report**

The internal audit function also performed a follow-up on the status of Management-agreed action plans on recommendations raised in previous cycles of internal audit for Plantation Division and Non-Property Division. A follow-up report was issued to highlight those issues that had yet to be fully addressed by Management, including specific timelines for those outstanding matters to be resolved.

Reports issued by the internal audit function for the financial year under review were tabled at Audit Committee meetings. Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members pertaining to matters raised by the internal audit function.

**(c) Cost of internal audit**

The cost incurred on the internal audit function for the financial year under review amounted to RM47,800 (2011: RM74,000).

**8.3 External Audit**

The Company's independent External Auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The External Auditors will communicate to the Audit Committee and the Board when they become aware of any significant weaknesses in the Company's system of internal control, including fraud, during the course of their audit.

# Statement on Corporate Governance
(continued)

## 9. Relations with Shareholders, Investors and Media

The Annual Report and the quarterly announcements are the primary modes of communication to report on the Group's business activities and financial performance.

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual stockholders. At the Company's AGM, stockholders have direct access to the Board and are given the opportunity to ask questions during the AGM. The stockholders are encouraged to ask questions both about the resolutions being proposed or about the Company's operations in general. The Chairman of the Board also addresses the stockholders on the review of the Company's operations for the financial year and outline the prospects of the Company for the new financial year.

Additionally, immediately after the AGM, the Board also meets members of the press. The Company's website www.mkhberhad.com provides easy access to the latest corporate information on the Group. In addition, the Company has also appointed an Investor Relations firm to carry out the Group's Investor Relations programme and met up with the financial analysts on quarterly basis.

## 10. Compliance Statement

The Group has complied throughout the year ended 30 September 2012 with the relevant Principles and Recommendations as set out in MCCG 2012 other than those set out below. The reasons for such non-compliances are as follows:

### (a) Recommendation 3.5 of MCCG 2012

The Nomination Committee will be tasked to identify and assess the relevant particulars of the new candidate(s) for consideration and deliberation on the suitability of the new candidate(s) to fill the position of Independent Director taking into account the required mix of skills, expertise and experience prior to recommending to the Board for approval in order to comply with Recommendation 3.5 of MCCG 2012 i.e. the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

# Corporate Social Responsibility

The Group is committed towards good corporate social responsibility practices especially the areas on the workplace, the community, the environment and the marketplace to deliver sustainable value to the society at large.

**The Workplace**

We strongly believe that human capital is the most important value to an organization. To ensure a safe and healthy working condition for our employees and support workers, the Group has adopted the Malaysian Standard on the Occupational Safety and Health Management System. In additional, necessary preventive actions and risk mitigation measures such as fire drills, site safety briefing/training, fire and flood mitigation surveys have been conducted from time to time. As part of the human capital development, the Group has conducted various in-house training programme focusing on quality leadership, productivity and job related training to equip the employees with the required skills and knowledge with high commitment. The Group also provides study loan to its employees for the betterment of the staff welfare. During the financial year, in-house sports activities, family day, yoga, aerobic, line dance classes and team building were carried out for health betterment and further enhance the working relationship and team spirit amongst the employees.

**The Community**

As a caring and responsible corporate citizen, the Group has contributed funds to various under-privileged children, old folks, schools and charitable activities during the financial year under review. Over the years, the Group has offered internship programmes and graduate placement programmes for the wellness of the communities. During the financial year, the Group has participated in community activities as follows:-

- Sponsorship for 2nd Melaka International 12 Hour Walk 2012 organised by Race Walkers' Association of Malaysia.
- Sponsorship for Malaysia Crime Prevention Foundation (MCPF) fund raising dinner.
- Sponsorship for International Conference Principled Policing (Rule of Law, Public Order and Sustainable Development).
- Contribution to Tan Sri Muhyiddin Charity Golf Foundation and Kementerian Wilayah Persekutuan Dan Kesejahteraan Bandar for Sambutan Hari Raya Aidilfitri Peringkat Wilayah Persekutuan Tahun 2012.
- Organising and sponsorship for "*Stories of Kajang*" photography competition.
- Sponsorship for "Majlis Graduasi Sekolah Menengah Kebangsaan Jalan Bukit".
- Sponsorship for Taiwan Buddhist Tzu-Chi Foundation Malaysia "Deepavali Family Day" on helping the poor.
- Sponsorship for 3 unit of Friendly Composite Container for Sekolah Menengah Kebangsaan Convent, Sekolah Menengah Jenis Kebangsaan Yu Hua and Sekolah Menengah Kebangsaan Tinggi Kajang on Kementerian Perumahan Kerajaan Tempatan World Habitat Day 2011 Celebration and/or donation for Sekolah Jenis Kebangsaan (Cina) Connaught 2, school hall fund raising and Sincere Care Home for utility bills.
- Sponsorship for New Era College join organized with Eastern Regional Organisation for Planning and Housing Malaysia on Fresh Action 3R (Reduce, Reuse and Recycle) Campaign.
- Sponsorship for Ibu Pejabat Daerah ("IPD") Kajang "Pelawanan Ping-Pong Mewakili Kajang" and Kelab Polis IPD Kajang on "Kejohanan Golf Piala Ketua Polis, Selangor".
- Sponsorship for "Yayasan Sultanah Bahiyah".
- Sponsorship for building materials for Pondok Rehat, Perkuburan Kg. Rinching Hulu, Semenyih, and Surau As-Syakirin, Taman Pelangi Semenyih Phase 6 & 7, Selangor.
- Sponsorship for re-building storm damaged classroom at Sekolah Kebangsaan Jalan Semenyih Dua, Kajang.
- Sponsorship for Pelangi Semenyih Phase 6 & 7 Football Competition, Sport Days for Resident Association of Taman Pelangi Semenyih .
- Sponsorship for Impian Golf & Country Club "Staff Gala Dinner 2012" and Malam Amal "Sejambak Kasih" Sekolah Menengah Kebangsaan Convent Kajang 2012.

# Corporate Social Responsibility
(continued)

**The Environment**

The Group recognizes the importance of environmental conservation. For example, waste and construction debris were disposed at approved dumpsites. During the financial year, the Group has implemented the recycling of used papers and promoting good practices on energy saving.

**The Marketplace**

The Group is committed to continuously enhance value for its shareholders and this can be evidenced through the Group's uninterrupted profit track record since commencing business over twenty years ago. It is our aim to provide high quality products and services to our customers. During the financial year under review, customer surveys were conducted to gauge the level of customers' satisfaction and also to obtain constructive feedbacks. The Group is committed in ensuring quality products and has adopted Quality Assessment System in Construction ("QLASSIC") by the Construction Industry Development Board ("CIDB") Malaysia, for its projects. The Group's construction division has also obtained the ISO 9001:2000.

# Audit Committee Report

## 1. Role of Audit Committee

The Audit Committee assists, supports and implements the Board's responsibility to oversee the Group's operations in the following manner: -

- provides a means for review of the Group's processes for producing financial data, its internal controls and independence of the Group's External and Internal Auditors.
- reinforces the independence of the Group's External Auditors.
- reinforces the objectivity of the Group's Internal Auditors.

## 2. Key Functions and Responsibilities

The key functions and responsibilities of the Audit Committee are as follows:

(a) to review the quarterly results and year-end financial statements of the Company and its subsidiaries focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standard and other legal requirements;

(b) to discuss matters arising from the interim and final audits, and any matters that the External Auditors may wish to discuss (in the absence of Management);

(c) to review the adequacy of the scope of 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 findings.

(d) to recommend to the Board the appointment of the External Auditors and Internal Auditors and the audit fee thereof;

(e) to review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(f) to review the major findings of internal audit investigations and management's response; and

(g) to review any External Auditors' management letter (if any) and management's response.

# Audit Committee Report

(continued)

**3. Membership and Meetings of the Committee**

The Audit Committee comprises the following members:-

| | | |
|---|---|---|
| • Jeffrey Bin Bosra<br>*(Independent Non-Executive Director)* | - | Chairman |
| • Mohammed Chudi Bin Haji Ghazali<br>*(Senior Independent Non-Executive Director)* | - | Member |
| • Haji Mohamed Bin Ismail *<br>*(Independent Non-Executive Director)* | - | Member |

* *Appointed w.e.f. 29 August 2012*

During its tenure, the Audit Committee met four (4) times during the financial year, details as follows: -

| Name of Audit Committee | No. of Meetings Attended |
|---|---|
| Jeffrey Bin Bosra | 4/4 |
| Mohammed Chudi Bin Haji Ghazali | 4/4 |
| Haji Othman Bin Sonoh ^ | 4/4 |

^ *Resigned w.e.f. 29 August 2012*

The meetings were structured through the use of agendas and relevant board papers which were distributed to the Audit Committee prior to such meetings. The Chief Operating Officer and the Group Financial Controller were also present in these meetings. Representatives from the external and/or the internal auditors also attended the meetings upon invitation where matters relating to the external and internal audit were discussed.

**4. Activities Undertaken By The Audit Committee**

During the financial year, the activities of the Audit Committee were as follows:-

- Reviewed the financial statements and unaudited quarterly financial results and announcements of the results before recommending for the Board of Directors' approval;
- Reviewed the scope of the audit plan from the Internal Auditors and External Auditors;
- Reviewed the audit reports and recommendation to improve internal control and management's response thereto; and
- Reviewed and recommended to the Board the appointment and/or re-appointment of the External Auditors.

## INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function with the appointment of the professional accounting firm, KPMG Management & Risk Consulting Sdn Bhd (formerly known as KPMG Business Advisory Sdn Bhd) since 30 April 2001.

# Statement on Internal Control

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the Principles and Recommendations for the Board of a company listed on the Bursa Malaysia Securities Berhad ("Bursa Securities") to establish a sound risk management framework and internal controls system to safeguard shareholders' investment and the Group's assets. The Board is committed to establish a sound framework to manage risks and is pleased to provide the following statement in accordance with paragraph 15.26(b) of Bursa Securities Main Market Listing Requirements and guided by Principle 6 and Recommendation 6.1 of the Code on recognizing and managing risks within the Group.

**Board's Responsibilities**

The Board acknowledges its responsibilities for establishing a sound risk management framework and internal control system to manage risks. The Board's responsibilities include:-

- determine the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets;
- committed to articulating, implementing and reviewing the Group's internal controls system for risk management; and
- periodic testing and/or conduct of the effectiveness and efficiency of the internal controls procedures and processes to ensure that the system is viable and robust.

However, due to the limitations inherent in any internal control system, it should be noted that such system is designed to manage rather than to eliminate the risk of failure to achieve the Group's business objectives. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss. The internal control system or framework of the Group covers, inter-alia, risk management, financial, operational and compliance controls.

Accompanying the maintenance of an appropriate internal control system, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is regularly reviewed by the Board and accords with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" published by the Taskforce on Internal Control.

The process is undertaken by the Audit Committee which reports its findings to the Board. Whilst the Audit Committee has delegated the implementation of the internal controls system within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the internal control based on findings from internal audit reviews carried out during the financial year.

**Risk Management Framework**

The Board recognizes that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner. The Board with the assistance of the Audit Committee, the Risk Management Committee and the Internal Auditors, Messrs KPMG Management & Risk Consulting Sdn Bhd (formerly known as KPMG Business Advisory Sdn Bhd), continuously review existing risks and identify new risks that the Group faces and management action plans to manage the risks. To further enhance the risk management process within the culture of the Group, review of existing risks and identification of new risks is also conducted periodically with involvement of selected management and staff. In additions, nominated key management in each business unit have prepared action plans or/and exit plans to address key risks and control issues highlighted by the Internal Auditors. During the financial year ended 30 September 2012, the Risk Management Committee has:

# Statement on Internal Control
(continued)

(a) Reviewed management action plans presented by the nominated key management of certain business units of the Group;

(b) Reviewed the Group's quarterly financial and non-financial performances measured against the approved Budget;

(c) Reported its findings on major issues relating to risks and risk management to the Audit Committee on quarterly basis which then reports to the Board;

(d) Reviewed new property development projects and business investment in the subsidiaries and/or associates;

(e) Monitored financial performances and the progress of corrective actions/implementation for highlighted issues; and

(f) Implemented standardized policies and procedures to address the financial and operational controls of the Group.

**Internal Audit Function**

During the financial year, the Audit Committee continued to engage the services of an external professional firm, Messrs KPMG Management & Risk Consulting Sdn Bhd (formerly known as KPMG Business Advisory Sdn Bhd), distinct from the external auditors, to provide independent internal audit services to the Group, who reports independently to the Audit Committee. The internal audit function provides the Audit Committee with periodic reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the internal control system and contribute towards improving the Group's risk management.

The key role of the internal audit function is to assess management's adherence to established policies and procedures as well as to act as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

Risk Management Committee also assists the Board and the Audit Committee to identify critical risks that the Group faces and proposes management action plans to manage the risks on an ongoing basis. The Committee will present the Group's risk profile and control measures to the Audit Committee.

**Other Risks and Control Process**

Apart from risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Executive Committee, comprising Executive Directors and certain key management staff, reviewed the monthly financial information which includes actual results compare against budget, explanation on significant variances and management actions taken, where necessary. In addition, the Audit Committee and the Board reviewed the quarterly financial results. Where areas of improvement in the internal control system are identified, the Board considered the recommendations made by the Audit Committee and the Risk Management Committee.

# Statement on Internal Control

(continued)

As required by paragraph 15.23 of Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group. RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

**Board's Conclusion**

Based on the processes set out above, the Board is of the view that an appropriate internal control system, procedures and processes in operation during the year in review was reasonably adequate and sufficient to safeguard the assets of the Group and interest of shareholders. No significant control failures or weaknesses that would result in material losses and require disclosure in the Group's Annual Report were identified during the review.

# Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements to issue a statement explaining their responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year.

In preparing those financial statements, the Directors are required to: -

- use appropriate accounting policies and consistently apply them;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

# Additional Compliance Information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 30 September 2012 to be disclosed in this Annual Report:-

**1. Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds for the Renounceable Rights Issue of 29,104,378 New Ordinary Shares of RM1.00 each in MKH ("MKH Share(s)" or Share(s)") ("Rights Share(s)") on the basis of One (1) Rights Share for every Ten (10) existing MKH Shares held together with 29,104,378 Free Detachable Warrants in MKH ("Warrant(s)") and 29,104,378 Bonus Shares on the basis of One (1) Free Warrant and One (1) Bonus Share for every One (1) Rights Share subscribed for ("Rights Issue With Warrants") which was announced on 13 August 2012, will only be raised and utilised during financial year ending 30 September 2013.

**2. Share Buy-back**

The Company did not purchase any of its own shares during the financial year under review.

**3. Options or Convertible Securities**

The Company did not issue any options and convertible securities during the financial year under review.

**4. Depository Receipt Programme**

The Company did not sponsor any Depository Receipt Programme during the financial year ended 30 September 2012.

**5. Imposition of Sanctions and/or Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

**6. Non-audit Fees**

The amount of non-audit fees paid by the Company and its subsidiaries to the external auditors and their affiliated company/firm for the financial year 2012 was RM35,600.

**7. Variation in Results**

There was no material variance between the results for the financial year and the unaudited results previously announced.

**8. Profit Guarantee**

The Company did not give any profit guarantee during the financial year under review.

**9. Material Contracts Involving Directors and Major Shareholders' Interest**

There are no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

# Additional Compliance Information

(continued)

**10. Family Relationship of Directors and/or Major Shareholders**

There is no family relationship among the Directors and/or major shareholders except that:-

| | |
|---|---|
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong,<br>Datuk Chen Lok Loi, and<br>Mr. Chen Fook Wah | Brothers' Relationship |

**11. Conflict of Interest**

None of the Directors of the Company have any conflict of interest with the Company.

**12. Conviction for Offences**

None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

# Directors' Report

The directors have pleasure in presenting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2012.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing management services.

The principal activities of the subsidiaries are stated in Note 15 to the financial statements.

There have been no other significant changes in the nature of these activities during the financial year other than the disposal of discontinued operation as disclosed in Note 8 to the financial statements.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year: | | |
| From continuing operations | 71,482,026 | 137,347,482 |
| From discontinued operation | 1,200,196 | – |
| | 72,682,222 | 137,347,482 |
| Attributable to: | | |
| Owners of the parent | 74,637,613 | 137,347,482 |
| Non-controlling interests | (1,955,391) | – |
| | 72,682,222 | 137,347,482 |

## DIVIDEND

Since the end of the previous financial year, the Company paid a final dividend of 5.0 sen less 25% tax per ordinary share of RM1/- each amounting to RM9,921,956 in respect of the financial year ended 30 September 2011 as reported in the directors' report of that year on 26 March 2012.

The directors recommended a final dividend of 5.0 sen less 25% tax per ordinary share of RM1/- each amounting to RM10,914,142 in respect of the financial year ended 30 September 2012, subject to shareholders' approval at the forthcoming Annual General Meeting to be held at a date to be determined later.

# Directors' Report
(continued)

## ISSUE OF SHARES

During the financial year, the following issue of shares was made by the Company:

| Class | Number | Term of Issue | Purpose of Issue |
|---|---|---|---|
| Ordinary share of RM1/- each | 26,458,525 | Non-cash | Bonus Issue of 1 new ordinary share for every 10 existing ordinary shares via capitalisation of retained earnings |

There were no other changes in the authorised, issued and paid up capital of the Company during the financial year.

## DIRECTORS

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

DATO' CHEN KOOI CHIEW @ CHENG NGI CHONG
DATUK CHEN LOK LOI
CHEN FOOK WAH
CHEN YING @ CHIN YING *(Resigned on 14 September 2012)*
MAH SWEE BUOY
HAJI OTHMAN BIN SONOH
MOHAMMED CHUDI BIN HAJI GHAZALI
MOHAMED BIN ISMAIL
JEFFREY BIN BOSRA

## DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

**(a) Shareholdings in the Company**

| | Number of Ordinary Shares of RM1/- Each | | | | |
|---|---|---|---|---|---|
| | At 1 October 2011 | Bought | Sold | Bonus Issue | At 30 September 2012 |
| Direct interest: | | | | | |
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 545,391 | – | – | 54,539 | 599,930 |
| Datuk Chen Lok Loi | 5,502,971 | – | – | 550,297 | 6,053,268 |
| Chen Fook Wah | 794,644 | 6,206 | (44) | 80,064 | 880,870 |
| Mohammed Chudi Bin Haji Ghazali | 11,550 | – | – | 1,155 | 12,705 |
| Mah Swee Buoy | 85,853 | – | – | 8,585 | 94,438 |

# Directors' Report
(continued)

## DIRECTORS' INTERESTS (continued)

**(a) Shareholdings in the Company** (continued)

| | | Number of Ordinary Shares of RM1/- Each | | | | |
|---|---|---|---|---|---|---|
| | | **At 1 October 2011** | **Bought** | **Sold** | **Bonus Issue** | **At 30 September 2012** |
| Deemed interest: | | | | | | |
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | * | 120,262,522 | 82,300 | – | 12,035,433 | 132,380,255 |
| Datuk Chen Lok Loi | ** | 113,963,405 | 960,000 | – | 11,457,292 | 126,380,697 |
| Chen Fook Wah | ** | 113,963,405 | – | – | 11,397,292 | 125,360,697 |

* Shares held through corporations in which director has substantial financial interest and through nominee companies.

** Shares held through corporation(s) in which director has substantial financial interest.

**(b) Shareholdings in the Subsidiary - Srijang Kemajuan Sdn. Bhd.**

| | Number of Ordinary Shares of RM1/- Each | | | |
|---|---|---|---|---|
| | **At 1 October 2011** | **Bought** | **Sold** | **At 30 September 2012** |
| Direct interest: | | | | |
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 1 | – | – | 1 |

By virtue of their interests in the shares of the Company, the above-mentioned directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent the Company has an interest.

## 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 a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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 other than any deemed benefits which may arise from transactions entered into in the ordinary course of business as disclosed in Note 33 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# Directors' Report
(continued)

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

(ii) to ensure that any current assets, other than debts, 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 had 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:

(i) which would render the amounts written off for 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; or

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

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

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 liability of any other person; or

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

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

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

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company during 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 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.

# Directors' Report
(continued)

## SIGNIFICANT EVENTS

Details of significant events during the financial year are disclosed in Note 35 to the financial statements.

## AUDITORS

The auditors, Messrs. Baker Tilly AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 December 2012.

**DATO' CHEN KOOI CHIEW @ CHENG NGI CHONG**

**DATUK CHEN LOK LOI**

# Statement by Directors

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

We, **Dato' Chen Kooi Chiew @ Cheng Ngi Chong** and **Datuk Chen Lok Loi**, being two of the directors of the Company, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 44 to 160, are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows for the financial year then ended.

The supplemental information set out on page 161 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 December 2012.

**DATO' CHEN KOOI CHIEW**
**@ CHENG NGI CHONG**

**DATUK CHEN LOK LOI**

# Statutory Declaration

pursuant to section 169(16) of the Companies Act, 1965

I, **Mah Swee Buoy**, being the director primarily responsible for the financial management of **MKH BERHAD**, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 44 to 160 and the supplementary information set out on page 161 are 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 above named at
Kuala Lumpur in the Federal Territory
on 21 December 2012

**MAH SWEE BUOY**

Before me

**TENGKU FARIDDUDIN BIN TENGKU SULAIMAN** (W 533)
Commissioner for Oaths

# Independent Auditors' Report

to the members of MKH Berhad (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **MKH Berhad**, which comprise the statements of financial position as at 30 September 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 160.

***Directors' Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. 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 property drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2012 and of their financial performance and cash flows for the financial year then ended.

# Independent Auditors' Report

to the members of MKH Berhad (Incorporated in Malaysia)(continued)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the audit reports of all the subsidiaries of which we have not acted as auditors.

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

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

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 161 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

## 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 contents of this report.

**BAKER TILLY AC**
AF 001826
Chartered Accountants

**LEE KONG WENG**
2967/07/13(J)
Chartered Accountant

Kuala Lumpur
21 December 2012

# Statements of Comprehensive Income

for the financial year ended 30 September 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 3 | 545,291,945 | 306,022,133 | 143,695,500 | 94,099,650 |
| Cost of sales | 4 | (362,358,742) | (213,415,014) | – | – |
| **Gross profit** | | 182,933,203 | 92,607,119 | 143,695,500 | 94,099,650 |
| Other income | | 22,293,884 | 15,420,990 | 30,609,345 | 1,222,019 |
| Sales and marketing expenses | | (18,325,449) | (17,614,851) | – | – |
| Administrative expenses | | (51,948,701) | (36,184,061) | (1,266,774) | (9,975,235) |
| Other expenses | | (29,444,033) | (10,558,107) | (16,723,616) | (1,846,402) |
| **Profit from operations** | | 105,508,904 | 43,671,090 | 156,314,455 | 83,500,032 |
| Finance costs | | (21,536,111) | (16,211,122) | (3,254,403) | (3,268,681) |
| Share of results of associates | | 14,572,965 | 15,420,574 | – | – |
| **Profit before tax from continuing operations** | 5 | 98,545,758 | 42,880,542 | 153,060,052 | 80,231,351 |
| Tax expense | 7 | (27,063,732) | (8,078,330) | (15,712,570) | (21,099,203) |
| **Profit for the financial year from continuing operations** | | 71,482,026 | 34,802,212 | 137,347,482 | 59,132,148 |
| **Discontinued operation** | | | | | |
| Profit for the financial year from discontinued operation | 8 | 1,200,196 | 2,885,934 | – | – |
| **Profit for the financial year carried down** | | 72,682,222 | 37,688,146 | 137,347,482 | 59,132,148 |

# Statements of Comprehensive Income

for the financial year ended 30 September 2012 (continued)

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Profit for the financial year brought down** | | 72,682,222 | 37,688,146 | 137,347,482 | 59,132,148 |
| **Other comprehensive income** | | | | | |
| Foreign currency translation differences | | (30,428,268) | 12,164,770 | – | – |
| Revaluation surplus on land and buildings | | – | 16,599,375 | – | – |
| Income tax relating to components of other comprehensive income | 7 | 7,021,000 | (4,285,098) | – | – |
| Other comprehensive income for the financial year | | (23,407,268) | 24,479,047 | – | – |
| **Total comprehensive income for the financial year** | | 49,274,954 | 62,167,193 | 137,347,482 | 59,132,148 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 74,637,613 | 38,015,235 | 137,347,482 | 59,132,148 |
| Non-controlling interests | | (1,955,391) | (327,089) | – | – |
| | | 72,682,222 | 37,688,146 | 137,347,482 | 59,132,148 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 51,200,145 | 62,468,591 | | |
| Non-controlling interests | | (1,925,191) | (301,398) | | |
| | | 49,274,954 | 62,167,193 | | |
| **Basic earnings per share (sen)** | 9 | | | | |
| From continuing operations | | 25.23 | 12.07 | | |
| From discontinued operation | | 0.41 | 0.99 | | |
| From continuing and discontinued operations | | 25.64 | 13.06 | | |

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

# Statements of Financial Position

as at 30 September 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Assets** | | | | | |
| Property, plant and equipment | 10 | 163,355,285 | 124,079,271 | 612,794 | 635,592 |
| Intangible assets | 11 | 5,651,065 | 6,107,777 | – | – |
| Biological assets | 12 | 210,399,807 | 176,509,868 | – | – |
| Prepaid lease payments | 13 | 29,145,231 | 30,470,484 | – | – |
| Investment properties | 14 | 237,681,393 | 216,081,400 | – | – |
| Investment in subsidiaries | 15 | – | – | 595,793,509 | 514,587,241 |
| Investment in associates | 16 | 50,350,073 | 38,277,108 | – | – |
| Land held for property development | 17 | 261,463,138 | 263,474,043 | – | – |
| Deferred tax assets | 18 | 21,703,675 | 12,975,075 | 754,575 | 754,575 |
| Receivables, deposits and prepayments | 19 | 35,202,608 | 12,197,001 | – | – |
| **Total non-current assets** | | 1,014,952,275 | 880,172,027 | 597,160,878 | 515,977,408 |
| Property development costs | 20 | 128,816,258 | 114,894,979 | – | – |
| Inventories | 21 | 42,879,723 | 11,742,097 | – | – |
| Amount due from customers on contracts | 22 | 1,952,440 | 1,650,172 | – | – |
| Accrued billings in respect of property development costs | | 100,765,267 | 29,564,095 | – | – |
| Receivables, deposits and prepayments | 19 | 94,462,860 | 92,614,255 | 101,964,593 | 57,969,777 |
| Current tax assets | | 1,086,965 | 1,751,429 | – | 189,454 |
| Cash and cash equivalents | 23 | 109,664,266 | 62,868,100 | 7,139,229 | 1,628,536 |
| | | 479,627,779 | 315,085,127 | 109,103,822 | 59,787,767 |
| Assets of disposal group classified as held for sale | 8 | – | 83,788,365 | – | 34,800,000 |
| **Total current assets** | | 479,627,779 | 398,873,492 | 109,103,822 | 94,587,767 |
| **Total assets** | | 1,494,580,054 | 1,279,045,519 | 706,264,700 | 610,565,175 |

# Statements of Financial Position

as at 30 September 2012 (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Equity** | | | | | |
| Share capital | 24 | 291,043,776 | 264,585,251 | 291,043,776 | 264,585,251 |
| Reserves | 25 | 484,038,340 | 448,648,090 | 321,461,385 | 220,494,384 |
| Reserve of disposal group classified as held for sale | 8 | – | 20,570,586 | – | – |
| **Equity attributable to owners of the parent** | | 775,082,116 | 733,803,927 | 612,505,161 | 485,079,635 |
| **Non-controlling interest** | | (1,771,586) | 153,605 | – | – |
| **Total equity** | | 773,310,530 | 733,957,532 | 612,505,161 | 485,079,635 |
| **Liabilities** | | | | | |
| Deferred tax liabilities | 18 | 37,481,379 | 41,028,472 | – | – |
| Provisions | 26 | 1,893,592 | 1,153,393 | – | – |
| Payables and accruals | 27 | 15,758,173 | 9,964,025 | – | – |
| Loans and borrowings | 28 | 307,382,978 | 243,297,830 | 37,558,500 | 39,089,750 |
| **Total non-current liabilities** | | 362,516,122 | 295,443,720 | 37,558,500 | 39,089,750 |
| Provisions | 26 | 18,481,750 | 8,755,245 | 3,074,400 | 3,074,400 |
| Progress billings in respect of property development costs | | 662,705 | 8,040,536 | – | – |
| Payables and accruals | 27 | 139,924,179 | 73,708,561 | 7,185,788 | 65,890,345 |
| Loans and borrowings | 28 | 192,910,969 | 133,204,289 | 45,669,862 | 17,431,045 |
| Current tax liabilities | | 6,773,799 | 3,207,634 | 270,989 | – |
| | | 358,753,402 | 226,916,265 | 56,201,039 | 86,395,790 |
| Liabilities of disposal group classified as held for sale | 8 | – | 22,728,002 | – | – |
| **Total current liabilities** | | 358,753,402 | 249,644,267 | 56,201,039 | 86,395,790 |
| **Total liabilities** | | 721,269,524 | 545,087,987 | 93,759,539 | 125,485,540 |
| **Total equity and liabilities** | | 1,494,580,054 | 1,279,045,519 | 706,264,700 | 610,565,175 |
| **Net assets per share (RM)** | 9 | 2.66 | 2.52 | | |

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

# Consolidated Statement of Changes in Equity

for the financial year ended 30 September 2012

| | Non-distributable | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital RM | Translation Reserve RM | Revaluation Reserve RM | Revaluation Reserve of Disposal Group Classified as Held for Sale RM | Retained Earnings RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **At 1 October 2010** | 240,532,047 | (3,595,945) | 16,799,124 | - | 417,600,110 | 671,335,336 | 455,003 | 671,790,339 |
| **Comprehensive income** | | | | | | | | |
| - Profit/(Loss) for the financial year | - | - | - | - | 38,015,235 | 38,015,235 | (327,089) | 37,688,146 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences | - | 12,139,079 | - | - | - | 12,139,079 | 25,691 | 12,164,770 |
| Revaluation surplus on land and building | - | - | 16,599,375 | - | - | 16,599,375 | - | 16,599,375 |
| Income tax relating to components of other comprehensive income | - | (1,559,000) | (2,726,098) | - | - | (4,285,098) | - | (4,285,098) |
| Total comprehensive income | - | 10,580,079 | 13,873,277 | - | 38,015,235 | 62,468,591 | (301,398) | 62,167,193 |
| **Transactions with owners** | | | | | | | | |
| Issuance of shares pursuant to - Bonus issue | 24,053,204 | - | - | - | (24,053,204) | - | - | - |
| Reserve attributable to disposal group classified as held for sale | - | - | (20,570,586) | 20,570,586 | - | - | - | - |
| Total transactions with owners | 24,053,204 | - | (20,570,586) | 20,570,586 | (24,053,204) | - | - | - |
| **At 30 September 2011** | 264,585,251 | 6,984,134 | 10,101,815 | 20,570,586 | 431,562,141 | 733,803,927 | 153,605 | 733,957,532 |

# Consolidated Statement of Changes in Equity

for the financial year ended 30 September 2012 (continued)

| | | Non-distributable | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share Capital RM | Translation Reserve RM | Revaluation Reserve RM | Revaluation Reserve of Disposal Group Classified as Held for Sale RM | Retained Earnings RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **At 1 October 2011** | | 264,585,251 | 6,984,134 | 10,101,815 | 20,570,586 | 431,562,141 | 733,803,927 | 153,605 | 733,957,532 |
| **Comprehensive income** | | | | | | | | | |
| - Profit/(Loss) for the financial year | | - | - | - | - | 74,637,613 | 74,637,613 | (1,955,391) | 72,682,222 |
| **Other comprehensive income** | | | | | | - | | - | |
| Foreign currency translation differences | | - | (30,458,468) | - | - | - | (30,458,468) | 30,200 | (30,428,268) |
| Realisation of reserve of disposal group classified as held for sale | | - | - | (1,071,391) | (20,570,586) | 21,641,977 | - | - | - |
| Income tax relating to components of other comprehensive income | | - | 7,021,000 | - | - | - | 7,021,000 | - | 7,021,000 |
| Total comprehensive income | | - | (23,437,468) | (1,071,391) | (20,570,586) | 96,279,590 | 51,200,145 | (1,925,191) | 49,274,954 |
| **Transactions with owners** | | | | | | | | | |
| Issuance of shares pursuant to | | | | | | | | | |
| - Bonus issue | | 26,458,525 | - | - | - | (26,458,525) | - | - | - |
| Dividend | 29 | - | - | - | - | (9,921,956) | (9,921,956) | - | (9,921,956) |
| Total transactions with owners | | 26,458,525 | - | - | - | (36,380,481) | (9,921,956) | - | (9,921,956) |
| **At 30 September 2012** | | 291,043,776 | (16,453,334) | 9,030,424 | - | 491,461,250 | 775,082,116 | (1,771,586) | 773,310,530 |

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

# Statement of Changes in Equity

for the financial year ended 30 September 2012

| | Note | Share Capital RM | Non-Distributable Revaluation Reserve RM | Distributable Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|---|
| **At 1 October 2010** | | 240,532,047 | 12,375 | 185,403,065 | 425,947,487 |
| Profit for the financial year, representing total comprehensive income for the financial year | | – | – | 59,132,148 | 59,132,148 |
| **Transaction with owners** | | | | | |
| Issuance of shares pursuant to | | | | | |
| - Bonus issue | | 24,053,204 | – | (24,053,204) | – |
| **At 30 September 2011** | | 264,585,251 | 12,375 | 220,482,009 | 485,079,635 |
| Profit for the financial year, representing total comprehensive income for the financial year | | – | – | 137,347,482 | 137,347,482 |
| **Transactions with owners** | | | | | |
| Issuance of shares pursuant to | | | | | |
| - Bonus issue | | 26,458,525 | – | (26,458,525) | – |
| Dividend | 29 | – | – | (9,921,956) | (9,921,956) |
| | | 26,458,525 | – | (36,380,481) | (9,921,956) |
| **At 30 September 2012** | | 291,043,776 | 12,375 | 321,449,010 | 612,505,161 |

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

# Statements of Cash Flows

for the financial year ended 30 September 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax from: | | | | | |
| - continuing operations | | 98,545,758 | 42,880,542 | 153,060,052 | 80,231,351 |
| - discontinued operation | | 1,541,496 | 4,309,382 | – | – |
| Adjustments for: | | | | | |
| Amortisation of biological assets | | 1,859,762 | – | – | – |
| Amortisation of prepaid lease payments | | 794,117 | 796,374 | – | – |
| Bad debts written off | | 37,225 | 36,888 | – | – |
| Depreciation of property, plant and equipment | | 6,870,176 | 5,667,143 | 21,280 | 21,222 |
| Deposits written off | | 687,545 | – | – | – |
| Dividend income | | – | – | (143,651,500) | (83,856,000) |
| Loss on deposits measured at amortised cost | | 5,903,875 | – | – | – |
| Impairment loss on: | | | | | |
| - property plant and equipment | | 53,651 | – | – | – |
| - investment in subsidiaries | | – | – | 16,549,092 | – |
| - land held for property development | | 1,098,740 | 90,267 | – | – |
| - receivables | | 3,789,911 | 720,984 | 46,130 | 85,765 |
| Interest expense | | 21,103,808 | 16,003,189 | 3,158,683 | 3,193,351 |
| Inventories written off | | 16,819 | 23,416 | – | – |
| Landowner's share of loss | | – | (40,507) | – | – |
| Net loss/(gain) on foreign exchange - unrealised | | 3,830,022 | 997,271 | (1,625,000) | 1,479,325 |
| Property, plant and equipment written off | | 263,139 | 53,020 | 1,518 | 1 |
| Provision for rectification works | | 1,950,550 | – | – | – |
| Provision for retirement gratuity | | 8,870,400 | – | – | – |
| Provision for retirement benefit obligations | | 899,740 | 723,747 | – | – |
| Provision for tax penalty | | – | 1,074,794 | – | – |
| Loss on disposal of non-current assets held for sale | | – | 1,175 | – | – |
| Loss/(Gain) on disposal of investment property | | 117,400 | (6,000) | – | – |
| Changes in fair value of investment properties | | (12,668,000) | (9,160,000) | – | – |
| Gain on disposal of land held for property development | | – | (397,547) | – | – |
| Gain on disposal of discontinued operation | | (611,637) | – | (23,795,919) | – |
| Gain on disposal of a subsidiary | | (805) | – | – | – |
| Gain on transfer of land held for property development to investment properties | | (1,590,245) | – | – | – |
| Balance carried down | | 143,363,447 | 63,774,138 | 3,764,336 | 1,155,015 |

# Statements of Cash Flows

for the financial year ended 30 September 2012 (continued)

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| Balance brought down | | 143,363,447 | 63,774,138 | 3,764,336 | 1,155,015 |
| Gain on disposal of property, plant and equipment | | (154,112) | (246,920) | – | – |
| Gain on disposal of other investment | | – | (65,600) | – | – |
| Interest income | | (2,636,877) | (1,736,824) | (5,174,826) | (1,182,280) |
| Reversal of impairment loss on receivables | | (367,291) | (239,942) | (13,600) | – |
| Share of results of associates | | (14,572,965) | (15,420,574) | – | – |
| **Operating profit/(loss) before changes in working capital** | | 125,632,202 | 46,064,278 | (1,424,090) | (27,265) |
| Change in property development costs | | (11,541,880) | (9,947,566) | – | – |
| Change in inventories | | (1,303,734) | (2,444,187) | – | – |
| Change in amount due from customers on contracts | | (302,268) | (1,286,337) | – | – |
| Change in receivables, deposits and prepayments | | (105,413,661) | (37,788,117) | 3,852,056 | (3,027,825) |
| Change in payables and accruals | | 65,983,752 | 28,753,229 | (49,575) | 189,035 |
| **Cash generated from/(used in) operations** | | 73,054,411 | 23,351,300 | 2,378,391 | (2,866,055) |
| Interest received | | 1,480,071 | 868,714 | 5,174,826 | 1,182,280 |
| Interest paid | | (25,747,597) | (16,580,318) | (3,158,683) | (3,193,351) |
| Tax paid | | (28,664,863) | (13,553,673) | (315,502) | (293,994) |
| Tax refunded | | 490,308 | 1,131,446 | – | – |
| Retirement benefit obligations paid | | (16,162) | – | – | – |
| Tax penalties paid | | (1,094,445) | – | – | – |
| **Net cash from/(used in) operating activities** | | 19,501,723 | (4,782,531) | 4,079,032 | (5,171,120) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of subsidiaries | | – | – | (500,002) | (2,020,002) |
| Acquisition of investment properties | | (2,570,393) | – | – | – |
| Subscription of shares in associate | | (200,000) | – | – | – |
| Acquisition of property, plant and equipment | | (56,181,722) | (61,471,343) | – | (3,340) |
| Additions to biological assets | | (51,465,923) | (57,761,478) | – | – |
| Additions to land held for property development | | (34,610,880) | (40,320,015) | – | – |
| Additional subscription of shares in a subsidiary | | – | – | (979,998) | – |
| Advances to subsidiaries | | – | – | – | (142,691,183) |
| Dividends received | | – | 2,264,830 | 128,714,874 | 62,927,000 |
| Balance carried down | | (145,028,918) | (157,288,006) | 127,234,874 | (81,787,525) |

# Statements of Cash Flows

for the financial year ended 30 September 2012 (continued)

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Net cash from/(used in) operating activities carried down** | | 19,501,723 | (4,782,531) | 4,079,032 | (5,171,120) |
| **Cash flows from investing activities** | | | | | |
| Balance brought down | | (145,028,918) | (157,288,006) | 127,234,874 | (81,787,525) |
| Proceeds from redemption of NCRPS | | 2,700,000 | – | – | – |
| Proceeds from disposal of investment properties | | 55,000 | 18,000 | – | – |
| Proceeds from disposal of non-current assets classified as held for sale | | – | 250,000 | – | – |
| Proceeds from disposal of property, plant and equipment | | 276,267 | 530,518 | – | – |
| Disposal of discontinued operation, net of cash and cash equivalents disposed | 8 | 58,789,640 | – | 61,888,559 | – |
| Disposal of investment in subsidiary, net of cash and cash equivalents disposed | 30 | (2,444,721) | – | 432,000 | – |
| Proceeds from disposal of other investment | | – | 153,600 | – | – |
| Proceeds from disposal of land held for property development | | – | 1,303,848 | – | – |
| **Net cash (used in)/from investing activities** | | (85,652,732) | (155,032,040) | 189,555,433 | (81,787,525) |
| **Cash flows from financing actvities** | | | | | |
| Net (repayment)/drawdown of short term bank borrowings | | (36,290,930) | 42,300,000 | 20,300,000 | 2,000,000 |
| Drawdown of bridging loan | | 19,922,512 | 5,900,000 | – | – |
| Drawdown of revolving credits | | 106,341,290 | 50,200,000 | – | – |
| Drawdown of term loans | | 60,649,052 | 64,077,626 | – | 15,294,075 |
| Repayment of term loans | | (27,052,982) | (26,582,518) | – | – |
| Repayments of bridging loan | | (10,326,795) | (7,848,610) | – | – |
| Payments of finance lease | | (1,560,786) | (669,195) | – | – |
| Proceeds from government grant | | 250,000 | 1,741,026 | – | – |
| (Repayment to)/Advances from subsidiaries | | – | – | (206,534,383) | 64,865,364 |
| Dividend paid | | (9,921,956) | (9,019,962) | (9,921,956) | (9,019,962) |
| **Net cash from/(used in) financing activities** | | 102,009,405 | 120,098,367 | (196,156,339) | 73,139,477 |
| **Net increase/(decrease) in cash and cash equivalents carried down** | | 35,858,396 | (39,716,204) | (2,521,874) | (13,819,168) |

# Statements of Cash Flows

for the financial year ended 30 September 2012 (continued)

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents brought down** | | 35,858,396 | (39,716,204) | (2,521,874) | (13,819,168) |
| Effect of exchange rate fluctuations | | (3,929,080) | (320,405) | – | – |
| Cash and cash equivalents at beginning of the financial year | | 45,598,883 | 85,635,492 | 1,590,741 | 15,409,909 |
| **Cash and cash equivalents at end of the financial year** | | 77,528,199 | 45,598,883 | (931,133) | 1,590,741 |

**Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Deposits with licensed financial banks | 23 | 13,738,278 | 7,722,869 | – | – |
| Cash and bank balances | 23 | 26,011,343 | 26,005,604 | 602,633 | 1,628,536 |
| Cash held under housing development accounts | 23 | 68,662,752 | 27,352,502 | – | – |
| Cash held under sinking fund account | 23 | – | 3,020 | – | – |
| Cash held under trust fund account | 23 | – | 174 | – | – |
| Fixed income funds | 23 | | | | |
| - redeemable at call | | 676,897 | 1,145,015 | – | – |
| - redeemable upon 1 day notice | | 10,328 | 582,767 | – | – |
| - redeemable upon 7 days notice | | 564,668 | 56,149 | 6,536,596 | – |
| | | 109,664,266 | 62,868,100 | 7,139,229 | 1,628,536 |
| Bank overdrafts | 28 | (32,136,067) | (19,826,210) | (8,070,362) | (37,795) |
| | | 77,528,199 | 43,041,890 | (931,133) | 1,590,741 |
| **Discontinued operation** | | | | | |
| Cash and bank balances | | – | 3,769,509 | – | – |
| Bank overdrafts | | – | (1,212,516) | – | – |
| | | – | 2,556,993 | – | – |
| | | 77,528,199 | 45,598,883 | (931,133) | 1,590,741 |

# Statements of Cash Flows

for the financial year ended 30 September 2012 (continued)

**Acquisition of property, plant and equipment**

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate costs of RM57,819,152 (2011: RM65,040,260) and RM nil (2011: RM3,340) respectively, which were satisfied as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Continuing operations** | | | | |
| Finance lease arrangements | 1,557,430 | 3,568,917 | – | – |
| Cash payments | 54,779,065 | 61,471,343 | – | 3,340 |
| | 56,336,495 | 65,040,260 | – | 3,340 |
| **Discontinued operation** | | | | |
| Finance lease arrangement | 80,000 | – | – | – |
| Cash payments | 1,402,657 | – | – | – |
| | 57,819,152 | 65,040,260 | – | 3,340 |

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

# Notes to the Financial Statements
- 30 September 2012

## CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

MKH Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the B ursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

**Registered office:**
Suite 1, 5th Floor,
Wisma MKH,
Jalan Semenyih,
43000 Kajang,
Selangor Darul Ehsan.

**Principal place of business:**
5th Floor, Wisma MKH,
Jalan Semenyih,
43000 Kajang,
Selangor Darul Ehsan.

The Company is principally engaged in investment holding and providing management services while the principal activities of the subsidiaries are stated in Note 15. There have been no significant changes in the nature of these activities during the financial year other than the disposal of discontinued operation as disclosed in Note 8.

The financial statements were authorised for issue in accordance with a resolution passed at the Board of Directors' meeting held on 21 December 2012.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")**

**(i) Adoption of Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int**

On 1 October 2011, the Group and the Company adopted the following amendments/ improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

**Amendments/Improvements to FRSs**

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 128 | Investments in Associates |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

**(i) Adoption of Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int** (continued)

| | |
|---|---|
| **Amendments/Improvements to FRSs** (continued) | |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments: Presentation |
| FRS 134 | Interim Financial Reporting |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| | |
| **New IC Int** | |
| IC Int 4 | Determining Whether an Arrangement contains a Lease |
| IC Int 18 | Transfers of Assets from Customers |
| IC Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| | |
| **Amendments to IC Int** | |
| IC Int 13 | Customer Loyalty Programmes |
| IC Int 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the above amendments/improvements to FRSs, new IC Int and amendments to IC Int did not have any significant effect on the financial statements of the Group and of the Company.

**(ii) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

| | | Effective for financial periods beginning on or after |
|---|---|---|
| **New FRSs** | | |
| FRS 9 | Financial Instruments | 1 January 2015 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 13 | Fair Value Measurement | 1 January 2013 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

**1. BASIS OF PREPARATION** (continued)

**(a) Statement of compliance** (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

**(ii) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted** (continued)

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company: (continued)

| | | Effective for financial periods beginning on or after |
|---|---|---|
| **Revised FRSs** | | |
| FRS 119 | Employee Benefits | 1 January 2013 |
| FRS 124 | Related Party Disclosures | 1 January 2012 |
| FRS 127 | Separate Financial Statements | 1 January 2013 |
| FRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| **Amendments/Improvements to FRSs** | | |
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 January 2012 and 1 January 2013 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2012 and 1 January 2013 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 101 | Presentation of Financial Statements | 1 July 2012 and 1 January 2013 |
| FRS 112 | Income Taxes | 1 January 2012 |
| FRS 116 | Property, Plant and Equipment | 1 January 2013 |
| FRS 132 | Financial Instruments: Presentation | 1 January 2013 and 1 January 2014 |
| FRS 134 | Interim Financial Reporting | 1 January 2013 |
| **New IC Int** | | |
| IC Int 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| **Amendments to IC Int** | | |
| IC Int 2 | Members' Shares in Co-operative Entities & Similar Instruments | 1 January 2013 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

1. **BASIS OF PREPARATION** (continued)

(a) **Statement of compliance** (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

(ii) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted** (continued)

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are applicable to the Group are summarised below. Other than for the amendments to FRS 112 Income Taxes, due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

***FRS 9 Financial Instruments***

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

***FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)***

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

# Notes to the Financial Statements
- 30 September 2012 (continued)

**1. BASIS OF PREPARATION** (continued)

**(a) Statement of compliance** (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

**(ii) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted** (continued)

***FRS 11 Joint Arrangements***

FRS 11 supersedes the former FRS 131 Interests in Joint Ventures. Under FRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for its using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

***FRS 12 Disclosures of Interests in Other Entities***

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

***FRS 13 Fair Value Measurement***

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Revised FRS 124 Related Party Disclosures***

The revised FRS 124 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. If a government controlled or significantly influenced an entity, the entity requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. This balance is achieved by requiring disclosure about these transactions only if they are individually or collectively significant. As this is a disclosure standard, the standard will have no impact on the financial position and performance of the Group and the Company when implemented.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

**(ii) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted** (continued)

***Revised FRS 128 Investments in Associates and Joint Ventures***

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organizations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

***Amendments to FRS 112 Income Taxes***

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of this amendment, as there is a presumption that the carrying amount of investment properties measured at fair value will be recovered entirely through sale, deferred tax liability on investment properties will be recognised based on rate applicable to real property gain tax. The following are the expected effects on the statement of financial position of the Group as at 30 September 2012 arising from the above change in accounting policy:

| | **Increase/ (Decrease) RM** |
|---|---|
| **Group** | |
| **Statement of financial position** | |
| Retained earnings | 21,082,600 |
| Deferred tax liabilities | (21,082,600) |

# Notes to the Financial Statements
- 30 September 2012 (continued)

**1. BASIS OF PREPARATION** (continued)

**(a) Statement of compliance** (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

**(iii) MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1 October 2014. The Group and the Company will prepare their MFRSs financial statements using the MFRSs framework for the financial year ending 30 September 2015.

As at 30 September 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs. As such, other than those as discussed below, the main effects arising from the transition to the MFRSs Framework have been discussed in Note 1(a)(ii). The effects are based on the Group and the Company's best estimates at the reporting date. The financial effects may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

**Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for financial year beginning on 1 October 2014 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

# Notes to the Financial Statements
- 30 September 2012 (continued)

1. **BASIS OF PREPARATION** (continued)

(a) **Statement of compliance** (continued)

**New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** (continued)

(iii) **MASB Approved Accounting Standards, MFRSs** (continued)

**MFRS 141 Agriculture**

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group is currently assessing the impact of the adoption of this standard.

**IC Int 15 Agreements for the Construction of Real Estate**

IC Int 15 establishes that the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group is currently assessing the impact of the adoption of this Interpretation.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) **Functional and presentation currency**

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

(d) **Significant accounting estimates and judgements**

The preparation of the financial statements requires management to make judgement, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 1. BASIS OF PREPARATION (continued)

### (d) Significant accounting estimates and judgements (continued)

Significant areas of estimation, uncertainty and critical judgements in applying accounting principles that have significant effect on the amount recognised in the financial statements are described in the following notes:

(i) Revenue and cost of sales recognition (Note 3 and 4) – the Company recognises property development revenue and cost of sales by reference to the stage of completion of the development activity at the reporting date. The stage of completion is determined based on the proportion of development costs incurred for work performed to-date bears to the estimated total property development costs. Significant judgement is required in the estimation of total property development costs. Where the actual total property development costs is different from the estimated total property development costs, such difference will impact the property development profits/(loss) recognised.

(ii) Tax expense (Note 7) – significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.

(iii) Useful life of property, plant and equipment (Note 10) – the cost of property, plant and equipment is depreciated on a straight line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipments to be within 5 to 50 years based on past experience with similar assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation charges.

(iv) Impairment of intangible assets (Note 11) – significant judgement is used in the estimation of the present value of future cash flows generated by the cash-generating units which involve uncertainties and are based on assumptions used and judgement made regarding estimates of future cash flows and discount rate.

(v) Fair value of investment properties (Note 14) – the measurement of the fair value for investment properties performed by management is based on independent professional valuations with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts, investment method, being the projected net income and other benefits that the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property, direct comparison method, being comparison of transactions and asking prices of similar properties in the locality and adjusting for location, terrain, size, present market trends and other differences, and cost method of valuation, being cross checking it with the income method of valuation.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 1. BASIS OF PREPARATION (continued)

### (d) Significant accounting estimates and judgements (continued)

Significant areas of estimation, uncertainty and critical judgements in applying accounting principles that have significant effect on the amount recognised in the financial statements are described in the following notes: (continued)

(vi) Deferred tax assets (Note 18) – deferred tax assets are recognised for deductible temporary differences in respect of expenses, unutilised tax losses, unabsorbed industrial building allowances and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the Group.

(vii) Impairment loss on receivables (Note 19) – the Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(viii) Inventories (Note 21) – the saleability of inventories are reviewed by management on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. The purpose is to ascertain whether a write down to net realisable value is required to be made.

(ix) Construction contracts (Note 22) – 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 costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the works that are recoverable from the customers. In making judgements, the Group evaluates based on past experience and work of specialists.

(x) Provision of retirement benefit obligations (Note 26) – the provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.

(xi) Provision for tax penalty (Note 26) – the Group recognised a provision for tax penalty in respect of the financial year 2009 using similar basis as in the decision letters of the local tax authority for a subsidiary's tax under payment of input Value Added Tax for the year 2008.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are taken into account.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred.

The financial statements of subsidiaries acquired or disposed off 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. The assets, liabilities and contingent liabilities assumed of the acquired subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated statement of financial positions.

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

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

#### (ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not in control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investment) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Should the associate subsequently report profits, the Group will only resume to recognise its share of profits after its share of profits equals to the share of losses previously not recognised.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (ii) Associates (continued)

Where the audited financial statements of the associates are not co-terminous with those of the Group, the share of results is based on a limited review or full scope audit on the financial statements performed by auditors of the associate made up to the financial year end of the Group or unaudited financial statements of the associate.

Investments in associates are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### (iii) Non-controlling interests

Non-controlling interests are the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and are presented in the consolidated statement of financial positions and statement of changes in equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

All losses attributable to the non-controlling interests are allocated to the minority shareholders even if the losses exceed the non-controlling interests in the subsidiary's equity.

#### (iv) Changes in group composition

The Group treats changes in the group composition that do not result in a loss of control as equity transaction between the Group and the minority shareholders. Any difference between the Group's shares of net assets before and after the change, and any consideration received or paid, is recognised directly in equity and attributed to owners of the Company.

#### (v) Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in full. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent the Group has interests. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in currencies other than the Group entities' functional currency (foreign currencies) are translated into the Group entities' functional currency at the rates of exchange ruling at the time of the transaction date. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

# Notes to the Financial Statements
- 30 September 2012 (continued)

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(b) Foreign currency** (continued)

**(i) Foreign currency transactions** (continued)

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

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

**(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

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

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

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

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

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

Upon disposal of a foreign subsidiary company, the cumulative amount of translation differences at the date of disposal of the subsidiary company is taken to the consolidated statement of comprehensive income.

**(c) Revenue recognition**

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

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue recognition (continued)

#### (i) Development properties

Revenue from development properties sold is recognised on the percentage of completion method when the outcome of the property development projects can be reliably estimated. The stage of completion is measured by the proportion that development costs incurred for work performed to-date bear to the estimated total development costs for units sold. Where foreseeable losses on development properties are anticipated, full allowance of those losses is made in the financial statements.

Revenue from the sale of completed development properties and land held for development are measured at fair value of the consideration received or receivable net of trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of properties can be estimated reliably, and there is no continuing management involvement with the properties.

#### (ii) Construction contracts

Revenue from construction contracts is recognised on the percentage of completion method when the outcome of the construction contracts can be reliably estimated. The stage of completion is measured by reference to the certified work done to-date or by the proportion that contract costs incurred for work performed to-date bear to the estimated total construction costs. Where foreseeable losses on construction contracts are anticipated, full allowance of those losses is made in the financial statements.

Construction revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentives payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

#### (iii) Investment properties

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

#### (iv) Goods sold

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

#### (v) Services

Revenue from services is recognised as and when services are rendered.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue recognition (continued)

#### (vi) Entrance and subscription fees

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

#### (vii) Rental income

Rental income is recognised on an accrual basis.

#### (viii) Interest income

Interest income from deposits with licensed banks and contract revenue under deferred payment term is recognised on an accrual basis using the effective interest method.

Interest income from hire purchase financing, housing loan and term loan are recognised on an accrual basis as follows:

(i) interest earned on hire purchase financing is recognised using the 'sum-of-digits' method so as to produce a constant periodic rate of interest on the balance for each period. Unearned interest is deducted in arriving at the net balance of the hire purchase debts;
(ii) interest earned on housing loan and term loan is calculated on a monthly rest basis.

#### (ix) Dividend income

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

### (d) Employee benefits

#### (i) Short term employee benefits

Short-term employee benefit obligation in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans, if any, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund or other defined contributable plans are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (ii) Defined benefit plans

A subsidiary of the Company operates an unfunded defined benefit scheme. The subsidiary's net obligation under the scheme is determined by estimating the amount of benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value of the liability. The subsidiary's obligation is calculated using the projected unit credit method.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Employee benefits (continued)

#### (ii) Defined benefit plans (continued)

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the employees participating in the plans.

#### (iii) Retirement gratuity scheme

The Company established a retirement gratuity scheme in 2005 for certain Executive Directors of the Company. The amount of retirement gratuity payable is determined by the Board of Directors in relation to the past services rendered and it does not account for the director's services to be rendered in later years up to retirement. The retirement gratuity is calculated based on the last drawn monthly salaries of the eligible directors and contribution to Employees Provident Fund for three years. The retirement gratuity payable is vested upon the directors reaching retirement age and is classified as current liabilities.

### (e) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### (f) Leases - The Group as lessee

#### (i) Finance leases

Leases of property, plant and equipment where the Group and the Company assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges 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 profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leases - The Group as lessee (continued)

#### (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 expense over the lease term on the straight-line basis.

### (g) Leases - The Group as lessor

#### (i) Finance leases

Leases where the Group transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases. initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest earned on hire purchase or finance lease financing is recognised using the 'sum-of-digits' method so as to produce a constant periodic rate of interest on the balance for each period. Unearned interest is deducted in arriving at the net balance of the hire purchase or finance lease debts

### (h) Tax expense

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

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

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

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

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

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Property, plant and equipment

#### (i) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at valuation, which is the fair value at the date of valuation, less impairment loss, if any. Buildings are stated at valuation, which is the fair value at the date of the valuation, less accumulated depreciation and impairment loss, if any.

The Group revalues its property comprising land and building every five years from the last date of valuation and at shorter intervals whenever the fair value of the said assets is expected to differ substantially from its carrying amounts.

Surplus arising from revaluation are transferred to revaluation reserve. Any deficits are offset against the unutilised previously recognised revaluation surplus to the extent of a previous increase for the same property and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any unutilised revaluation reserve relating to the particular asset is transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

#### (ii) Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, it is remeasured to fair value and reclassified as investment property. Any gain arising from remeasurement is recognised in equity. Any loss arising from remeasurement is recognised in profit or loss.

The fair value of property, plant and equipment recognised in a business combination is based on market value. The market value is the estimate amount for which a property could be exchanged on the date of valuation between a willing seller and a willing buyer in an arm's length transaction. The market value of items of plant and equipment, fixtures and fittings is based on the quoted market prices for similar items.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Property, plant and equipment (continued)

#### (iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

#### (iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until these assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

| | |
|---|---|
| Long term leasehold land | Over 78 to 99 years |
| Buildings | 2% to 12.5% |
| Motor vehicles, plant and machinery | 10% to 20% |
| Furniture, fittings and equipment | 10% to 20% |
| Plantation infrastructure | 12.5% |

The initial cost of operating equipment comprising of linen, crockery and related items are treated as base inventories and depreciated over a period of 5 years. Subsequent replacements are written off in the profit or loss as and when incurred.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

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.

### (j) Intangible assets

#### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

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

Goodwill is measured at cost and is not amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Intangible assets (continued)

#### (i) Goodwill (continued)

Goodwill is allocated to cash generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

#### (ii) Other intangible assets

Other intangible assets acquired by the Group are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level.

### (k) Biological assets

This represents plantation development expenditure consisting of cost incurred on land clearing and planting and upkeep of oil palm trees to maturity which are initially recognised at cost and amortised on a straight-line basis over the crop's production cycle or the remaining period of the lease, whichever is shorter.

### (l) Investment properties

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies within the Group are accounted for as owner's occupied rather than as investment properties.

All investment properties are measured initially and subsequently at fair value with any change therein recognised in profit or loss.

When an item of inventory or land held for property development is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised in profit or loss.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Investment properties (continued)

An external, independent valuer, having appropriate professional qualifications and experience, values the Group's investment property portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, investment method, being the projected net income and other benefits that the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property, direct comparison method, being comparison of transactions and asking prices of similar properties in the locality and adjusting for location, terrain, size, present market trends and other differences, and cost method of valuation, being cross checking it with the income method of valuation.

Investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

### (m) Land held for property development

Land held for property development which consists of land is 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.

### (n) Impairment of non-financial assets

The carrying amounts of non-financial assets other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to.

An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount. An impairment loss is recognised as an expense in profit or loss.

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

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) 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, 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, property development revenue and costs are recognised in profit or loss by reference to the stage of completion of development activities at the reporting date.

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

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately. Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

Accrued billings within receivables represent the excess of revenue recognised in profit or loss over billings to purchasers. Progress billings within payables represent the excess of billings to purchasers over revenue recognised in profit or loss.

### (p) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the specific identification, first-in first-out and weighted average principles, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods cost includes raw materials, direct labour and an appropriate production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Cost of completed development properties is determined on specific identification basis and includes land, construction and appropriate development overheads.

### (q) Construction contracts

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

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

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Non-current assets classified as held for sale

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

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

### (s) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised their financial assets in financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

#### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Company classified its quoted fixed income fund which is held for trading as financial assets at FVTPL.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Financial assets (continued)

#### (ii) Loans and receivables

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

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

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

The Group and the Company classifies the following financial assets as loans and receivables:

- cash and cash equivalents, except for bank overdraft; and
- trade and other receivables, including amount due from subsidiaries and deposits.

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

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at FVTPL, held-to-maturity investments and loans and receivables.

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

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

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

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

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Financial assets (continued)

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

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

### (t) Impairment of financial assets

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

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

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

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

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

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

#### (ii) Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Impairment of financial assets (continued)

#### (ii) Available-for-sale Financial Assets (continued)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

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

### (u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments which are subject to an insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### (v) Share capital

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

### (w) Financial liabilities

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

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

#### (i) Other financial liabilities

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

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

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Financial liabilities (continued)

#### (i) Other financial liabilities (continued)

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

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

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

### (x) Financial guarantee contracts

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

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

### (y) Governments grants

Government grants relating to the purchase of assets are treated as deferred income and are credited to profit or loss on the straight line basis over the expected lives of the related assets.

### (z) Provisions

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

### (aa) Contingencies

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

Contingent liabilities or assets are not recognised in the statements of financial positions.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ab) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 3. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Attributable revenue from sales of uncompleted development properties and sales of completed development properties | 392,753,294 | 201,545,152 | – | – |
| Attributable revenue from construction contracts | – | 2,806,569 | – | – |
| Dividend income from subsidiaries | – | – | 143,651,500 | 83,856,000 |
| Interest income from money lending | 296,407 | 24,288 | – | – |
| Management fees | – | – | 44,000 | 10,112,000 |
| Rental income | 622,478 | 262,975 | – | – |
| Rental income from investment properties | 24,200,187 | 23,783,803 | – | – |
| Revenue from hotel operations | 5,111,006 | 4,779,897 | – | – |
| Sales of goods | 76,312,910 | 69,704,536 | – | – |
| Sales of investment properties | 55,000 | 18,000 | – | – |
| Sales of land held for property development | – | 1,303,848 | – | – |
| Sales of crude palm oil and palm kernel | 44,912,468 | – | – | – |
| Sales of non-current assets classified as held for sale | – | 250,000 | – | – |
| Services rendered | 1,028,195 | 1,543,065 | – | 131,650 |
| | 545,291,945 | 306,022,133 | 143,695,500 | 94,099,650 |

Group revenue excludes intra-group transactions.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 4. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Attributable property development costs and cost of completed development properties sold | 251,630,309 | 135,809,116 | – | – |
| Attributable construction contract costs | – | 2,039,444 | – | – |
| Cost of investment properties disposed (Note 14) | 172,400 | 12,000 | – | – |
| Cost of land held for property development | – | 906,301 | – | – |
| Cost of non-current assets classified as held for sale | – | 251,175 | – | – |
| Direct operating expenses from investment properties - Generated rental income | 7,774,556 | 7,380,380 | – | – |
| Cost of goods sold | 71,750,461 | 62,906,864 | – | – |
| Cost of services | 1,256,299 | 4,109,734 | – | – |
| Cost of sales of crude palm oil and palm kernel | 29,774,717 | – | – | – |
| | 362,358,742 | 213,415,014 | – | – |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Profit before tax is arrived at after charging:** | | | | |
| Amortisation of prepaid lease payments | 794,117 | 796,374 | – | – |
| Amortisation of biological assets | 1,859,762 | – | – | – |
| Auditors' remuneration | | | | |
| - Audit services | 241,230 | 206,222 | 45,000 | 42,000 |
| - Other services by auditors of the Company | 35,600 | 12,800 | 35,600 | 9,800 |
| Bad debts written off | 20,400 | 36,888 | – | – |
| Deposits written off | 687,545 | – | – | – |
| Depreciation of property, plant and equipment | 6,109,027 | 2,875,406 | 21,280 | 21,222 |
| Loss on disposal of non-current assets held for sale | – | 1,175 | – | – |
| Loss on disposal of investment property | 117,400 | – | – | – |
| Loss on deposits measured at amortised cost | 5,903,875 | – | – | – |
| Interest expense | 21,044,589 | 15,880,614 | 3,158,683 | 3,193,351 |
| Inventories written off | 16,188 | – | – | – |
| Impairment loss on: | | | | |
| - property plant and equipment | 53,651 | – | – | – |
| - investment in subsidiaries | – | – | 16,549,092 | – |
| - land held for property development | 1,098,740 | 90,267 | – | – |
| - receivables | 3,789,911 | 704,159 | 46,130 | 85,765 |
| Net loss on foreign exchange | | | | |
| - realised | 21,780 | 190,890 | 20,315 | – |
| - unrealised | 3,830,022 | 997,772 | – | 1,479,325 |
| Personnel expenses (including key management personnel) | | | | |
| - Contributions to Employees Provident Fund | 3,506,032 | 2,884,144 | – | 1,245,168 |
| - Provision for retirement benefit obligations | 899,740 | 723,747 | – | – |
| - Provision for retirement gratuity | 8,870,400 | – | – | – |
| - Wages, salaries and others | 27,208,058 | 23,398,020 | 143,942 | 7,164,938 |
| Property, plant and equipment written off | 179,519 | 14,520 | 1,518 | 1 |
| Provision for rectification works | 1,950,550 | – | – | – |
| Provision for tax penalty | – | 1,074,794 | – | – |
| Rental of motor vehicles, equipment and machinery | 50,253 | 85,992 | – | – |
| Rental of premises | 1,320,648 | 601,450 | – | 261,694 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **and after crediting:** | | | | |
| Bad debts recovered | 14,062 | – | – | – |
| Changes in fair value of investment properties | 12,668,000 | 9,160,000 | – | – |
| Dividend income (gross) | – | – | 143,651,500 | 83,856,000 |
| Gain on disposal of investment properties | – | 6,000 | – | – |
| Gain on disposal of land held for property development | – | 397,547 | – | – |
| Gain on changes in fair value of fixed income fund | 481 | 16,234 | – | – |
| Gain on disposal of non-current assets held for sale | – | 3,992,734 | – | – |
| Gain on disposal of property, plant and equipment | 151,353 | 191,064 | – | – |
| Gain on disposal of subsidiaries | 805 | – | 23,795,919 | – |
| Gain on disposal of other investment | – | 65,600 | – | – |
| Gain on transfer of land held for property development to investment properties | 1,590,245 | – | – | – |
| Interest income | 2,636,841 | 1,724,898 | 5,174,826 | 1,182,280 |
| Landowner's share of loss | – | 40,507 | – | – |
| Net gain on foreign exchange | | | | |
| - realised | 236,748 | – | – | 39,739 |
| - unrealised | – | – | 1,625,000 | – |
| Rental income | 24,855,716 | 24,123,584 | – | – |
| Reversal of impairment loss on receivables | 350,466 | 239,942 | 13,600 | – |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 6. DIRECTORS' REMUNERATION

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Directors of the Company** | | | | |
| Executive Directors | | | | |
| - Other emoluments * | 18,316,722 | 7,839,280 | – | 6,945,590 |
| - Estimated monetary value of benefits-in-kind | 109,696 | 137,446 | – | – |
| | 18,426,418 | 7,976,726 | – | 6,945,590 |
| **Non-Executive Directors** | | | | |
| - Fees | 120,000 | 120,000 | 120,000 | 120,000 |
| - Other emoluments | 86,115 | 106,480 | 11,500 | 12,000 |
| - Estimated monetary value of benefits-in-kind | 5,300 | 5,300 | – | – |
| | 211,415 | 231,780 | 131,500 | 132,000 |
| | 18,637,833 | 8,208,506 | 131,500 | 7,077,590 |
| **Directors of subsidiaries** | | | | |
| Executive Directors | | | | |
| - Other emoluments | 1,375,859 | 1,279,643 | – | – |
| - Estimated monetary value of benefits-in-kind | 8,800 | 8,800 | – | – |
| | 1,384,659 | 1,288,443 | – | – |
| | 20,022,492 | 9,496,949 | 131,500 | 7,077,590 |

* Includes provision for retirement gratuity of the Group amounting to RM8,870,400 (2011: RM nil) for certain eligible directors of the Company.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 7. TAX EXPENSE

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Continuing operations:** | | | | |
| **Current tax expense** | | | | |
| Malaysian - current financial year | 32,980,940 | 14,420,160 | 15,620,800 | 20,846,400 |
| - prior financial year | (1,281,024) | 313,788 | 91,770 | 252,803 |
| Overseas - current financial year | 261,469 | 105,888 | – | – |
| | 31,961,385 | 14,839,836 | 15,712,570 | 21,099,203 |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | (6,361,399) | (5,069,458) | – | – |
| Under/(Over) provision in prior financial year | 1,463,746 | (268,600) | – | – |
| | (4,897,653) | (5,338,058) | – | – |
| Tax expense attributable to continuing operations | 27,063,732 | 8,078,330 | 15,712,570 | 21,099,203 |
| **Tax expense attributable to discontinued operations (Note 8)** | 341,300 | 1,423,448 | – | – |
| Total tax expense recognised in profit or loss | 27,405,032 | 9,501,778 | 15,712,570 | 21,099,203 |
| Deferred tax related to other comprehensive income | | | | |
| - Surplus on revaluation of land and buildings | – | 2,726,098 | – | – |
| - Exchange differences on monetary item that form part of net investment in foreign subsidiary | (7,021,000) | 1,559,000 | – | – |
| | (7,021,000) | 4,285,098 | – | – |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 7. TAX EXPENSE (continued)

**Reconciliation of effective tax expense**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Profit before tax from continuing operations | 98,545,758 | 42,880,542 | 153,060,052 | 80,231,351 |
| Profit before tax from discontinued operation | 1,541,496 | 4,309,382 | – | – |
| Accounting profit before tax | 100,087,254 | 47,189,924 | 153,060,052 | 80,231,351 |
| Tax calculated using Malaysian tax rate of 25% | 25,021,800 | 11,797,500 | 38,265,000 | 20,057,800 |
| Share of results of an associate | (3,643,200) | (3,855,100) | – | – |
| Non-taxable income | (1,352,500) | (920,000) | (28,015,800) | (44,900) |
| Non-deductible expenses | 7,121,099 | 3,490,290 | 5,371,600 | 833,500 |
| Deferred tax assets not recognised during the financial year | 652,811 | 745,200 | – | – |
| Utilisation of deferred tax assets not recognised in prior financial years | (19,600) | (360,900) | – | – |
| Recognition of previously unrecognised deferred tax assets | (558,100) | (1,609,900) | – | – |
| Reversal of deferred tax assets | – | 185,900 | – | – |
| Reversal of deferred tax liabilities | – | (16,400) | – | – |
| (Over)/Under provision in prior financial years | | | | |
| - Current tax expense | (1,281,024) | 313,788 | 91,770 | 252,803 |
| - Deferred tax expense | 1,463,746 | (268,600) | – | – |
| Tax expense | 27,405,032 | 9,501,778 | 15,712,570 | 21,099,203 |

The Group has estimated unutilised tax losses of RM53,550,323 (2011: RM23,003,480), and unabsorbed capital allowances of RM63,200 (2011: RM92,400) carried forward, available for set-off against future taxable profits.

During the financial year, the Group utilised its brought forward unutilised tax losses and unabsorbed capital allowance to set off against its chargeable income resulting in a tax saving of approximately RM19,100 (2011: RM286,600).

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the previous financial year, the Company was in negotiation with a third party to dispose of its wholly-owned subsidiary, Makin Jernih Sdn. Bhd. ("MJSB") which is classified in the farming, food processing and retail segment. The decision to sell the segment is in line with the Group's objective of disposing its non-core business and focus on its core business in property development, property investment, construction and oil palm plantation. On 29 December 2011, the Company entered into a Sale and Purchase Agreement with the third party for the said disposal as mentioned in Note 35. The disposal was completed on 16 January 2012.

As at 30 September 2011, the assets and liabilities related to MJSB and its subsidiaries ("MJSB Group"), which consist of AA Meat Shop Sdn. Bhd., Chau Yang farming Sdn. Bhd. and Tip Top Meat Sdn. Bhd., were presented in the consolidated statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". The results of MJSB Group were presented separately on the consolidated statement of comprehensive income as "Profit for the financial year from discontinued operation".

**<u>Statement of financial position disclosures</u>**

The major classes of assets and liabilities of MJSB Group classified as held for sale and the related revaluation reserve as at 30 September 2011 were as follows:

| | Note | 2011<br>RM |
|---|---|---|
| **Assets:** | | |
| Property, plant and equipment | | 70,397,727 |
| Intangible asset | (a) | 1,270,000 |
| Inventories | | 7,071,745 |
| Receivables, deposits and prepayments | | 1,279,384 |
| Cash and cash equivalents | | 3,769,509 |
| Assets of disposal group classified as held for sale | | 83,788,365 |
| **Liabilities:** | | |
| Loans and borrowings | | 4,825,522 |
| Payables and accruals | | 5,516,042 |
| Deferred income | (b) | 4,750,000 |
| Deferred tax liabilities | | 7,576,840 |
| Current tax liabilities | | 59,598 |
| Liabilities of disposal group classified as held for sale | | 22,728,002 |
| **Net assets of disposal group classified as held for sale** | | 61,060,363 |
| **Reserve of disposal group classified as held for sale:** | | |
| Revaluation reserve | | 20,570,586 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

### (a) Intangible asset

The license to operate a livestock farm is assessed as having an indefinite useful life as the license is renewable at minimal cost and the management does not foresee any factors that would result in the non-renewal of the license. The Group intends to continue renewing the license indefinitely.

The license to operate a livestock farm is allocated to the farming segment. Goodwill and the license are tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of each CGU. The recoverable amount of CGU is determined based on value-in-use calculations using cash flow projections from the financial budgets and projections approved by management.

### (b) Deferred income

This is part of a grant totalling RM5,000,000 from the Government of Malaysia ("the Government") as financial assistance under the Techno Fund grant to develop and up-scale a new technology biogas plant to treat slaughter house waste and utilisation of biogas for energy saving ("the Project"). The total approved grant may be adjusted by the Government and the Government has the absolute discretion for any review of the grant or the aggregate amount to be paid to a subsidiary. The duration of the Project shall be for a period of 24 months commencing from 15 September 2008 until 14 September 2010. The duration of the project has been extended to 30 April 2011. The certificate of practical completion of the biogas plant was received in April 2011. However, the operation of the plant has not commenced due to some rectification works on the plant before full commissioning of the plant.

The assets of disposal group classified as held for sale on the Company's statement of financial position as at 30 September 2011 was as follows:

| | **2011**<br>**RM** |
|---|---|
| **Asset:** | |
| Investment in subsidiaries | 34,800,000 |

Included in loans and borrowings were:

| | **2011**<br>**RM** |
|---|---|
| Secured term loan | 1,691,934 |
| Secured revolving credit | 1,500,754 |
| Unsecured bank overdrafts | 1,212,516 |
| Finance lease liabilities | 420,318 |
| | 4,825,522 |

As at 30 September 2011, the finance lease liabilities bore effective interest at rates 3.37% to 8.15% per annum.

# Notes to the Financial Statements
- 30 September 2012 (continued)

**8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE** (continued)

As at 30 September 2011, the term loan of RM1,681,363 was part of the total term loan of RM4,000,000 and is repayable by 20 quarterly principal instalments of RM200,000 each commencing on 1 April 2012. The revolving credit of RM1,500,000 is part of the total revolving credit of RM2,000,000 and is repayable on demand. The term loan and revolving credit are secured and supported by:

(i) first legal charge over part of the freehold land of a subsidiary;
(ii) corporate guarantee of the holding company; and
(iii) negative pledge.

As at 30 September 2011, the term loan, revolving credit and bank overdraft bore interest at rates of 7.60%, 6.60%and 7.85% respectively per annum.

As at 30 September 2011, the unsecured bank overdraft bore effective interest at a rate of 7.85% per annum and is supported by corporate guarantee of the holding company.

**Statement of profit or loss disclosure**

The results attributable to the discontinued operation for the financial years ended 30 September are as follows:

| | **2012 RM** | **2011 RM** |
|---|---|---|
| Revenue | 10,632,586 | 35,993,759 |
| Cost of sales | (7,469,386) | (24,073,656) |
| Gross profit | 3,163,200 | 11,920,103 |
| Other income | 49,063 | 224,563 |
| Sales and marketing expenses | (259,372) | (862,481) |
| Administrative expenses | (1,793,720) | (6,512,272) |
| Other expenses | (164,457) | (307,182) |
| Profit from operations | 994,714 | 4,462,731 |
| Finance cost | (64,855) | (153,349) |
| Profit before tax | 929,859 | 4,309,382 |
| Tax expense | (341,300) | (1,423,448) |
| Profit from operating activities, net of tax | 588,559 | 2,885,934 |
| Gain on disposal of discontinued operation | 611,637 | – |
| Profit for the financial year | 1,200,196 | 2,885,934 |

The profit from discontinued operation of RM1,200,196 (2011: RM2,885,934) is attributable entirely to the owners of the parent.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

**<u>Statement of profit or loss disclosure</u>** (continued)

Included in profit before tax from discontinued operations are:

| | 2012 RM | 2011 RM |
|---|---|---|
| **Profit before tax is arrived at after charging/(crediting)** | | |
| Auditors' remuneration | | |
| - audit services | 5,175 | 27,100 |
| - other services | – | 1,500 |
| Bad debts written off | 16,825 | – |
| Depreciation of property, plant and equipment | 761,149 | 2,791,737 |
| Impairment loss on: | | |
| - receivables | – | 16,825 |
| Interest expense | 59,219 | 122,575 |
| Inventories written off | 631 | 23,416 |
| Personnel expenses (including key management personnel) ^ | | |
| - Contributions to Employees Provident Fund | 208,569 | 591,378 |
| - Wages, salaries and others | 3,496,868 | 7,973,011 |
| Property, plant and equipment written off | 83,620 | 38,500 |
| Rental of office equipment | 2,450 | 5,335 |
| Rental of machinery and equipment | 4,766 | 6,303 |
| Rental of factory | 6,000 | 24,000 |
| Rental of motor vehicles | 300 | 7,711 |
| Rental of premises | 150,967 | 577,840 |
| Interest income | (36) | (11,926) |
| Gain on disposal of property, plant and equipment | (2,759) | (55,856) |
| Net loss/(gain) on foreign exchange: | | |
| - realised | 496 | (8,323) |
| - unrealised | – | (501) |
| Rental income | (1,500) | (6,000) |
| Reversal of impairment loss on receivables | (16,825) | – |

^ Included in personnel expenses are other emoluments of directors of a subsidiary amounting to RM6,000 (2011: RM24,000).

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

**Statement of cash flows disclosure**

The cash flows attributable to MJSB Group are as follows:

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Operating | 714,663 | 6,081,385 |
| Investing | (1,398,058) | (11,602,809) |
| Financing | 1,225,321 | 3,585,684 |
| Effect on cash flows | 541,926 | (1,935,740) |

Effects of disposal on the statement of financial position of the Group:

| | 2012<br>RM |
|---|---|
| **Assets** | |
| Property, plant and equipment | 71,033,775 |
| Intangible assets | 1,270,000 |
| Inventories | 7,626,227 |
| Receivables, deposits and prepayments | 1,473,202 |
| Current tax assets | 4,742 |
| Cash and bank balances | 4,131,488 |
| | 85,539,434 |
| **Liabilities** | |
| Payables and accruals | 4,874,177 |
| Finance lease liabilities | 465,756 |
| Term loan - secured | 2,984,070 |
| Revolving credit - secured | 2,000,000 |
| Bank overdraft - unsecured | 1,032,569 |
| Deferred income | 5,000,000 |
| Deferred tax liabilities | 7,905,940 |
| | 24,262,512 |
| Total net assets | 61,276,922 |
| Gain on disposal of discontinued operation | 611,637 |
| Total cash consideration received, net of cost to sell | 61,888,559 |
| Less: Cash and cash equivalents of subsidiaries disposed | (3,098,919) |
| Disposal of discontinued operation, net of cash and cash equivalents disposed | 58,789,640 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 9. EARNINGS AND NET ASSETS PER SHARE

**Basic earnings per share**

The basic earnings per share is calculated by dividing the Group profit attributable to shareholders by the weighted average number of ordinary shares of RM1/- each in issue during the financial year.

The previous financial year's basic earnings per share has been restated based on the weighted average number of shares of RM291,043,776 ordinary shares in issue during the financial year after taking into consideration the bonus issue of RM26,458,525 ordinary shares of RM1/- each.

Basic earnings per share are calculated based on the following information:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Profit attributable to shareholders: | | |
| From continuing operations | 73,437,417 | 35,129,301 |
| From discontinued operation | 1,200,196 | 2,885,934 |
| | 74,637,613 | 38,015,235 |
| Weighted average number of ordinary shares in issue during the financial year | 291,043,776 | 291,043,776 |

**Diluted earnings per share**

As at the financial year end, the Company has no potential ordinary shares which are dilutive in nature. Accordingly, diluted earnings per share has not been presented.

**Net assets per share**

The net assets per share is calculated by dividing the total equity attributable to shareholders by the number of ordinary shares in issue as at the reporting date after taking into consideration the bonus issue of RM26,458,525 ordinary shares of RM1/- each issued during the financial year.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land RM | Long term Leasehold Land RM | Buildings RM | Motor Vehicles, Plant & Machinery RM | Furniture, Fittings & Equipment RM | Plantation Infrastructure RM | Under Construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2012** | | | | | | | | |
| **Cost/Valuation** | | | | | | | | |
| At 1 October 2011 | 9,610,000 | 5,600,000 | 40,132,843 | 22,214,614 | 11,314,870 | 8,866,054 | 44,410,570 | 142,148,951 |
| Additions # | - | - | 2,176,308 | 9,568,883 | 2,737,100 | 226,895 | 41,627,309 | 56,336,495 |
| Disposals | - | - | - | (836,758) | (30,074) | - | - | (866,832) |
| Written off | - | - | - | (168,000) | (3,053,882) | - | - | (3,221,882) |
| Reclassification | - | - | 31,902,110 | 9,694,705 | 2,297,983 | 25,283,746 | (69,178,544) | - |
| Effect of movements in exchange rates | - | - | (730,268) | (1,886,809) | 14,250 | (1,304,662) | (4,854,527) | (8,762,016) |
| At 30 September 2012 | 9,610,000 | 5,600,000 | 73,480,993 | 38,586,635 | 13,280,247 | 33,072,033 | 12,004,808 | 185,634,716 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 October 2011 | - | 71,111 | 1,323,873 | 9,126,722 | 5,902,722 | 1,645,252 | - | 18,069,680 |
| Charge for the financial year * | - | 71,111 | 2,248,855 | 3,696,257 | 2,180,319 | 430,659 | - | 8,627,201 |
| Disposals | - | - | - | (725,534) | (20,983) | - | - | (746,517) |
| Written off | - | - | - | (130,696) | (2,911,667) | - | - | (3,042,363) |
| Effect of movements in exchange rates | - | - | (39,578) | (449,638) | 2,540 | (195,545) | - | (682,221) |
| At 30 September 2012 | - | 142,222 | 3,533,150 | 11,517,111 | 5,152,931 | 1,880,366 | - | 22,225,780 |
| **Impairment Loss** | | | | | | | | |
| Addition | - | - | 53,651 | - | - | - | - | 53,651 |
| At 30 September 2012 | - | - | 53,651 | - | - | - | - | 53,651 |
| **Net Carrying Amount** | | | | | | | | |
| At 30 September 2012 | 9,610,000 | 5,457,778 | 69,894,192 | 27,069,524 | 8,127,316 | 31,191,667 | 12,004,808 | 163,355,285 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Freehold Land RM | Long term Leasehold Land RM | Buildings RM | Motor Vehicles, Plant & Machinery RM | Furniture, Fittings & Equipment RM | Plantation Infrastructure RM | Under Construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2011** | | | | | | | | |
| **Cost/Valuation** | | | | | | | | |
| At 1 October 2010 (previously stated) | 15,317,000 | - | 59,146,035 | 25,293,713 | 11,532,886 | 5,834,380 | 8,105,603 | 125,229,617 |
| Effect of adopting Amendments to FRS 117 | - | 14,300,000 | - | - | - | - | - | 14,300,000 |
| At 1 October 2010 (restated) | 15,317,000 | 14,300,000 | 59,146,035 | 25,293,713 | 11,532,886 | 5,834,380 | 8,105,603 | 139,529,617 |
| Additions # | - | - | 1,794,318 | 10,063,837 | 2,757,797 | 2,602,907 | 47,894,814 | 65,113,673 |
| Disposals | - | - | - | (1,366,968) | (322,603) | - | - | (1,689,571) |
| Written off | - | - | - | (22,590) | (175,890) | - | (18,000) | (216,480) |
| Reclassification | - | - | 131,156 | 926,327 | 6,618 | - | (1,064,101) | - |
| Adjustment on revaluation | 5,693,000 | 8,795,962 | 2,110,683 | - | - | - | - | 16,599,645 |
| Elimination of accumulated depreciation on revaluation | - | (95,962) | (903,991) | - | - | - | - | (999,953) |
| Reclassity as held for sale | (11,400,000) | (17,400,000) | (22,950,000) | (13,339,856) | (2,536,319) | | (11,503,415) | (79,129,590) |
| Effect of movements in exchange rates | - | - | 804,642 | 660,151 | 52,381 | 428,767 | 995,669 | 2,941,610 |
| At 30 September 2011 | 9,610,000 | 5,600,000 | 40,132,843 | 22,214,614 | 11,314,870 | 8,866,054 | 44,410,570 | 142,148,951 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Freehold Land RM | Long term Leasehold Land RM | Buildings RM | Motor Vehicles, Plant & Machinery RM | Furniture, Fittings & Equipment RM | Plantation Infrastructure RM | Under Construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2011** | | | | | | | | |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 October 2010 | - | - | 157,716 | 14,280,275 | 5,803,448 | 750,233 | - | 20,991,672 |
| Charge for the financial year * | - | 166,803 | 2,038,810 | 3,696,947 | 1,287,170 | 830,813 | - | 8,020,543 |
| Disposals | - | - | - | (1,246,987) | (158,986) | - | - | (1,405,973) |
| Written off | - | - | - | (10,982) | (152,478) | - | - | (163,460) |
| Elimination of accumulated depreciation on revaluation | - | (95,692) | (903,991) | - | - | - | - | (999,683) |
| Reclassify as held for sale | - | - | - | (7,826,957) | (904,906) | - | - | (8,731,863) |
| Effect of movements in exchange rates | - | - | 31,338 | 234,426 | 28,474 | 64,206 | - | 358,444 |
| At 30 September 2011 | - | 71,111 | 1,323,873 | 9,126,722 | 5,902,722 | 1,645,252 | - | 18,069,680 |
| **Net Carrying Amount** | | | | | | | | |
| At 30 September 2011 | 9,610,000 | 5,528,889 | 38,808,970 | 13,087,892 | 5,412,148 | 7,220,802 | 44,410,570 | 124,079,271 |

\# Included in the property, plant and equipment under construction is interest capitalised during the financial year amounting to RM nil (2011: RM73,413).

* Included in depreciation charge for the financial year is an amount of RM2,518,174 (2011: RM2,353,400) capitalised in biological assets.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

The freehold and leasehold land and buildings stated at valuation were revalued by the directors in September 2010 based on independent professional valuation on the market value basis using the cost method of valuation or direct comparison method.

| | Freehold Land RM | Long term Leasehold Land RM | Buildings RM | Motor Vehicles, Plant & Machinery RM | Furniture, Fittings & Equipment RM | Plantation Infrastructure RM | Under Construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2012** | | | | | | | | |
| **Analysis of Cost and Valuation** | | | | | | | | |
| At valuation - 2010 | 9,610,000 | 5,600,000 | 39,606,877 | - | - | - | - | 54,816,877 |
| At cost | - | - | 33,874,116 | 38,586,635 | 13,280,247 | 33,072,033 | 12,004,808 | 130,817,839 |
| | 9,610,000 | 5,600,000 | 73,480,993 | 38,586,635 | 13,280,247 | 33,072,033 | 12,004,808 | 185,634,716 |
| **Net Carrying Amount** | | | | | | | | |
| At valuation - 2010 | 9,610,000 | 5,457,778 | 37,449,383 | - | - | - | - | 52,517,161 |
| At cost | - | - | 32,444,809 | 27,069,524 | 8,127,316 | 31,191,667 | 12,004,808 | 110,838,124 |
| | 9,610,000 | 5,457,778 | 69,894,192 | 27,069,524 | 8,127,316 | 31,191,667 | 12,004,808 | 163,355,285 |
| **2011** | | | | | | | | |
| **Analysis of Cost and Valuation** | | | | | | | | |
| At valuation - 2010 | 9,610,000 | 5,600,000 | 40,132,843 | - | - | - | - | 55,342,843 |
| At cost | - | - | - | 22,214,614 | 11,314,870 | 8,866,054 | 44,410,570 | 86,806,108 |
| | 9,610,000 | 5,600,000 | 40,132,843 | 22,214,614 | 11,314,870 | 8,866,054 | 44,410,570 | 142,148,951 |
| **Net Carrying Amount** | | | | | | | | |
| At valuation - 2010 | 9,610,000 | 5,528,889 | 38,808,970 | - | - | - | - | 53,947,859 |
| At cost | - | - | - | 13,087,892 | 5,412,148 | 7,220,802 | 44,410,570 | 70,131,412 |
| | 9,610,000 | 5,528,889 | 38,808,970 | 13,087,892 | 5,412,148 | 7,220,802 | 44,410,570 | 124,079,271 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Freehold Land RM | Buildings RM | Furniture, Fittings & Equipment RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **2012** | | | | |
| **Cost/Valuation** | | | | |
| At 1 October 2011 | 110,000 | 465,000 | 96,519 | 671,519 |
| Written off | – | – | (4,855) | (4,855) |
| At 30 September 2012 | 110,000 | 465,000 | 91,664 | 666,664 |
| **Accumulated Depreciation** | | | | |
| At 1 October 2011 | – | 9,442 | 26,485 | 35,927 |
| Charge for the financial year | – | 9,490 | 11,790 | 21,280 |
| Written off | – | – | (3,337) | (3,337) |
| At 30 September 2012 | – | 18,932 | 34,938 | 53,870 |
| **Net Carrying Amount** | | | | |
| At 30 September 2012 | 110,000 | 446,068 | 56,726 | 612,794 |
| **2011** | | | | |
| **Cost/Valuation** | | | | |
| At 1 October 2010 | 110,000 | 465,000 | 93,979 | 668,979 |
| Additions | – | – | 3,340 | 3,340 |
| Written off | – | – | (800) | (800) |
| At 30 September 2011 | 110,000 | 465,000 | 96,519 | 671,519 |
| **Accumulated Depreciation** | | | | |
| At 1 October 2010 | – | – | 15,504 | 15,504 |
| Charge for the year | – | 9,442 | 11,780 | 21,222 |
| Written off | – | – | (799) | (799) |
| At 30 September 2011 | – | 9,442 | 26,485 | 35,927 |
| **Net Carrying Amount** | | | | |
| At 30 September 2011 | 110,000 | 455,558 | 70,034 | 635,592 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amount of revalued assets had they been carried at cost would have been as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Freehold land | 666,424 | 666,424 | 110,000 | 110,000 |
| Long term leasehold land | 1,044,096 | 1,045,209 | – | – |
| Buildings | 25,965,620 | 26,286,227 | 446,068 | 455,558 |
| | 27,676,140 | 27,997,860 | 556,068 | 565,558 |

Included in the above property, plant and equipment are:

(a) Motor vehicles, plant and machinery analysed as follows:

| | Motor Vehicles RM | Plant & Machinery RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **2012** | | | |
| Cost | 9,828,651 | 28,757,984 | 38,586,635 |
| Accumulated depreciation | (5,287,790) | (6,229,321) | (11,517,111) |
| Net carrying amount | 4,540,861 | 22,528,663 | 27,069,524 |
| **2011** | | | |
| Cost | 9,937,150 | 12,277,464 | 22,214,614 |
| Accumulated depreciation | (5,308,994) | (3,817,728) | (9,126,722) |
| Net carrying amount | 4,628,156 | 8,459,736 | 13,087,892 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Property, plant and equipment pledged as security for bank guarantee and credit facilities granted to certain subsidiaries as mentioned in Note 28 as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| **Cost/Valuation** | | |
| Buildings | 24,800,000 | 24,800,000 |
| **Net Carrying Amount** | | |
| Buildings | 23,721,740 | 24,260,870 |

(c) Motor vehicles under finance lease arrangements as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Cost | 7,484,231 | 6,049,238 |
| Net Carrying Amount | 4,900,183 | 3,473,920 |

(d) Property, plant and equipment under construction

These are in respect of construction of buildings, plant and machinery.

(e) The long term leasehold land of the Group has remaining unexpired lease period of more than 50 years.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 11. INTANGIBLE ASSETS

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **At cost:** | | |
| Goodwill on acquisition | | |
| At 1 October 2011/2010 | 6,212,005 | 6,212,005 |
| Effect of movements in exchange rate | (456,712) | – |
| At 30 September | 5,755,293 | 6,212,005 |
| Less: Accumulated impairment losses | (104,228) | (104,228) |
| | 5,651,065 | 6,107,777 |

**Impairment test for intangible assets**

Goodwill on acquisition is allocated to the Group's cash-generating units ("CGUs"), business segments as follows:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Plantation | 5,621,065 | 6,077,777 |
| Property development | 31,698 | 31,698 |
| Services | 98,067 | 98,067 |
| Investment holding | 4,463 | 4,463 |
| | 5,755,293 | 6,212,005 |

Key assumptions used in the value-in-use calculations based on a twenty-year cash flow projection in respect of impairment test for goodwill on the plantation segment are:

(i) discount rate of 11.5% (2011: 11.5%) which is pre-tax and reflected specific risks of the plantation segment in Indonesia;
(ii) oil palm trees with an average life of 25 (2011: 25) years with the first three years as immature and remaining years as mature;
(iii) Crude Palm Oil ("CPO") average selling price of RM2,500 (2011: RM2,500) per metric tonne;
(iv) Average CPO extraction rate of 21% (2011: 20%); and
(v) Average annual oil palm yield per hectare of 7 to 28 (2011: 7 to 24) metric tonnes.

In assessing the value-in-use, management does not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the intangible assets to materially exceed its recoverable amounts.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 12. BIOLOGICAL ASSETS

| | Group | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| **At cost:** | | |
| At 1 October 2011/2010 | 176,509,868 | 106,895,886 |
| Additions | 57,361,179 | 61,184,377 |
| Amortisation for the financial year | (1,859,762) | – |
| Effect of movements in exchange rate | (21,611,478) | 8,429,605 |
| At 30 September | 210,399,807 | 176,509,868 |

Biological assets represent the plantation development expenditure for oil palm in Indonesia.

Expenses capitalised during the financial year include the following:

| | Group | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** |
| Depreciation | 2,518,174 | 2,353,400 |
| Interest expense | 3,377,082 | 1,069,499 |
| Personnel expenses | | |
| - Wages, salaries and others | 7,234,368 | 4,179,852 |

The biological assets have been pledged as security for credit facilities granted to a subsidiary and the Company as mentioned in Note 28.

## 13. PREPAID LEASE PAYMENTS

| | Group | |
|---|---|---|
| | **2012** **RM** | **2011** **RM** **(restated)** |
| At 1 October 2011/2010 (previously stated) | 30,470,484 | 45,764,628 |
| Effect of adopting Amendments to FRS 117 | – | (14,990,163) |
| At 1 October 2011/2010 (restated) | 30,470,484 | 30,774,465 |
| Amortisation for the financial year | (794,117) | (796,374) |
| Effect of movements in exchange rate | (531,136) | 492,393 |
| At 30 September | 29,145,231 | 30,470,484 |

The above is short term leasehold land with remaining unexpired lease period of less than 50 years.

The short term leasehold land of RM25,964,888 (2011:RM27,124,524) is pledged as security for credit facilities granted to the Group as disclosed in Note 28.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 14. INVESTMENT PROPERTIES

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Completed investment property RM | Investment property under construction ("IPUC") RM | Total RM | Completed investment property RM | Investment property under construction ("IPUC") RM | Total RM |
| **At fair value/cost** | | | | | | |
| At 1 October 2011/2010 | 216,081,400 | – | 216,081,400 | 206,933,400 | – | 206,933,400 |
| Additions | – | 2,570,393 | 2,570,393 | – | – | – |
| Transfer from land held for property development | – | 6,534,000 | 6,534,000 | – | – | – |
| Disposal (Note 4) | (172,400) | – | (172,400) | (12,000) | – | (12,000) |
| Changes in fair values | 12,668,000 | – | 12,668,000 | 9,160,000 | – | 9,160,000 |
| At 30 September | 228,577,000 | 9,104,393 | 237,681,393 | 216,081,400 | – | 216,081,400 |

Included in the above are:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Freehold land and buildings** | | |
| Freehold land | | |
| - at fair value | 21,880,000 | 20,460,000 |
| Buildings | | |
| - at fair value | 13,157,000 | 12,569,000 |
| | 35,037,000 | 33,029,000 |
| **Leasehold land and buildings** | | |
| Leasehold land | | |
| - at fair value | | |
| - unexpired lease period of more than 50 years | 57,690,000 | 47,030,000 |
| Buildings | | |
| - at fair value | 135,850,000 | 136,022,400 |
| | 193,540,000 | 183,052,400 |
| **IPUC** | | |
| Freehold land | | |
| - at cost | 6,534,000 | – |
| Buildings under construction | | |
| - at cost | 2,570,393 | – |
| | 9,104,393 | – |
| | 237,681,393 | 216,081,400 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 14. INVESTMENT PROPERTIES (continued)

This IPUC is carried at cost as the management believes that due to the nature and amount of remaining project risks, its fair value cannot be reliably determined.

Included in the above are leasehold land and buildings amounting to RM189,657,000 (2011: RM172,500,000) pledged for credit facilities granted to subsidiaries as mentioned in Note 28.

## 15. INVESTMENT IN SUBSIDIARIES

| | Company 2012 RM | Company 2011 RM |
|---|---|---|
| **At cost:** | | |
| **Unquoted shares** | | |
| Ordinary shares | 357,442,600 | 359,687,240 |
| Redeemable convertible preference shares (“RCPS”) | 255,000,000 | 155,000,000 |
| Less: Accumulated impairment loss | | |
| At 1 October 2011/2010 | (99,999) | (99,999) |
| Provision for the financial year | (16,549,092) | – |
| At 30 September | (16,649,091) | (99,999) |
| | 595,793,509 | 514,587,241 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Effective equity interest 2012 | Effective equity interest 2011 |
|---|---|---|---|---|
| Aliran Perkasa Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| µ Cekap Corporation Berhad | Malaysia | Property development and operating a recreational club | – | 100% |
| Dapat Jaya Builder Sdn. Bhd. | Malaysia | Building and civil works contracting and project management services | 100% | 100% |
| Detik Merdu Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| Everland Asia Development Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Gabung Wajib Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Gerak Teguh Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| GK Resort Berhad | Malaysia | Investment holding | 100% | 100% |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 15. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective equity interest 2012 | 2011 |
|---|---|---|---|---|
| Global Retreat (MM2H) Sdn. Bhd. | Malaysia | An agent for the Malaysia My Second Home Programme | 100% | 100% |
| Intelek Kekal (M) Sdn. Bhd. | Malaysia | Building and civil works contracting and management services | 100% | 100% |
| ~ Intelek Murni (M) Berhad | Malaysia | Operating a recreational club | 100% | – |
| ∞Intra Tegas (M) Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Kajang Resources Corporation Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Kumpulan Indah Bersatu Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Metro Kajang Construction Sdn. Bhd. | Malaysia | Building and civil works contracting and project and building management services | 100% | 100% |
| MKH Credit Corporation Sdn. Bhd. | Malaysia | Money lending, hire purchase and leasing finance | 100% | 100% |
| MKH Management Sdn. Bhd. | Malaysia | Management, secretarial services and insurance agency | 100% | 100% |
| Metro Kajang Trading Sdn. Bhd. | Malaysia | Trading of building materials and household related products | 100% | 100% |
| ^ Metro Kajang (Oversea) Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| ∞Metro K.L. City Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Metro Nusantara Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Metro Tiara (M) Sdn. Bhd. | Malaysia | Property investment | 100% | 100% |
| Metro Kajang Development Sdn. Bhd. | Malaysia | Ceased operation | 100% | 100% |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 15. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective equity interest 2012 | Effective equity interest 2011 |
|---|---|---|---|---|
| ∞ *Pelangi Seri Alam Development Sdn Bhd. (formerly known as Fresh Partners Malaysia Sdn. Bhd.) | Malaysia | Building and civil works contracting | 100% | 100% |
| Pelangi Semenyih Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Perkasa Bernas (M) Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| MKH Resources Sdn. Bhd. | Malaysia | Management services | 100% | 100% |
| Serba Sentosa Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| ∞Serentak Maju Corporation Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Srijang Indah Sdn. Bhd. | Malaysia | Property investment and management and investment holding | 100% | 100% |
| Srijang Kemajuan Sdn. Bhd. | Malaysia | Property development and property investment | 99.99% | 99.99% |
| Stand Allied Corporation Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| ∞Sumber Lengkap Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| Vast Marketing & Services Sdn. Bhd. | Malaysia | Trading and marketing | 100% | 100% |
| **Subsidiaries of Detik Merdu Sdn. Bhd.** | | | | |
| # @PT Khaleda Agroprima Malindo | Republic of Indonesia | Oil palm plantation | 95% | 95% |
| # ©PT Nusantara Makmur Jaya | Republic of Indonesia | Dormant | 100% | 100% |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 15. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective equity interest 2012 | 2011 |
|---|---|---|---|---|
| **Subsidiary of Gabung Wajib Sdn. Bhd.** | | | | |
| Amona Metro Development Sdn. Bhd. | Malaysia | Property development | 60% | 60% |
| **Subsidiary of GK Resort Berhad** | | | | |
| PNSB-GK Resort Sdn. Bhd. | Malaysia | Property development | 70% | 70% |
| **Subsidiary of Kumpulan Indah Bersatu Sdn. Bhd.** | | | | |
| Palga Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| **Subsidiary of Metro Kajang (Oversea) Sdn. Bhd.** | | | | |
| # Vast Furniture Manufacturing (Kunshan) Co. Ltd. | The People's Republic of China | Furniture manufacturing | 100% | 100% |
| **Subsidiary of Metro Kajang Trading Sdn. Bhd.** | | | | |
| Intelek Murni (M) Berhad | Malaysia | Ceased operation | – | 100% |
| **Subsidiary of Palga Sdn. Bhd.** | | | | |
| Hiliran Juara Sdn. Bhd. | Malaysia | Property development | 100% | 100% |
| **Subsidiaries of Srijang Indah Sdn. Bhd.** | | | | |
| Laju Jaya Sdn. Bhd. | Malaysia | Hotel business and property investment | 100% | 100% |
| Maha Usaha Sdn. Bhd. | Malaysia | Property investment and management | 100% | 100% |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 15. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

# Subsidiaries audited by firms of auditors other than Baker Tilly AC.
* The Company fully subscribed for a total of 979,998 (2011: nil) new ordinary shares of RM1/- each in the subsidiary.
µ The Company disposed the subsidiary during the financial year as disclosed in Note 30.
^ The Company fully subscribed for 1,000,000 (2011: 1,550,000) new redeemable convertible preference shares of RM1/- at a premium of RM99 each in the subsidiary via settlement of debts due from the subsidiary to the Company.
~ The Company acquired the respective subsidiaries for a total cash consideration of RM500,002 (∞2011: RM2,020,002).
@ The investment in shares have been pledged as security for credit facilities granted to a subsidiary as mentioned in Note 28.
© The prior financial year financial statements were unaudited and was consolidated based on management financial statements.

The salient features of the Redeemable Convertible Preference Shares (“RCPS”) are as follows:

**(a) Dividends**

(i) The holder has the right to be paid, out of such profits of the subsidiary available for distribution determined by the directors at their discretion to be distributed in respect of each financial year or other accounting period of the subsidiary, a dividend at a rate as the Board of Directors shall determine from time to time.

**(b) Voting rights**

The RCPS carry rights to vote at any general meeting of the subsidiary if:

(i) any resolution is proposed for the winding up of the subsidiary, in which case the holder of the RCPS may only then vote at such general meeting on the election of a chairman, any motion for adjournment and the resolution for winding up; or
(ii) the meeting is convened for the purpose of considering the reduction of the capital of the subsidiary; or
(iii) the meeting is relating to any dividend or part thereof unpaid on any RCPS; or
(iv) the proposition which is submitted to the meeting proposes to abrogate or vary or otherwise directly affects the special rights and privileges attaching to the RCPS; in which event the holder of the RCPS shall have such number of votes for each RCPS registered in his name equivalent to the number of ordinary shares, which solely for the purpose of calculating the number of votes of the holder of the RCPS is entitled to, one RCPS held by the holder of RCPS shall be deemed to be equivalent to one of ordinary share of the subsidiary. The holder of the RCPS shall further be entitled to speak, demand a poll, to move resolutions and participate in the meeting of the shareholders of RCPS of the subsidiary.

**(c) Redemption**

(i) Subject to the provision of Section 61 of the Companies Act,1965, the subsidiary shall have the right to redeem all or any of the RCPS at RM100 only per RCPS (being the par value of RM1 and premium of RM99 per RCPS) at anytime after the date of issuance of RCPS; and
(ii) no RCPS redeemed by the subsidiary shall be capable of reissue.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 15. INVESTMENT IN SUBSIDIARIES (continued)

The salient features of the Redeemable Convertible Preference Shares ("RCPS") are as follows: (continued)

**(d) Conversion**

The subsidiary is entitled, at any time during the period commencing on the date of issuance of RCPS to convert all or any of the RCPS registered in the name of each holder of the RCPS. Each RCPS is convertible into 100 ordinary shares of RM1 each in the share capital of the subsidiary.

**(e) Capital**

The holder has the right on winding up or other return of capital (other than on the redemption of the RCPS) to receive, in priority to the holders of any other class of shares in the capital of the subsidiary.

## 16. INVESTMENT IN ASSOCIATES

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **At cost:** | | |
| Unquoted shares | 2,450,000 | 2,250,000 |
| 5% Non-Cumulative Redeemable Preference Shares of RM1/- each | 4,796,591 | 7,496,591 |
| Share of post-acquisition reserves | 43,103,482 | 28,530,517 |
| | 50,350,073 | 38,277,108 |

The salient features of the 5% Non-Cumulative Redeemable Preference Shares ("NCRPS") are as follows:

(i) The NCRPS holders have the right to a fixed non-cumulative preferential dividend at a rate of 5% per annum on its nominal value;
(ii) The NCRPS do not carry any rights to participate in the profits or surplus assets of the associate;
(iii) The NCRPS holders do not carry any right to vote at any general meeting of the associate except on resolutions of reduction and return of capital, winding up of the associate, for sanctioning the disposal of the whole of the associate property, business and undertaking and for the consideration of any matter which directly affects the NCRPS holders' rights; and
(iv) The NCRPS may at the option of the associate be converted into ordinary shares or redeemable at par.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 16. INVESTMENT IN ASSOCIATES (continued)

The details of the associates, incorporated in Malaysia, are as follows:

| Name of associate | Principal activity | Effective equity interest 2012 | Effective equity interest 2011 | Financial year end |
|---|---|---|---|---|
| * Rimbunan Melati Sdn. Bhd. | Property development | 45% | 45% | 31 December |
| ** Rafflesia Learning Centre (Kajang) Sdn. Bhd. | Education centre | 20% | – | 31 December |

* Interest held through Dapat Jaya Builder Sdn. Bhd.
** Interest held through Metro Tiara (M) Sdn. Bhd.

The summarised financial information of the associates is as follows:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Total assets | 140,004,105 | 109,145,315 |
| Total liabilities | 27,746,684 | 24,085,071 |
| Revenue | 126,049,441 | 90,081,312 |
| Profit for the financial year | 32,197,180 | 34,267,942 |

## 17. LAND HELD FOR PROPERTY DEVELOPMENT

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **At cost:** | | |
| Freehold land and land equivalent | | |
| At 1 October 2011/2010 | 180,491,978 | 177,702,636 |
| Additions | 11,158,925 | 21,660,366 |
| Transfer to inventories | (43,671) | – |
| Transfer to investment properties | (4,091,655) | – |
| Transfer to property development costs (Note 20) | (11,909,651) | (18,037,391) |
| Disposal | – | (833,633) |
| At 30 September | 175,605,926 | 180,491,978 |
| Leasehold land and land equivalent | | |
| At 1 October 2011/2010 | 45,295,656 | 45,285,056 |
| Additions | 313,188 | 10,600 |
| At 30 September | 45,608,844 | 45,295,656 |
| Total land and land equivalent carried down | 221,214,770 | 225,787,634 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 17. LAND HELD FOR PROPERTY DEVELOPMENT (continued)

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Total land and land equivalent brought down | 221,214,770 | 225,787,634 |
| Development costs | | |
| At 1 October 2011/2010 | 42,872,657 | 32,853,101 |
| Additions | 23,138,767 | 18,649,049 |
| Disposal | – | (1,516,216) |
| Transfer to investment properties | (852,100) | – |
| Transfer to property development costs (Note 20) | (18,625,968) | (7,113,277) |
| At 30 September | 46,533,356 | 42,872,657 |
| Total land and land equivalent and development costs | 267,748,126 | 268,660,291 |
| Less: Accumulated impairment loss | | |
| At 1 October 2011/2010 | (5,186,248) | (6,539,529) |
| Additions | (1,098,740) | (90,267) |
| Disposal | – | 1,443,548 |
| At 30 September | (6,284,988) | (5,186,248) |
| | 261,463,138 | 263,474,043 |

Included in land held for property development are:

(i) titles of freehold land and land equivalent amounting to RM77,741,438 (2011: RM81,833,093) which have been deposited with a financial institution for term loan and revolving credit facilities granted to subsidiaries as mentioned in Note 28;

(ii) freehold land and land equivalent amounting to RM70,508,547 (2011: RM74,719,376) which have been pledged for term loan and revolving credit facilities granted to certain subsidiaries as mentioned in Note 28.

(iii) leasehold land and land equivalent amounting to RM16,860,050 (2011:RM nil) which have been pledged for revolving credit and bank overdraft facilities granted to a subsidiary as mentioned in Note 28.

## 18. DEFERRED TAX ASSETS AND LIABILITIES

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| At 1 October 2011/2010 | 12,975,075 | 9,588,756 | 754,575 | 754,575 |
| Effect of adopting FRS 139 | – | (59,300) | – | – |
| | 12,975,075 | 9,529,456 | 754,575 | 754,575 |
| Recognised in profit or loss | 8,728,600 | 3,445,619 | – | – |
| At 30 September | 21,703,675 | 12,975,075 | 754,575 | 754,575 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| At 1 October 2011/2010 (previously stated) | (41,028,472) | (46,283,909) | – | – |
| Effect of adopting Amendments to FRS 117 | – | 172,540 | – | – |
| At 1 October 2011/2010 (restated) | (41,028,472) | (46,111,369) | – | – |
| Recognised in profit or loss | (3,438,947) | 1,892,540 | – | – |
| Recognised in other comprehensive income | 7,021,000 | (4,285,098) | – | – |
| Reclassify as held for sale | – | 7,576,840 | – | – |
| Effect of movements in exchange rate | (34,960) | (101,385) | – | – |
| At 30 September | (37,481,379) | (41,028,472) | – | – |

Deferred tax assets and liabilities are attributable to the following:

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Differences between the carrying amount of property, plant and equipment and its tax base | (101,900) | (357,900) | (9,900) | (9,900) |
| Deductible temporary differences in respect of expenses | 12,575,900 | 9,347,500 | 768,600 | 768,600 |
| Unrecognised profits on disposal of completed properties | 3,387,500 | – | – | – |
| Changes in fair value of investment properties | (64,000) | – | – | – |
| Fair value adjustment in respect of contract revenue | 62,900 | 357,000 | – | – |
| Loss on financial assets measured at amortised cost | 1,454,000 | 195,800 | – | – |
| Gain on financial liabilities measured at amortised cost | (721,200) | (545,000) | – | – |
| Impairment loss on land held for property development | 202,300 | 202,300 | – | – |
| Surplus arising from revaluation of buildings | (4,125) | (4,125) | (4,125) | (4,125) |
| Unutilised tax losses | 2,021,100 | 1,414,400 | – | – |
| Unabsorbed capital allowances | 4,600 | 11,700 | – | – |
| Unrealised profits on inter-company construction contract | 2,050,600 | 1,257,400 | – | – |
| Unrealised profits on inter-company sale of properties | 836,000 | 1,096,000 | – | – |
| | 21,703,675 | 12,975,075 | 754,575 | 754,575 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 18. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets and liabilities are attributable to the following: (continued)

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Differences between the carrying amount of property, plant and equipment and its tax base | (2,210,881) | (2,079,810) | – | – |
| Differences between the carrying amount of biological assets and its tax base | (5,991,099) | (4,287,425) | – | – |
| Capital allowances claimed on certain assets recognised as part of investment properties | (2,524,600) | (2,524,600) | – | – |
| Surplus arising from revaluation of land and buildings | (4,073,800) | (3,691,300) | – | – |
| Deductible temporary differences in respect of expenses | 842,706 | 648,633 | – | – |
| Unutilised tax losses | 9,750,608 | 3,092,643 | – | – |
| Fair value adjustment in respect of investment properties | (22,435,813) | (19,727,913) | – | – |
| Fair value adjustment in respect of subsidiaries acquired | (10,838,500) | (12,458,700) | – | – |
| | (37,481,379) | (41,028,472) | – | – |

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following temporary differences:

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Impairment loss on land held for property development | 4,376,900 | 4,376,900 | – | – |
| Unutilised tax losses | 6,463,457 | 4,975,000 | – | – |
| Unabsorbed capital allowances | 44,400 | 45,700 | – | – |
| Other deductible temporary differences | 30,500 | 2,269,500 | – | – |
| | 10,915,257 | 11,667,100 | – | – |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits therefrom.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| **Trade** | | | | | |
| Trade receivable | (a) | 9,748,866 | 9,463,119 | – | – |
| Loan receivables | (b) | 8,200,000 | – | – | – |
| | | 17,948,866 | 9,463,119 | – | – |
| **Non-trade** | | | | | |
| Other receivables | (c) | 2,416,691 | 2,733,882 | – | – |
| Deposits | (d) | 14,837,051 | – | – | – |
| | | 35,202,608 | 12,197,001 | – | – |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | | 76,781,050 | 56,678,201 | – | 4,055,670 |
| Less: Allowance for impairment loss | | (890,356) | (962,369) | – | – |
| | (e) | 75,890,694 | 55,715,832 | – | 4,055,670 |
| Finance lease receivables | (f) | 852 | 26,912 | – | – |
| Loan receivables | (b) | 2,099,787 | 25,739 | – | – |
| | | 77,991,333 | 55,768,483 | – | 4,055,670 |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | (g) | – | – | 101,821,170 | 53,941,769 |
| Less: Allowance for impairment loss | | – | – | (178,000) | (178,000) |
| | | – | – | 101,643,170 | 53,763,769 |
| Other receivables | (h) | 5,466,673 | 11,963,652 | 134,055 | 200,255 |
| Less: Allowance for impairment loss | | (4,365,738) | (1,600,315) | (129,255) | (96,725) |
| | | 1,100,935 | 10,363,337 | 4,800 | 103,530 |
| Deposits | (i) | 11,388,752 | 24,558,197 | 28,000 | 46,808 |
| Prepayments | (j) | 3,981,840 | 1,924,238 | 288,623 | – |
| | | 94,462,860 | 92,614,255 | 101,964,593 | 57,969,777 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) The trade receivable represents net present value of progress billings in respect of a construction contract under deferred payment term. The discount rate used is 6.18% (2011: 6.18%) per annum. The maturity profile of trade receivable is as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Receivable after 1 year but not later than 2 years | 9,748,866 | 9,463,119 |

The above receivable is neither pass due nor impaired as the debtor is a creditworthy customer. The repayment term of this amount has been extended for one year during the financial year.

(b) Loan receivables

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Housing loan | 198,807 | 198,807 |
| Term loan (business) | 10,475,655 | 221,007 |
| Other loan | 8,920 | 9,520 |
| Gross outstanding | 10,683,382 | 429,334 |
| Less: Allowance for impairment loss | | |
| At 1 October 2011/2010 | | |
| - As previously stated | (403,595) | (5,189) |
| - Effect of adopting FRS 139 | – | (242,979) |
| - As restated | (403,595) | (248,168) |
| Provision for the financial year | – | (371,379) |
| Reversal during the financial year | 20,000 | 215,952 |
| At 30 September | (383,595) | (403,595) |
| | 10,299,787 | 25,739 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

**19. RECEIVABLES, DEPOSITS AND PREPAYMENTS** (continued)

(b) Loan receivables (continued)

The maturity profile of loan receivables, net of allowance for impairment loss, is as follows:

| | Term Loan RM | Other Loan RM | Total RM |
|---|---|---|---|
| **2012** | | | |
| **Fixed rate instruments** | | | |
| Receivable within 1 year | 2,096,055 | 3,732 | 2,099,787 |
| Receivable after 1 year but not later than 2 years | 8,200,000 | – | 8,200,000 |
| | 10,296,055 | 3,732 | 10,299,787 |
| **2011** | | | |
| **Fixed rate instruments** | | | |
| Receivable within 1 year | 21,408 | 4,331 | 25,739 |

The loan receivables bear effective interest at a rate of 8.1% (2011: 7.3% to 12.0%) per annum.

(c) This is in respect of an amount due from Plasma Farmers Cooperative in Indonesia. In accordance with existing Indonesian Government policy, a subsidiary assumes the responsibilities to develop plantation for small land holders (known as Plasma Farmers) in addition to its own plantation. The subsidiary is also required to train and supervise the Plasma Farmers and purchase the fresh fruit bunches from the farmers at prices determined by the Government. The amount is unsecured, interest free, to be settled in cash and not expected to be settled within one year.

(d) Included in non-current deposits of the Group are amounts of:

(i) RM12,586,680 (2011: RM nil) being long term security deposits placed for a turnkey construction project; and
(ii) RM2,250,371 (2011: RM nil) being joint venture deposit placed for a joint development project;

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(e) Trade receivables

(i) Credit term of trade receivables

The Group's and the Company's normal trade credit term ranges from 7 to 90 days (2011: 7 to 90 days).

(ii) The ageing analysis of the Group's and of the Company's trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Neither past due nor impaired | 39,455,397 | 24,827,316 | – | 4,055,670 |
| 1 to 30 days past due not impaired | 7,851,759 | 9,003,046 | – | – |
| 31 to 60 days past due not impaired | 7,072,844 | 10,167,372 | – | – |
| 61 to 90 days past due not impaired | 16,938,402 | 5,397,692 | – | – |
| More than 90 days past due not impaired | 4,572,292 | 6,320,406 | – | – |
| | 36,435,297 | 30,888,516 | – | – |
| Impaired | 890,356 | 962,369 | – | – |
| | 76,781,050 | 56,678,201 | – | 4,055,670 |

**Receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired comprise property purchasers mostly are with end financing facilities from reputable end-financiers whilst the other debtors are creditworthy customers with good payment records and mostly are regular customers that have been transacting with the Group.

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

**Receivables that are past due but not impaired**

Trade receivables of the Group amounting to RM36,435,297 (2011: RM30,888,516) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(e) Trade receivables (continued)

(ii) Ageing analysis of trade receivables (continued)

**Receivables that are impaired**

The movement of allowance accounts used to record the impairment is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| At 1 October 2011/2010 | 962,369 | 1,052,783 | – | – |
| Provision for the financial year | 52,692 | 100,477 | – | – |
| Reversal during the financial year | (124,705) | (8,341) | – | – |
| Reclassified as held for sale | – | (182,550) | – | – |
| At 30 September | 890,356 | 962,369 | – | – |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

(iii) Included in trade receivables of the Group are:

(a) retention sums amounting to RM6,846,582 (2011: RM4,331,355) held by stakeholders;
(b) in the previous financial year, an amount of RM38,580 due from a joint venture partner in respect of previous land held for joint development;
(c) amounts of RM164,400 (2011: RM116,300) due from key management personnel of the Group in respect of purchase of development properties of the Group which includes retention sum of RM54,400 (2011:RM nil) held by stakeholders; and
(d) amounts of RM330,000 (2011: RM nil) due from a corporate shareholder of a subsidiary in respect of purchase of development properties of that subsidiary.

(iv) In the previous financial year, trade receivables of the Company were in respect of amounts due from subsidiaries.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(f) Finance lease receivables

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Receivable within 1 year** | | |
| Gross investment in finance lease receivables | 1,115,045 | 1,144,177 |
| Less: Unearned finance income | (89,084) | (90,099) |
| Present value of minimum lease payment receivables | 1,025,961 | 1,054,078 |
| Less: Allowance for impairment loss | | |
| At 1 October 2011/2010 | (1,027,166) | (965,016) |
| Provision for the financial year | – | (66,844) |
| Reversal during the financial year | 2,057 | 4,694 |
| At 30 September | (1,025,109) | (1,027,166) |
| | 852 | 26,912 |

The finance lease receivables bear effective interest at rate of 8.15% (2011: 8.15%) per annum.

The maturity profile of finance lease receivables is as follows:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| **Fixed rate instrument** | | |
| Receivable within 1 year | 852 | 26,912 |

(g) Included are unsecured amounts of:

(i) RM100,494,953 (2011:RM52,601,177) which bears interest at a rate of 5.6% per annum, expected to be settled in cash and is repayable on demand; and
(ii) RM1,326,217 (2011:RM1,340,592) which is interest free, expected to be settled in cash and is repayable on demand.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(h) Other receivables

Included in other receivables of the Group is an amount of:

(i) RM90,321 (2011: RM3,597,708) being indirect taxes paid in advance to tax authorities by a foreign subsidiary; and
(ii) RM4,362,088 in the previous financial year being advances paid to third parties to source for plantation land in Indonesia.

The movement of allowance accounts used to record the impairment of other receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| At 1 October 2011/2010 | 1,600,315 | 1,444,560 | 96,725 | 10,960 |
| Provision for the financial year | 3,737,219 | 165,459 | 46,130 | 85,765 |
| Reversal during the financial year | (203,704) | (10,955) | (13,600) | – |
| Disposal of subsidiary | (768,092) | – | – | – |
| Translation differences | – | 1,251 | – | – |
| At 30 September | 4,365,738 | 1,600,315 | 129,255 | 96,725 |

The impaired other receivables at the reporting date relate to debtors that have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

(i) Included in short-term deposits of the Group are amounts of:

(i) RM1,212,770 (2011: RM9,054,210) being downpayment for acquisition of development land by subsidiaries;
(ii) RM3,396,787 (2011: RM3,216,654) being performance deposit placed for a development project which shall be refundable upon completion of projects and expiry of defects liability period;
(iii) RM67,331 (2011: RM1,636,668) paid to suppliers for purchase of inventories and machineries;
(iv) RM1,106,238 in the previous financial year. During the financial year, the amount was fully paid and transferred to prepayments pending the transfer of the title as mentioned in Note (j) for the acquisition of land in Indonesia; and
(v) RM2,650,000 in the previous financial year being joint venture deposit placed for a joint development project.

In the previous financial year, the deposits paid to a subsidiary by the Company amounted to RM21,808.

(j) Included in prepayments of the Group is an amount of RM1,314,841 (2011: RM nil) paid for acquisition of land in Indonesia as mentioned in Note (i)(iv).

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 20. PROPERTY DEVELOPMENT COSTS

| | Group 2012 RM | 2011 RM |
|---|---|---|
| **At cost:** | | |
| Freehold land and land equivalent | | |
| At 1 October 2011/2010 | 62,928,730 | 51,099,790 |
| Additions | 28,154,885 | 80,990 |
| Reclassify from property development costs | 3,184,732 | - |
| Transfer from land held for property development (Note 17) | 11,909,651 | 18,037,391 |
| Transfer to inventories | (1,425,912) | - |
| Adjustment on completion of projects | (14,548,842) | (6,289,441) |
| At 30 September | 90,203,244 | 62,928,730 |
| Leasehold land and land equivalents | | |
| At 1 October 2011/2010 | 12,712,401 | 12,712,401 |
| Transfer to inventories | (5,577,990) | - |
| Adjustment on completion of projects | (7,134,411) | - |
| At 30 September | - | 12,712,401 |
| Development costs | | |
| At 1 October 2011/2010 | 200,627,678 | 106,567,628 |
| Additions | 258,373,331 | 154,302,200 |
| Reclassify to freehold land and land equivalent | (3,184,732) | - |
| Transfer from land held for property development (note 17) | 18,625,968 | 7,113,277 |
| Transfer to inventories | (23,429,692) | - |
| Adjustment on completion of projects | (146,899,376) | (67,355,427) |
| At 30 September | 304,113,177 | 200,627,678 |
| Total land and land equivalents and development costs | 394,316,421 | 276,268,809 |
| Less: Costs recognised as an expense in profit or loss | | |
| At 1 October 2011/2010 | 161,373,830 | 91,121,585 |
| Additions | 272,708,962 | 143,897,113 |
| Adjustment on completion of projects | (168,582,629) | (73,644,868) |
| At 30 September | 265,500,163 | 161,373,830 |
| | 128,816,258 | 114,894,979 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 20. PROPERTY DEVELOPMENT COSTS (continued)

Included in the above are:

(i) interest on borrowing capitalised for the financial year amounting to RM2,277,374 (2011: RM538,510);
(ii) freehold land and land equivalent amounting to RM17,265,160 (2011: RM11,945,293) which have been pledged for term loan facility granted to a subsidiary as mentioned in Note 28;
(iii) titles of freehold land and land equivalent amounting to RM29,861,919 (2011: RM40,105,472) which have been deposited with a financial institution for term loan and revolving credit facilities granted to certain subsidiaries as mentioned in Note 28;
(iv) titles of freehold land and land equivalent amounting to RM12,777,583 (2011: RM12,777,583) which have been on lien holder's caveat by a financial institution for bridging loan facility granted to a subsidiary as mentioned in Note 28; and
(v) titles of leasehold land and land equivalents amounting to RM12,712,401 in the previous financial year which have been deposited with a financial institution for bridging loan facility granted to a subsidiary as mentioned in Note 28.

## 21. INVENTORIES

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| **At cost:** | | |
| Raw materials | 772,412 | 735,353 |
| Residential land | 43,671 | – |
| Work-in-progress | 364,981 | 751,743 |
| Finished goods | 982,443 | 735,821 |
| Food and beverage | 20,118 | 19,970 |
| Plantation consumables | 2,608,348 | 1,925,822 |
| Fertilizers | 3,344,477 | 4,918,753 |
| Crude palm oil and kernel oil | 2,552,840 | – |
| Completed development properties | 32,153,835 | 2,508,565 |
| | 42,843,125 | 11,596,027 |
| **At net realisable value:** | | |
| Trading inventories | 36,598 | – |
| Building materials | – | 104,070 |
| Completed development properties | – | 42,000 |
| | 36,598 | 146,070 |
| | 42,879,723 | 11,742,097 |

Included in completed development properties are titles of leasehold land and buildings amounting to RM19,953,368 (2011: RM nil) which have been deposited with a financial institution for bridging loan facility as mentioned in Note 28.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 22. AMOUNT DUE FROM CUSTOMERS ON CONTRACTS

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Aggregate costs incurred to-date | 1,952,440 | 1,650,172 |

## 23. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Deposits with licensed banks | 13,738,278 | 7,722,869 | – | – |
| Cash and bank balances | 26,011,343 | 26,005,604 | 602,633 | 1,628,536 |
| Cash held under housing development accounts | 68,662,752 | 27,352,502 | – | – |
| Cash held under sinking fund account | – | 3,020 | – | – |
| Cash held under trust fund account | – | 174 | – | – |
| Fixed income funds | | | | |
| - redeemable at call | 676,897 | 1,145,015 | – | – |
| - redeemable upon 1 day notice | 10,328 | 582,767 | – | – |
| - redeemable upon 7 days notice | 564,668 | 56,149 | 6,536,596 | – |
| | 109,664,266 | 62,868,100 | 7,139,229 | 1,628,536 |

Included in deposits with licensed banks of the Group are:

(i) deposits held under sinking fund account amounting to RM4,241 in the previous financial year; and
(ii) deposits of RM457,227 (2011: RM444,174) pledged for bank guarantee facilities granted to a subsidiary.

The deposits bear effective interest at rates ranging from 1.80% to 3.25% (2011: 1.80% to 3.25%) per annum with maturity period ranging from 1 days to 365 days (2011: 1 days to 365 days).

Cash and cash equivalents held by the Group which are not freely available for use are as follows:

(i) cash held under housing development accounts maintained pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966;
(ii) deposits amounting to RM457,227 (2011: RM444,174) pledged for bank guarantee facilities granted to a subsidiary;
(iii) deposits amounting to RM nil (2011: RM4,241) and cash held under sinking fund and trust accounts which are held for the recreational club; and
(iv) cash and bank balances of RM1,051,443 (2011: RM562,109) pledged as restricted fund held as security for the credit facilities as mentioned in Note 28.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 24. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Authorised: | | | | |
| Ordinary shares of RM1/- each" | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1/- each | | | | |
| At 1 October 2011/2010 | 264,585,251 | 240,532,047 | 264,585,251 | 240,532,047 |
| Issuance of shares pursuant to: | | | | |
| - Bonus issue | 26,458,525 | 24,053,204 | 26,458,525 | 24,053,204 |
| At 30 September | 291,043,776 | 264,585,251 | 291,043,776 | 264,585,251 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 25. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Non-distributable** | | | | |
| Translation reserve | (16,453,334) | 6,984,134 | – | – |
| Revaluation reserve | 9,030,424 | 10,101,815 | 12,375 | 12,375 |
| | (7,422,910) | 17,085,949 | 12,375 | 12,375 |
| **Distributable** | | | | |
| Retained earnings | 491,461,250 | 431,562,141 | 321,449,010 | 220,482,009 |
| | 484,038,340 | 448,648,090 | 321,461,385 | 220,494,384 |

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 25. RESERVES (continued)

**Revaluation reserve**

The revaluation reserve relates to the revaluation of property, plant and equipment.

**Retained earnings**

**Section 108 tax credit**

With effect from year of assessment 2008, a single tier company income tax system ("single tier system") was introduced. The Company did not elect for the irrevocable option to disregard the Section 108 tax credit. Accordingly, the Section 108 tax credit as at 30 September 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six years transitional period on 31 December 2013, whichever is earlier.

The Company has sufficient Section 108 tax credit of approximately RM20,080,700 (2011: RM20,381,400) and tax exempt income of approximately RM2,328,000 (2011: RM2,328,000) to frank future dividends of approximately RM62,570,100 (2011: RM63,472,200). If the balance of retained earnings of approximately RM258,878,900 (2011: RM157,009,800) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

## 26. PROVISIONS

| | Retirement Benefit Obligations RM | Retirement Gratuity RM | Rectification Works RM | Tax Penalty RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2012** | | | | | |
| At 1 October 2011 | 1,153,393 | 7,660,800 | – | 1,094,445 | 9,908,638 |
| Provision during the financial year | 899,740 | 8,870,400 | 1,950,550 | – | 11,720,690 |
| Incurred during the financial year | (16,162) | – | – | (1,094,445) | (1,110,607) |
| Effect of movements in exchange rate | (143,379) | – | – | – | (143,379) |
| At 30 September 2012 | 1,893,592 | 16,531,200 | 1,950,550 | – | 20,375,342 |
| **2011** | | | | | |
| At 1 October 2010 | 390,876 | 7,660,800 | 207,482 | – | 8,259,158 |
| Provision during the financial year | 723,747 | – | – | 1,074,794 | 1,798,541 |
| Incurred during the financial year | – | – | (207,482) | – | (207,482) |
| Effect of movements in exchange rate | 38,770 | – | – | 19,651 | 58,421 |
| At 30 September 2011 | 1,153,393 | 7,660,800 | – | 1,094,445 | 9,908,638 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 26. PROVISIONS (continued)

The above provisions are classified as follows:

| | Retirement Benefit Obligations RM | Retirement Gratuity RM | Rectification Works RM | Tax Penalty RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2012** | | | | | |
| Non-current | 1,893,592 | – | – | – | 1,893,592 |
| Current | – | 16,531,200 | 1,950,550 | – | 18,481,750 |
| | 1,893,592 | 16,531,200 | 1,950,550 | – | 20,375,342 |
| **2011** | | | | | |
| Non-current | 1,153,393 | – | – | – | 1,153,393 |
| Current | – | 7,660,800 | – | 1,094,445 | 8,755,245 |
| | 1,153,393 | 7,660,800 | – | 1,094,445 | 9,908,638 |
| **Company** | | | | | |
| **2012** | | | | | |
| Current | | | | | |
| At 1 October 2011/ 30 September 2012 | – | 3,074,400 | – | – | 3,074,400 |
| **2011** | | | | | |
| Current | | | | | |
| At 1 October 2010/ 30 September 2011 | – | 3,074,400 | – | – | 3,074,400 |

**(a) Retirement benefit obligations**

A subsidiary of the Company in Indonesia operates an unfunded defined benefit scheme, as required under the Labour Law of the Republic of Indonesia.

The expenses recognised in profit or loss are as follows:

| | Group 2012 RM | Group 2011 RM |
|---|---|---|
| Current service costs | 864,295 | 648,475 |
| Interest on obligation | 90,725 | 62,818 |
| Past service costs | (57,550) | – |
| Recognised actuarial net losses | 2,270 | 12,454 |
| | 899,740 | 723,747 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 26. PROVISIONS (continued)

### (a) Retirement benefit obligations (continued)

The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions at reporting date are as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Discount rate | 6.5% | 7.8% |
| Future salary increase | 10% | 10% |
| Mortality rate | 100% TMI2 | 100% TMI2 |
| Resignation rate | 4% | 4% |
| Normal retirement age | 58 - 60 | 58 - 60 |

### (b) Retirement gratuity

Provision for retirement gratuity are for certain eligible directors. The details of the retirement gratuity scheme is disclosed in Note 2(d)(iii).

### (c) Rectification works

This is in respect of rectification works on completed property development projects.

### (d) Tax penalty

Provision for tax penalty relates to penalty in respect of value-added tax of the subsidiary. PT Khaleda Agroproma Malindo ("PTKAM"), a subsidiary of the Company. In May 2011, PTKAM received tax assessment letters from the local tax office for under payment of input Value Added Tax ("VAT") for the period from January to September 2009 amounting to approximately IDR 6.3 billion and penalty of approximately IDR 6.3 billion, totalling approximately IDR 12.6 billion (equivalent to approximately RM4.6 million). Based on the tax audit, the subsidiary was denied the input VAT credit in relation to its planting activities on the ground that the subsidiary engages in the production and sale of Fresh Fruit Bunches ("FFB"). The subsidiary disagreed with the assessment as the subsidiary has not generated any sale of FFB and has submitted an objection letter dated 11 July 2011. In the previous financial year, the subsidiary has made a provision amounting to approximately IDR 3.0 billion (equivalent to RM1,094,445) using similar basis as in the decision letters of the local tax authority for the subsidiary's tax under payment of input VAT for the year 2008. The provision was fully settled during the financial year.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 27. PAYABLES AND ACCRUALS

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Retention sum payable to subcontractors after one year | (a) | 15,758,173 | 9,964,025 | – | – |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade payables | (a) | 102,618,754 | 43,918,711 | – | – |
| Retention sum payable to subcontractors within one financial year | (a) | 6,327,206 | 15,222,070 | – | – |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | (b) | – | – | 6,560,596 | 65,215,578 |
| Other payables | | 3,428,073 | 2,213,438 | – | 59,541 |
| Deposits received | (c) | 21,003,051 | 8,649,498 | – | – |
| Accruals | | 6,547,095 | 3,704,844 | 625,192 | 615,226 |
| | | 139,924,179 | 73,708,561 | 7,185,788 | 65,890,345 |

(a) The normal trade credit term granted to the Group ranges from 7 to 9 days (2011: 7 to 90 days) unless as specified in agreements.

(b) Included in amount due to subsidiaries of the Company are amounts of:

(i) RM63,794,684 in the previous financial year, which was unsecured, bore interest at a rate of 5.6% per annum, expected to be settled in cash and was repayable on demand; and
(ii) RM6,560,596 (2011:RM1,420,894), which is unsecured, interest free, expected to be settled in cash and is repayable on demand.

(c) Included in deposits received of the Group are:

(i) rental, utilities and other deposits received of RM7,861,587 (2011: RM7,399,546 ) from tenants;
(ii) downpayments of RM10,188,445 (2011: RM nil) from purchasers of development properties; and
(iii) downpayments of RM1,210,400 (2011: RM nil) from purchasers of crude palm oil and palm kernel.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Non-current** | | | | |
| Term loans | | | | |
| - secured | | | | |
| - RM | 100,840,133 | 104,070,304 | – | – |
| - United States Dollar | 118,097,700 | 78,215,344 | 37,558,500 | 39,089,750 |
| Bridging loan | | | | |
| - secured | 4,473,478 | 3,051,390 | – | – |
| Revolving credits | | | | |
| - secured | 81,727,775 | 55,425,000 | – | – |
| Finance lease liabilities | 2,243,892 | 2,535,792 | – | – |
| | 307,382,978 | 243,297,830 | 37,558,500 | 39,089,750 |
| **Current** | | | | |
| Term loans | | | | |
| - secured | 17,425,956 | 16,288,198 | – | – |
| Bridging loan | | | | |
| - secured | 8,173,629 | – | – | – |
| Revolving credits | | | | |
| - secured | | | | |
| - RM | 74,843,697 | 58,329,612 | – | – |
| - United States Dollar | 10,736,940 | 4,788,695 | 2,299,500 | 2,393,250 |
| - unsecured | | | | |
| - RM | 48,300,000 | 33,000,000 | 35,300,000 | 15,000,000 |
| Bank overdrafts | | | | |
| - secured | 17,563,489 | 16,030,785 | – | – |
| - unsecured | 14,572,578 | 3,795,425 | 8,070,362 | 37,795 |
| Finance lease liabilities | 1,294,680 | 971,574 | – | – |
| | 192,910,969 | 133,204,289 | 45,669,862 | 17,431,045 |
| | 500,293,947 | 376,502,119 | 83,228,362 | 56,520,795 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

The maturity profile of loans and borrowings of the Group is as follows:

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | 4-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2012** | | | | | | | |
| **Fixed rate instrument** | | | | | | | |
| Finance lease liabilities | 3,538,572 | 1,294,680 | 1,361,277 | 467,495 | 365,695 | 49,425 | - |
| **Floating rate instruments** | | | | | | | |
| Term loans | | | | | | | |
| - secured | | | | | | | |
| - RM | 118,266,089 | 17,425,956 | 19,743,956 | 31,773,956 | 32,053,956 | 12,322,106 | 4,946,159 |
| - United States Dollar | 118,097,700 | - | - | 3,603,819 | 16,563,312 | 28,373,730 | 69,556,839 |
| Bridging loan | | | | | | | |
| - secured | 12,647,107 | 8,173,629 | 2,373,478 | 2,100,000 | - | - | - |
| Revolving credits | | | | | | | |
| - secured | | | | | | | |
| - RM | 156,571,472 | 74,843,697 | 10,100,000 | 18,365,007 | 16,521,310 | 15,772,180 | 20,969,278 |
| - United States Dollar | 10,736,940 | 10,736,940 | - | - | - | - | - |
| - unsecured | | | | | | | |
| - RM | 48,300,000 | 48,300,000 | - | - | - | - | - |
| Bank overdrafts | | | | | | | |
| - secured | 17,563,489 | 17,563,489 | - | - | - | - | - |
| - unsecured | 14,572,578 | 14,572,578 | - | - | - | - | - |
| | 496,755,375 | 191,616,289 | 32,217,434 | 55,842,782 | 65,138,578 | 56,468,016 | 95,472,276 |
| | 500,293,947 | 192,910,969 | 33,578,711 | 56,310,277 | 65,504,273 | 56,517,441 | 95,472,276 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

The maturity profile of loans and borrowings of the Group is as follows: (continued)

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | 4-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| **Fixed rate instrument** | | | | | | | |
| Finance lease liabilities | 3,507,366 | 971,583 | 1,026,478 | 1,010,938 | 303,979 | 194,388 | - |
| **Floating rate instruments** | | | | | | | |
| Term loans | | | | | | | |
| - secured | | | | | | | |
| - RM | 120,358,502 | 16,288,198 | 15,673,956 | 19,743,956 | 25,853,956 | 25,322,956 | 17,475,480 |
| - United Stated Dollar | 78,215,344 | - | - | - | - | 17,789,825 | 60,425,519 |
| Bridging loan | | | | | | | |
| - secured | 3,051,390 | - | 3,051,390 | - | - | - | - |
| Revolving credit | | | | | | | |
| - secured | | | | | | | |
| - RM | 113,754,612 | 58,329,612 | 4,600,000 | 10,100,000 | 10,600,000 | 9,100,000 | 21,025,000 |
| - United States Dollar | 4,788,695 | 4,788,695 | - | - | - | - | - |
| - unsecured | | | | | | | |
| - RM | 33,000,000 | 33,000,000 | - | - | - | - | - |
| Bank overdrafts | | | | | | | |
| - secured | 16,030,785 | 16,030,785 | - | - | - | - | - |
| - unsecured | 3,795,425 | 3,795,425 | - | - | - | - | - |
| | 372,994,753 | 132,232,715 | 23,325,346 | 29,843,956 | 36,453,956 | 52,212,781 | 98,925,999 |
| | 376,502,119 | 133,204,298 | 24,351,824 | 30,854,894 | 36,757,935 | 52,407,169 | 98,925,999 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

The maturity profile of loans and borrowings of the Company is as follows:

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | 4-5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2012** | | | | | | | |
| **Floating rate instruments** | | | | | | | |
| Revolving credits | | | | | | | |
| - unsecured | | | | | | | |
| - RM | 35,300,000 | 35,300,000 | - | - | - | - | - |
| - secured | | | | | | | |
| - United States Dollar | 2,299,500 | 2,299,500 | - | - | - | - | - |
| Term loan | | | | | | | |
| - secured | | | | | | | |
| - United States Dollar | 37,558,500 | - | - | 1,801,275 | 6,745,200 | 9,581,250 | 19,430,775 |
| Bank overdraft | | | | | | | |
| - unsecured | 8,070,362 | 8,070,362 | - | - | - | - | - |
| | 83,228,362 | 45,669,862 | - | 1,801,275 | 6,745,200 | 9,581,250 | 19,430,775 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

The maturity profile of loans and borrowings of the Company is as follows: (continued)

| | Carrying amount RM | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | More than 4-5 years RM | 5 years RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2011** | | | | | | | |
| **Floating rate instruments** | | | | | | | |
| Revolving credit | | | | | | | |
| - unsecured | | | | | | | |
| - RM | 15,000,000 | 15,000,000 | – | – | – | – | – |
| - secured | | | | | | | |
| - United States Dollar | 2,393,250 | 2,393,250 | – | – | – | – | – |
| Term loan | | | | | | | |
| - secured | | | | | | | |
| - United States Dollar | 39,089,750 | – | – | – | – | 8,894,913 | 30,194,837 |
| Bank overdrafts | | | | | | | |
| - unsecured | 37,795 | 37,795 | – | – | – | – | – |
| | 56,520,795 | 17,431,045 | – | – | – | 8,894,913 | 30,194,837 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Future minimum lease payments RM | Finance charges RM | Present value of minimum lease payments RM | Future minimum lease payments RM | Finance charges RM | Present value of minimum lease payments RM |
| Less than one year | 1,577,949 | 283,269 | 1,294,680 | 1,043,707 | 72,133 | 971,574 |
| Between one and five years | 2,444,559 | 200,667 | 2,243,892 | 2,639,585 | 103,793 | 2,535,792 |
| | 4,022,508 | 483,936 | 3,538,572 | 3,683,292 | 175,926 | 3,507,366 |

The finance lease liabilities bear effective interest at rates ranging from 3.80% to 5.60% (2011: 3.80% to 8.33%) per annum.

The term loans, bridging loan and revolving credits bear effective interest at rates ranging from 3.10% to 8.10% (2011: 2.80% to 8.00%) per annum.

The bank overdrafts bear effective interest at rates from 6.35% to 8.10% (2011: 6.80% to 8.10%) per annum. **Unsecured bank overdrafts** are supported by corporate guarantee of the Company.

**Term loan I** of RM6,175,000 (2011: RM7,475,000) is repayable by 40 quarterly principal instalments of RM325,000 each over 10 years commencing from the third month from the day of first drawdown and is secured and supported as follows:

(a) legal charge over the leasehold land and building of a subsidiary;
(b) corporate guarantee of the Company;
(c) deposit of titles of the freehold land held for property development of a subsidiary; and
(d) debenture by way of fixed and floating charge over the freehold land held for property development and leasehold land and building of subsidiaries.

**Term loan II** of RM39,053,150 (2011: RM49,875,000) is repayable by 24 quarterly principal instalments of RM2,375,000 each over 8 1/2 years commencing from the first day of the 34th month following the date of the first drawdown or payment by way of redemption, whichever is earlier. **Revolving credit I** of RM23,000,000 (2011: RM40,200,000) are reduced by semi-annually with first reduction commencing June 2013. The term loan and revolving credits are secured and supported as follows:

(a) legal charge over the leasehold land and building of a subsidiary;
(b) corporate guarantee of the Company;
(c) deposit of titles of the land held for property development of a subsidiary;
(d) general debenture over a subsidiary; and
(e) debenture by way of fixed and floating charge over the land held for property development and leasehold land and building of subsidiaries.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

**Term loan III** of RM7,772,000 (2011: RM13,439,000) is repayable by 20 quarterly principal instalments commencing September 2010 or by way of redemption of the development units at the fixed redemption sum or redemption rate, whichever is earlier. In the previous financial year, the instalment commencement date was extended to July 2011 and is secured and supported as follows:

(a) facility agreement;
(b) legal charge over the freehold land held for property development of a subsidiary; and
(c) corporate guarantee of the Company.

**Term loan IV** of RM23,000,000 (2011: RM23,000,000) is repayable by 20 quarterly principal instalments commencing June 2013 or by way of redemption of the development units at the fixed redemption sum or redemption rate to be determined by the financial institution, whichever is earlier and **Term loan V** of RM4,750,000 (2011: RM nil) is repayable by ten (10) quarterly principal instalments of RM475,000 each commencing December 2014 and is secured and supported as follows:

(a) facility agreement;
(b) legal charge over the freehold land held for property development of a subsidiary; and
(c) corporate guarantee of the Company.

**Term loan VI** of RM37,584,960 (2011: RM39,125,594 ) is repayable in 16 quarterly principal instalments of RM1,170,000 each commencing 5 years from the day of first drawdown and **Term loan VII** of RM42,954,240 (2011: RM nil ) is repayable in 16 quarterly principal instalments commencing 4 years from the day of first drawdown. **Revolving credit II** of RM8,437,440 (2011: RM2,395,445 ) is repayable on demand. The term loan and revolving credit are secured and supported as follows:

(a) facility agreement and security sharing agreement;
(b) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
(c) deed of fiduciary by way of fixed and floating charge over the oil palm plantation in Indonesia;
(d) charge over a designated bank account of a subsidiary in Indonesia;
(e) corporate guarantee of the Company;
(f) pledged of shares of a subsidiary;
(g) assignment over all applicable insurance policies; and
(h) negative pledge over a subsidiary's assets.

**Term loan VIII** of RM11,700,000 (2011: RM11,700,000) is repayable by ten (10) quarterly principal instalments of RM1,170,000 each commencing August 2014 and is secured and supported as follows:

(a) legal charge over the freehold land held for property development of a subsidiary; and
(b) corporate guarantee of the Company.

**Term loan IX** of RM3,375,939 (2011: RM3,825,260) is repayable by 96 monthly instalments of RM51,163 each commencing December 2010 and is secured and supported as follows:

(a) by way of charge over the freehold buildings of a subsidiary upon issuance of titles;
(b) first party open monies deed of assignment; and
(c) corporate guarantee of the Company.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

**Term loan X** of RM9,440,000 (2011: RM11,044,242) is repayable by 27 quarterly principal instalments of RM390,000 each and final principal instalment of RM470,000 commencing October 2011. **Revolving credit III** RM23,000,000 (2011: RM23,054,612) is repayable on demand. The term loan and revolving credit are secured and supported as follows:

(a) facility agreement;
(b) legal charge over the leasehold land and building of a subsidiary;
(c) legal assignment over debt service account;
(d) legal assignment over all tenancy and rent agreements;
(e) specific debenture on fixed and floating charge over the leasehold land and building of a subsidiary;
(f) deed of subordinate in respect of shareholders advances and loans to the subsidiary;
(g) legal assignment of all of the subsidiary's present and future rights, title and benefits in and under such insurance policies procure in respect of the charge; and
(h) corporate guarantee of the Company.

**Term loan XI** of RM13,000,000 (2011: RM nil) is repayable by 8 quarterly principal instalments of RM1,625,000 each commencing October 2014. **Bridging loan I** of RM2,100,000 (2011: RM nil) which is part of the total bridging loan of RM28,000,000 is repayable by 8 quarterly principal instalments of RM3,500,000 each commencing November 2014. **Revolving credit IV** of RM3,500,000 (2011: RM nil) which is part of the total revolving credit of RM4,000,000 is repayable by 8 quarterly principal instalments of RM500,000 each commencing November 2014. The term loan, bridging loan and revolving credit are secured and supported as follows:

(a) legal charge over the freehold land held for property development of a subsidiary; and
(b) corporate guarantee of the Company.

**Bridging loan II** of RM5,674,899 (2011: RM3,051,390) is part of the total bridging loan of RM16,000,000 granted to a subsidiary and is repayable by ten (10) quarterly principal instalments of RM1,600,000 each commencing December 2012 or by way of redemption of the development on the subsidiary's leasehold land at the fixed redemption sum or redemption rate, whichever is earlier and is secured and supported as follows:

(a) deposit of land titles of a subsidiary's inventories (2011:leasehold land held for property development);
(b) negative pledge; and
(c) corporate guarantee of the Company.

**Bridging loan III** of RM4,872,208 (2011: RM nil) is part of the total bridging loan of RM15,000,000 granted to a subsidiary and is repayable by 12 quarterly principal instalments of RM1,250,000 each commencing June 2014 or by way of redemption of the development on the subsidiary's freehold land at the fixed redemption sum or redemption rate, whichever is earlier and is secured and supported as follows:

(a) lien holder's caveat over the freehold land held for property development;
(b) negative pledge; and
(c) corporate guarantee of the Company.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

**Secured revolving credit V** of RM10,000,000 (2011: RM15,000,000) and **secured bank overdraft** of RM9,299,891 (2011: RM7,009,837) are repayable on demand and are secured and supported as follows:

(a) legal charge over the leasehold land and building of a subsidiary; and
(b) corporate guarantee of the Company.

**Secured revolving credit VI** of RM5,225,000 (2011: RM5,500,000) is repayable by 20 quarterly instalments of RM275,000 each commencing on 25 August 2012 and is secured and supported as follows:

(a) legal charge over the leasehold land and building of a subsidiary; and
(b) corporate guarantee of the Company.

**Secured revolving credit VII** of RM20,000,000 (2011: RM20,000,000) is repayable on demand. **Secured bank overdraft** of RM8,263,598 (2011: RM 9,020,948) is repayable on demand. The revolving credit and bank overdraft are secured and supported as follows:

(a) legal charge over the leasehold land held for property development of a subsidiary; and
(b) corporate guarantee of the Company.

**Secured revolving credit VIII** of RM10,000,000 (2011: RM10,000,000) is repayable by eight (8) quarterly principal instalments of RM1,250,000 each commencing May 2013 and is secured and supported as follows:

(a) facility agreement;
(b) deposit part of land titles of the freehold land held for property development of a subsidiary;
(c) negative pledged on fixed and floating assets of a subsidiary; and
(d) corporate guarantee of the Company.

**Secured revolving credit IX** of RM44,602,775 (2011: RM nil) is part of the total revolving credit of RM45,000,000 granted to a subsidiary and is repayable by 18 quarterly principal instalments of RM2,500,000 each commencing December 2014 and **Revolving credit X** of RM17,243,697 (2011: RM nil) is part of the total revolving credit of RM40,000,000 and is repayable on demand. All revolving credits are secured and supported as follows:

(a) legal charge over the leasehold land and building of a subsidiary;
(b) corporate guarantee of the Company;
(c) specific debenture by way of fixed and floating charge over the leasehold land and building of a subsidiary; and
(d) legal assignment of rental proceeds from the investment property of a subsidiary.

**Unsecured revolving credits** of RM13,000,000 (2011: RM18,000,000) of the Group is repayable on demand and is supported by corporate guarantee of the Company.

**Unsecured revolving credits** of RM35,300,000 (2011: RM15,000,000) of the Company is repayable on demand.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 28. LOANS AND BORROWINGS (continued)

**Term loan** of RM37,558,500 (2011: RM39,089,750 ) of the Group and of the Company is repayable in 16 quarterly principal instalments commencing 5 years from the day of first drawdown. **Revolving credit** of RM2,299,500 (2011: RM2,393,250 ) is repayable on demand. The term loan and revolving credit are secured and supported as follows:

(a) facility agreement and security sharing agreement;
(b) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
(c) deed of fiduciary by way of fixed and floating charge over the oil palm plantation in Indonesia;
(d) charge over a designated bank account of a subsidiary in Indonesia;
(e) pledged of shares of a subsidiary; and
(f) assignment over all applicable insurance policies.

## 29. DIVIDEND

| | Total Amount RM | Date of payment |
|---|---|---|
| **2012** | | |
| Final dividend of 5 sen less 25% tax per ordinary share in respect of financial year ended 30 September 2011 | 9,921,956 | 26 March 2012 |

**2011 - Nil**

The directors have recommended a final dividend of 5 sen less 25% tax per ordinary share of RM1/- each amounting to RM10,914,142 subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect the final dividend. The final dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2013.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 30. DISPOSAL OF SUBSIDIARY

On 6 September 2012, the Company disposed its entire equity interest of 2,000,000 ordinary shares of RM1/- each in Cekap Corporation Berhad ("CCB").

As a result, CCB ceased to be a subsidiary of the Company.

Effect of disposal on the financial position of the Group is as follows:

| | **2012<br>RM** |
|---|---|
| **Assets** | |
| Inventories | 72,072 |
| Receivables, deposits and prepayments | 270,000 |
| Current tax assets | 486,677 |
| Cash and bank balances | 2,876,721 |
| | 3,705,470 |
| **Liability** | |
| Payables and accruals | 3,274,275 |
| Total net assets | 431,195 |
| Gain on disposal of subsidiary | 805 |
| Total cash consideration | 432,000 |
| Less: Cash and cash equivalents of subsidiary disposed | (2,876,721) |
| Disposal of subsidiary, net of cash and cash equivalents disposed | (2,444,721) |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 31. CONTINGENT LIABILITIES - UNSECURED

| | Company 2012 RM | 2011 RM |
|---|---|---|
| (a) Corporate guarantees given by the Company to financial institutions and creditors for banking and credit facilities granted to the subsidiaries - outstanding as at financial year end | 422,054,869 | 328,865,450 |

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the securities pledged by the subsidiaries and it was not probable that the counterparties to financial guarantee contracts will claim under the contracts.

## 32. CAPITAL COMMITMENTS

| | Group 2012 RM | 2011 RM |
|---|---|---|
| Approved and contracted for: | | |
| - Property, plant and equipment | 33,397,478 | 12,743,782 |
| Approved but not contracted for: | | |
| - Property, plant and equipment | 43,859,563 | 17,450,000 |

## 33. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

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

The Group has a related party relationship with its subsidiaries, associate and key management personnel.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 33. RELATED PARTY DISCLOSURES (continued)

### (b) Key management personnel compensation

The key management personnel compensation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Directors of the Company | | | | |
| - Fees | 120,000 | 120,000 | 120,000 | 120,000 |
| - Other short term emoluments | 8,054,861 | 6,730,839 | 11,500 | 5,891,839 |
| Estimated monetary value of benefits-in-kind | 114,996 | 142,746 | – | – |
| Total short-term employee benefits | 8,289,857 | 6,993,585 | 131,500 | 6,011,839 |
| - Post-employment benefits | 10,347,976 | 1,214,921 | – | 1,065,751 |
| | 18,637,833 | 8,208,506 | 131,500 | 7,077,590 |
| Other key management personnel | | | | |
| - Remuneration | 4,849,427 | 5,411,873 | – | 777,890 |
| - Short term employee benefits" | 9,613 | 15,574 | – | – |
| - Post-employment benefits | 549,153 | 601,181 | – | 147,957 |
| | 5,408,193 | 6,028,628 | – | 925,847 |
| | 24,046,026 | 14,237,134 | 131,500 | 8,003,437 |

Other key management personnel comprises persons other than the directors of Company, having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 33. RELATED PARTY DISCLOSURES (continued)

### (c) Related party transactions and balances of the Company

| | 2012 RM | 2011 RM |
|---|---|---|
| **Received or receivable from subsidiaries** | | |
| Gross dividend | (143,651,500) | (83,856,000) |
| Interest income | (5,166,662) | (1,155,374) |
| Management fees | (44,000) | (10,112,000) |
| **Paid or payable to subsidiaries** | | |
| Car parking fees | – | 5,400 |
| Interest expense | 166,391 | 1,244,121 |
| Management fee | 24,000 | – |
| Rental of premises | – | 261,694 |
| Secondment fees | – | 71,633 |
| **Other transaction** | | |
| Subscription of shares in subsidiaries via settlement of debts due from subsidiaries to the Company | 100,000,000 | 177,000,000 |

Information on outstanding balances with related parties of the Company are disclosed in Notes 19 and 27.

### (d) Related party transactions and balances of the Group

| | 2012 RM | 2011 RM |
|---|---|---|
| **Received and receivable from company in which a director has substantial equity interests** | | |
| Secretarial fees | 2,668 | 2,940 |
| **Received or receivable from key management personnel** | | |
| Progress billings to : | | |
| i. certain directors of the Company | 439,672 | – |
| ii. a corporate shareholder of a subsidiary | 390,000 | – |
| iii. a corporation in which a director of the Company has substantial interest | 186,500 | – |
| iv. a person connected to a director of the Company | 53,300 | – |
| v. certain key management personnel of the Group | 1,384,770 | 970,100 |

Information on outstanding balances with related parties of the Group is disclosed in Note 19.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services. The Group's chief operation decision maker reviews the information of each business segment on at least monthly basis for the purposes of resource allocation and assessment of segment performance. Therefore, the Group's reportable segments under FRS 8 are as follows:

| | | |
|---|---|---|
| (i) | Property development and construction | - property development, building and civil works contracting. |
| (ii) | Hotel and property investment | - hotel business and property investment and management. |
| (iii) | Farming, food processing and retail | - livestock farming, food processing and retail. |
| (iv) | Trading | - trading in building materials and household related products and general trading. |
| (v) | Manufacturing | - furniture manufacturing. |
| (vi) | Plantation | - oil palm cultivation. |
| (vii) | Investment holding | - Investment holding and management services. |

Non-reportable segments comprise recreational club operation, money lending and provision of insurance broking services.

**Segment revenue and result**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment result represents profit before tax of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

**Segment assets**

Segment assets are measured based on all assets (including goodwill) of the segment, excluding investment in associates, deferred tax assets, current tax assets and other investment.

**Segment liabilities**

Segment liabilities are measured based on all liabilities, excluding current tax liabilities, interest bearing loans and borrowings and deferred tax liabilities.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

### Segment revenue and results

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Eli-minations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | | |
| **Revenue** | | | | | | | | | | |
| Total external revenue | 390,609,774 | 32,228,671 | 63,026,695 | 13,286,215 | 44,912,468 | - | 1,228,122 | 10,632,586 | - | 555,924,531 |
| Inter-segment revenue | 6,534,000 | - | 60,601 | - | - | 11,878,000 | - | - | (18,472,601) | - |
| Total segment revenue | 397,143,774 | 32,228,671 | 63,087,296 | 13,286,215 | 44,912,468 | 11,878,000 | 1,228,122 | 10,632,586 | (18,472,601) | 555,924,531 |
| **Results** | | | | | | | | | | |
| Operating result | 82,463,757 | 26,025,744 | 4,443,265 | 1,093,736 | 232,270 | (3,713,313) | (3,365,237) | 1,600,679 | (4,799,681) | 103,981,220 |
| Interest expense | (16,189,640) | (2,677,956) | - | - | (409,462) | (13,210,655) | (383,489) | (59,219) | 11,826,613 | (21,103,808) |
| Interest income | 3,651,831 | 377,230 | - | 198,774 | 243,327 | 5,176,860 | 15,751 | 36 | (7,026,932) | 2,636,877 |
| Share of results of associates | 14,640,352 | (67,387) | - | - | - | - | - | - | - | 14,572,965 |
| Segment results | 84,566,300 | 23,657,631 | 4,443,265 | 1,292,510 | 66,135 | (11,747,108) | (3,732,975) | 1,541,496 | - | 100,087,254 |
| Tax (expense)/credit | (19,738,684) | (6,208,697) | (1,113,557) | (261,469) | (1,709,258) | 2,036,455 | (68,522) | (341,300) | - | (27,405,032) |
| Profit/(Loss) for the financial year | 64,827,616 | 17,448,934 | 3,329,708 | 1,031,041 | (1,643,123) | (9,710,653) | (3,801,497) | 1,200,196 | - | 72,682,222 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

**Segment revenue and results** (continued)

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Eli-minations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | | |
| **Other segment information** | | | | | | | | | | |
| Bad debts written off | 20,400 | - | - | - | - | - | - | 16,825 | - | 37,225 |
| Depreciation and amortisation | 1,969,521 | 1,283,604 | 21,123 | 364,088 | 5,077,336 | 21,280 | 25,954 | 761,149 | - | 9,524,055 |
| Changes in fair value of investment properties | - | (12,668,000) | - | - | - | - | - | - | - | (12,668,000) |
| Gain on disposal of property, plant and equipment | (133,370) | (12,000) | - | - | (5,983) | - | - | (2,759) | - | (154,112) |
| Impairment loss on | | | | | | | | | | |
| - Property, Plant and equipment | - | - | - | - | 53,651 | - | - | - | - | 53,651 |
| - land held for property development | 1,098,740 | - | - | - | - | - | - | - | - | 1,098,740 |
| - receivables | 120,689 | - | 49,599 | - | - | 46,130 | 3,573,493 | - | - | 3,789,911 |
| Loss on deposits measured at amortised cost | 5,903,875 | - | - | - | - | - | - | - | - | 5,903,875 |
| Provision for rectification works | 1,950,550 | - | - | - | - | - | - | - | - | 1,950,550 |
| Provision for retirement gratuity | - | - | - | - | - | 8,870,400 | - | - | - | 8,870,400 |
| Net (gain)/loss on foreign exchange - unrealised | - | - | - | - | 5,158,222 | (1,625,000) | 296,800 | - | - | 3,830,022 |
| Reversal of impairment loss on receivables | (99,313) | (85,776) | (38,929) | - | (90,791) | (13,600) | (22,057) | (16,825) | - | (367,291) |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

**Segment revenue and results** (continued)

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Eli-minations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | |
| **Revenue** | | | | | | | | | | |
| Total external revenue | 203,417,094 | 31,788,675 | 58,821,383 | 10,883,153 | - | 131,650 | 980,178 | 35,993,759 | - | 342,015,892 |
| Inter-segment revenue | - | - | 158,837 | - | - | 11,272,868 | - | - | (11,431,705) | - |
| Total segment revenue | 203,417,094 | 31,788,675 | 58,980,220 | 10,883,153 | - | 11,404,518 | 980,178 | 35,993,759 | (11,431,705) | 342,015,892 |
| **Results** | | | | | | | | | | |
| Operating result | 25,565,962 | 22,436,193 | 3,476,765 | 445,288 | (8,701,601) | (441,537) | (48,518) | 4,420,031 | (1,116,868) | 46,035,715 |
| Interest expense | (12,679,446) | (2,223,904) | (26,466) | - | (40,032) | (4,799,786) | (93,113) | (122,575) | 3,982,133 | (16,003,189) |
| Interest income | 3,114,478 | 129,764 | - | 90,984 | 43,590 | 1,185,007 | 26,340 | 11,926 | (2,865,265) | 1,736,824 |
| Share of results of associates | 15,420,574 | - | - | - | - | - | - | - | - | 15,420,574 |
| Segment results | 31,421,568 | 20,342,053 | 3,450,299 | 536,272 | (8,698,043) | (4,056,316) | (115,291) | 4,309,382 | - | 47,189,924 |
| Tax expense | (4,647,821) | (4,862,421) | (864,100) | (105,888) | 2,722,970 | (170,203) | (150,867) | (1,423,448) | - | (9,501,778) |
| Profit/(Loss) for the financial year | 26,773,747 | 15,479,632 | 2,586,199 | 430,384 | (5,975,073) | (4,226,519) | (266,158) | 2,885,934 | - | 37,688,146 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

**Segment revenue and results** (continued)

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Eli-minations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | |
| **Other segment information** | | | | | | | | | | |
| Bad debts written off | 28,741 | - | 8,147 | - | - | - | - | - | - | 36,888 |
| Depreciation and amortisation | 1,331,667 | 957,313 | 22,572 | 562,806 | 769,861 | 21,222 | 6,339 | 2,791,737 | - | 6,463,517 |
| Changes in fair value of investment properties | - | (9,160,000) | - | - | - | - | - | - | - | (9,160,000) |
| (Gain)/Loss on disposal of property, plant and equipment | (135,405) | (56,689) | - | (6,970) | - | - | - | (47,856) | - | (246,920) |
| Impairment loss on receivables | 86,109 | 51,142 | - | - | 42,920 | 85,765 | 438,223 | 16,825 | - | 720,984 |
| Net (gain)/loss on foreign exchange - unrealised | - | - | - | - | (346,854) | 1,479,325 | (134,699) | (501) | - | 997,271 |
| Reversal of impairment loss on receivables | (19,296) | - | - | - | - | - | (220,646) | - | - | (239,942) |
| Provision for tax penalty | - | - | - | - | 1,074,794 | - | - | - | - | 1,074,794 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Eli-minations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Segment assets | 693,923,573 | 278,276,438 | 21,329,824 | 23,988,272 | 368,831,160 | 11,564,499 | 23,982,287 | - | - | 1,421,896,053 |
| Investment in associates | 50,217,460 | 132,613 | - | - | - | - | - | - | - | 50,350,073 |
| Deferred tax assets | 17,956,700 | - | 29,100 | - | - | 3,776,975 | 4,900 | - | - | 21,767,675 |
| Current tax assets | 775,004 | 198,162 | - | - | 143 | 4,250 | 109,406 | - | - | 1,086,965 |
| Total assets | 762,872,737 | 278,607,213 | 21,358,924 | 23,988,272 | 368,831,303 | 15,345,724 | 24,096,593 | - | - | 1,495,100,766 |
| **Liabilities** | | | | | | | | | | |
| Segment liabilities | 116,604,848 | 22,859,815 | 8,416,885 | 2,140,212 | 21,348,840 | 4,048,798 | 1,301,001 | - | - | 176,720,399 |
| Current tax liabilities | 4,597,500 | 1,536,001 | 302,263 | 67,045 | - | 270,990 | - | - | - | 6,773,799 |
| Interest bearing liabilities | 216,972,027 | 47,633,587 | - | - | 90,613,499 | 145,074,834 | - | - | - | 500,293,947 |
| Deferred tax liabilities | 6,302,300 | 30,053,313 | - | 1,025,000 | 164,165 | - | 601 | - | - | 37,545,379 |
| Total liabilities | 344,476,675 | 102,082,716 | 8,719,148 | 3,232,257 | 112,126,504 | 149,394,622 | 1,301,602 | - | - | 721,333,524 |
| **Other segment information** | | | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 36,025,072 | 4,122,744 | 2,770 | 224,852 | 104,593,652 | - | 14,600 | 1,482,658 | - | 146,466,348 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

| | Property development & construction RM | Hotel & property investment RM | Trading RM | Manu-facturing RM | Plantation RM | Investment holding RM | Non-reportable segments RM | Farming, food processing & retail (Discontinued Operation) RM | Asset classified as Held for Sale RM | Consolidated RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Segment assets | 523,482,644 | 256,258,995 | 20,319,030 | 23,463,491 | 296,642,480 | 4,231,422 | 17,855,480 | 83,788,365 | - | 1,226,041,907 |
| Investment in an associate | 38,277,108 | - | - | - | - | - | - | - | - | 38,277,108 |
| Deferred tax assets | 12,197,400 | - | 23,100 | - | - | 754,575 | - | - | - | 12,975,075 |
| Current tax assets | 1,398,093 | 128,937 | - | 2,154 | 100 | 193,295 | 28,850 | - | - | 1,751,429 |
| Other investment | - | - | - | - | - | - | - | - | - | - |
| Total assets | 575,355,245 | 256,387,932 | 20,342,130 | 23,465,645 | 296,642,580 | 5,179,292 | 17,884,330 | 83,788,365 | - | 1,279,045,519 |
| **Liabilities** | | | | | | | | | | |
| Segment liabilities | 63,169,402 | 9,003,539 | 9,685,575 | 2,126,047 | 12,685,774 | 3,773,433 | 1,177,990 | 10,266,042 | - | 111,887,802 |
| Current tax liabilities | 1,400,175 | 1,451,594 | 355,865 | - | - | - | - | 59,598 | - | 3,267,232 |
| Interest bearing liabilities | 225,199,873 | 51,415,318 | - | - | 43,366,133 | 56,520,795 | - | 4,825,522 | - | 381,327,641 |
| Deferred tax liabilities | 7,255,900 | 27,283,867 | - | 1,025,000 | 5,461,005 | - | 2,700 | 7,576,840 | - | 48,605,312 |
| Total liabilities | 297,025,350 | 89,154,318 | 10,041,440 | 3,151,047 | 61,512,912 | 60,294,228 | 1,180,690 | 22,728,002 | - | 545,087,987 |
| **Other segment information** | | | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 42,452,571 | 1,878,119 | 18,504 | 47,228 | 107,308,852 | 3,340 | 3,000 | 11,985,139 | (575,000) | 163,121,753 |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 34. SEGMENT INFORMATION (continued)

**Geographical information**

Revenue and non-current assets information is presented based on the segment's country of domicile. Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside Malaysia is insignificant. Non-current assets do not include financial instruments and deferred tax assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Malaysia | 497,725,848 | 331,132,739 | 548,621,255 | 601,286,310 |
| The Peoples' Republic of China | 13,286,215 | 10,883,153 | 11,972,100 | 12,440,679 |
| Republic of Indonesia | 44,912,468 | – | 347,559,276 | 274,663,581 |
| | 555,924,531 | 342,015,892 | 908,152,631 | 888,390,570 |

**Major customer information**

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

## 35. SIGNIFICANT EVENTS

(a) On 1 December 2011, a subsidiary of the Company, Metro Tiara Sdn. Bhd. has subscribed for 200,000 ordinary shares of RM1/- each in Rafflesia Learning Centre (Kajang) Sdn. Bhd. ("RLCK") representing 20% of the issued and paid up share capital of RLCK for a total cash consideration of RM200,000. As a result, RLCK became an associate of the subsidiary.

(b) On 29 December 2011, the Company entered into a Sale and Purchase Agreement with Charoen Pokphand Foods (Malaysia) Sdn. Bhd. for the disposal of the entire issued and paid-up share capital of Makin Jernih Sdn. Bhd. ("MJSB") comprising 33,000,000 ordinary shares of RM1/- each together with its subsidiaries, Chau Yang Farming Sdn. Bhd., Tip Top Meat Sdn. Bhd. and AA Meat Shop Sdn. Bhd. for a total cash consideration of RM64.0 million. The disposal was completed on 16 January 2012. Information on the effects of the disposal is set out in Note 8.

(c) On 6 September 2012, the Company entered into a Sale and Purchase Agreement with Nayaka (M) Sdn. Bhd. for the disposal of the entire issued and paid-up share capital of Cekap Corporation Berhad comprising 2,000,000 ordinary shares of RM1/- each for a total cash consideration of RM432,000. The disposal was completed on 21 September 2012. Information on the effects of the disposal is set out in Note 30.

(d) On 22 May 2012, the issued and paid-up capital of the Company was increased from RM264,585,251 to RM291,043,776 by the bonus issue of 26,458,525 new ordinary shares of RM1/- each on the basis of one (1) ordinary share for every ten (10) existing ordinary shares held.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 35. SIGNIFICANT EVENTS (continued)

(e) On 13 August 2012, the Company proposed to undertake the following proposals ("Proposals"):

(i) A renounceable rights issue of 29,104,378 new ordinary shares of RM1.00 each in MKH ("MKH Share(s)" or Share(s)") ("Rights Share(s)") on the basis of one (1) Rights Share for every ten (10) existing MKH Shares held together with 29,104,378 free detachable warrants in MKH ("Warrant(s)") on the basis of one (1) Free Warrant for every one (1) Rights Share subscribed for based on an entitlement date to be determined later ("Rights Issue with Warrants");

(ii) A bonus issue of 29,104,378 new MKH Shares ("Bonus Share(s)") to be credited as fully paid-up on the basis of one (1) Bonus Share for every one (1) Rights Share subscribed by the shareholders of MKH and/or their renouncee(s) pursuant to the Rights Issue with Warrants ("Bonus Issue");

(iii) Increase in the authorised share capital of MKH from RM500,000,000 comprising 500,000,000 MKH shares to RM1,000,000,000 comprising 1,000,000,000 MKH shares; and

(iv) Amendments to the Memorandum and Articles of Association of MKH.

On 8 November 2012, the shareholders of MKH had approved the Proposals at the Company's Extraordinary General Meeting.

On 23 November 2012, the Company announced that it had resolved to fix the issue price of the Right Shares at RM1.80 per Rights Share and the exercise price of the Warrants to be issued at RM2.26 per Warrant.

The above corporate proposals are expected to be completed in January 2013.

## 36. OPERATING LEASE ARRANGEMENTS – THE GROUP AS LESSOR

The Group have entered into property leases on its investment properties, which comprise freehold and leasehold land, with non-cancellable lease terms of 30 years. The lease contracts contain fixed upward revision of the rental charges over the lease period.

Future minimum rental receivables under non-cancellable operating leases at the reporting date but not recognised as receivables, are as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Not later than 1 year | 1,820,257 | 1,820,257 |
| Later than 1 year but not later than 5 years | 7,067,946 | 7,544,556 |
| Later than 5 years | 48,796,951 | 50,140,598 |
| | 57,685,154 | 59,505,411 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND 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) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk primarily arises from its receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties. The maximum risk associated with recognised financial assets is the carrying amounts as presented in the statements of financial position and corporate guarantee provided by the Company to banks on subsidiaries' credit facilities.

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 determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade related receivables at the reporting date are as follows:

| | Group | | Group | |
|---|---|---|---|---|
| | 2012 RM | % of total | 2011 RM | % of total |
| **By country:** | | | | |
| Malaysia | 93,277,520 | 97.22 | 64,677,892 | 99.15 |
| The Peoples' Republic of China | 1,598,451 | 1.67 | 553,710 | 0.85 |
| Republic of Indonesia | 1,064,228 | 1.11 | – | – |
| | 95,940,199 | 100.00 | 65,231,602 | 100.00 |

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

**Financial guarantee**

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries and creditors for credit terms granted to subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM422,054,869 (2011: RM328,865,450) representing the outstanding credit facilities of the subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on its repayment.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

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

**Analysis of financial instruments by remaining contractual maturities**

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

| | Carrying amount RM | Total Contractual cash flows RM | On demand or within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2012** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Payables and accruals | 155,682,352 | 158,565,349 | 140,286,009 | 15,137,744 | 3,141,596 | – |
| Loans and borrowings | 500,293,947 | 564,666,111 | 210,331,218 | 48,945,296 | 206,172,306 | 99,217,291 |
| | 655,976,299 | 723,231,460 | 350,617,227 | 64,083,040 | 209,313,902 | 99,217,291 |
| **2011** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Payables and accruals | 83,672,586 | 85,852,625 | 73,821,953 | 3,055,193 | 8,975,479 | – |
| Loans and borrowings | 376,502,119 | 429,357,878 | 146,396,508 | 38,249,331 | 174,002,159 | 70,709,880 |
| | 460,174,705 | 515,210,503 | 220,218,461 | 41,304,524 | 182,977,638 | 70,709,880 |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (ii) Liquidity risk (continued)

**Analysis of financial instruments by remaining contractual maturities** (continued)

| | Carrying amount RM | Total Contractual cash flows RM | On demand or within 1 year RM | 1 to 2 years RM | 2 to 5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **2012** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Payables and accruals | 7,185,788 | 7,185,788 | 7,185,788 | – | – | – |
| Loans and borrowings | 83,228,362 | 90,710,918 | 47,193,068 | 1,523,206 | 21,897,964 | 20,096,680 |
| | 90,414,150 | 97,896,706 | 54,378,856 | 1,523,206 | 21,897,964 | 20,096,680 |
| **2011** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Payables and accruals | 65,890,345 | 65,890,345 | 65,890,345 | – | – | – |
| Loans and borrowings | 56,520,795 | 63,045,229 | 18,506,005 | 2,219,429 | 21,611,629 | 20,708,166 |
| | 122,411,140 | 128,935,574 | 84,396,350 | 2,219,429 | 21,611,629 | 20,708,166 |

### (iii) Foreign currency risk

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

The Group is exposed to foreign currency risk when the currency denomination differs from its functional currency.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Ringgit Malaysia (“RM”), Indonesian Rupiah (“IDR”) and Chinese Renminbi (“RMB”). The foreign currency in which these transactions are denominated is mainly USD. Foreign currency exposure in transactions and currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group also holds cash and bank balances denominated in USD for working capital purposes.

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iii) Foreign currency risk (continued)

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in The Peoples' Republic of China and Republic of Indonesia are not hedged as currency positions in RMB and IDR are considered to be long-term in nature.

Financial assets and liabilities denominated in USD are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM | 2011<br>RM | 2012<br>RM | 2011<br>RM |
| **United States Dollar** | | | | |
| Cash and bank balances | 8,314,269 | 1,513,528 | 7,096,514 | 580,945 |
| Trade receivables | 1,598,451 | 553,710 | – | – |
| Revolving credit | 10,736,940 | 4,788,695 | 2,299,500 | 2,393,250 |
| Term loans | 118,097,700 | 78,215,344 | 37,558,500 | 39,089,750 |
| | 138,747,360 | 85,071,277 | 46,954,514 | 42,063,945 |

**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012<br>RM<br>Profit for the financial year | 2011<br>RM<br>Profit for the financial year | 2012<br>RM<br>Profit for the financial year | 2011<br>RM<br>Profit for the financial year |
| USD/RM | - strengthened 5% (2011: 5%) | 17,609,000 | 1,581,300 | 1,760,800 | 1,577,400 |
| | - weakened 5% (2011: 5%) | (17,609,000) | (1,581,300) | (1,760,800) | (1,577,400) |
| USD/RMB | - strengthened 3% (2011: 5%) | 422,000 | 29,000 | – | – |
| | - weakened 3% (2011: 5%) | (422,000) | (29,000) | – | – |
| USD/IDR | - strengthened 10% (2011: 5%) | 6,743,500 | 1,579,900 | – | – |
| | - weakened 10% (2011: 5%) | (6,743,500) | (1,579,900) | – | – |

# Notes to the Financial Statements

- 30 September 2012 (continued)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iv) Interest rate risk

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

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities. Interest bearing financial assets include finance lease receivables, loan receivables and deposits with licensed banks. Deposits are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee.

The Group's interest bearing financial liabilities comprise finance lease, bank overdrafts, revolving credits, bridging loan and term loans.

The fixed deposits placed with licensed banks and loan receivables at fixed rate exposes the Group to fair value interest rate risk. The bank overdrafts, revolving credits, bridging loan and term loans totalling RM496,755,375 (2011: RM372,994,753) at floating rate expose the Group to cash flow interest rate risk whilst finance lease of RM3,538,572 (2011: RM3,507,366) at fixed rate expose the Group to fair value interest rate risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also actively reviews its debts portfolio to ensure favourable rates are obtained, taking into account the investment holding period and nature of assets.

**Sensitivity analysis for interest rate risk**

As at the reporting date, a change of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the total equity and profit after tax by approximately RM1,862,800 (2011: RM1,398,700), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

### (ii) Long term trade receivable, loan receivables and finance lease receivables

The fair values of long term trade receivable, loan receivables and finance lease receivables are estimated using expected future cash flows of contractual instalment payments discounted at current prevailing rates offered for similar types of credit or lending arrangements.

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### (iii) Borrowings

The carrying amounts of bank overdrafts, short term revolving credits, bridging loan and short term loans approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amounts of long term floating rate revolving credits and loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease is estimated using discounted cash flow analysis, based on current lending rates for similar types of lending arrangements.

The carrying amounts of financial assets and liabilities recognised in the financial statements approximate their fair values except as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying Amount RM | Fair Value RM | Carrying Amount RM | Fair Value RM |
| **2012** | | | | |
| **Financial assets** | | | | |
| Long term trade receivable | 9,748,866 | 9,038,694 | – | – |
| Long term other receivables | 2,416,691 | 252,054 | – | – |
| Loan receivables | 10,299,787 | 10,218,842 | – | – |
| **Financial liabilities** | | | | |
| Finance lease liabilities | 3,538,572 | 3,527,078 | – | – |
| **2011** | | | | |
| **Financial assets** | | | | |
| Long term trade receivable | 9,463,119 | 9,174,338 | – | – |
| Long term other receivables | 2,733,882 | 309,859 | – | – |
| **Financial liabilities** | | | | |
| Finance lease liabilities | 3,507,366 | 3,514,092 | – | – |

# Notes to the Financial Statements
- 30 September 2012 (continued)

## 39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to sustain future development of the businesses so that it can continue to maximise returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or repay existing borrowings. No changes were made in the objectives, policies and processes during the financial years ended 30 September 2012 and 30 September 2011.

The debt-to-equity ratio is calculated as total debts divided by total capital of the Group. Total debts comprise interest bearing loans and borrowings whilst total capital is the total equity attributable to owners of the parent. The Group's policy is to keep the debt-to-equity ratio not exceeding 70%. The debt-to-equity ratio as at 30 September 2012 and 2011, which are within the Group's objectives of capital management are as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| Loans and borrowings (RM) | 500,293,947 | 376,502,119 |
| Total equity attributable to owners of the parent (RM) | 775,082,116 | 733,803,927 |
| Debt-to-equity ratio (%) | 65% | 51% |

The Group is not subject to any externally imposed capital requirements.

# Supplementary information on the disclosure of realised and unrealised profit or loss

The following analysis of realised and unrealised retained earnings of the Group and of the Company at 30 September 2012 and 2011 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at 30 September 2012 and 2011 is analysed as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | 526,882,730 | 474,829,768 | 319,065,310 | 221,202,633 |
| - unrealised | 47,303,626 | 69,928,099 | 2,383,700 | (720,624) |
| | 574,186,356 | 544,757,867 | 321,449,010 | 220,482,009 |
| Total share of retained earnings from associates: | | | | |
| - realised | 43,103,482 | 28,530,517 | – | – |
| | 617,289,838 | 573,288,384 | 321,449,010 | 220,482,009 |
| Less: Consolidation adjustments | (125,828,588) | (141,726,243) | – | – |
| Total retained earnings | 491,461,250 | 431,562,141 | 321,449,010 | 220,482,009 |

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

# List of Properties

As At 30 September 2012

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| **Aliran Perkasa Sdn. Bhd.** | | | | | |
| Lot 42195, Mukim Kajang, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Vacant land | 3.088 | Freehold | 1,345 | 01.04.2004 |
| Lot 42182, Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor | Land approved for development. Existing use: Rubber trees | 1.495 | Freehold | 660 | 07.02.2005 |
| Lot 1996, Mukim Semenyih, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Vacant land | 113.460 | Freehold | 37,331 | 22.03.2010 |
| Part of Lot 25310 (Previously Lot 2322), Mukim Semenyih, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Vacant land | 5.805 | Freehold | 2,022 | 01.07.2010 |
| Lot 2006, Mukim Semenyih, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Vacant land | 10.394 | Freehold | 7,167 | 25.10.2011 |
| Lot 25301, Mukim Semenyih, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Oil palm/rubber trees | 6.588 | Freehold | 1,992 | 01.08.2011 |
| Lot 1990, Mukim Semenyih, Daerah Ulu Langat, Selangor | Agricultural title. Existing use: Oil palm/rubber trees | 12.906 | Freehold | 4,865 | 01.08.2011 |
| **Gerak Teguh Sdn. Bhd.** | | | | | |
| All of the parcels of land held by this subsidiary are located at Mukim Semenyih, Daerah Ulu Langat, Selangor and form part of the mixed development project of Taman Pelangi Semenyih | | | | | |
| PT 26791 | Vacant residential land | 16.140 | Freehold | 1,429 | 08.10.2001 |
| PT 26792 | Vacant commercial land | 0.500 | Freehold | 139 | 08.10.2001 |
| PT 26793 | Existing use: 1-storey clubhouse, car park and swimming pool (built-up area of 17,797 sq. ft., Building age: 4 years) and part of the land is vacant | 2.530 | Freehold | 513 | 08.10.2001 |
| PT 26794 | Existing use: Lease out for commercial building | 2.200 | Freehold | 5,280 | 28.09.2012 (Investment Properties stated at fair value) |
| PT 26795 | Existing use: Lease out for commercial building | 6.900 | Freehold | 11,600 | 28.09.2012 (Investment Properties stated at fair value) |

# List of Properties
As At 30 September 2012 (continued)

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| **Hiliran Juara Sdn. Bhd.** | | | | | |
| PT 417 to 427 (11 lots), Pekan Baru Sungai Besi, Daerah Petaling, Selangor | Land approved for residential and commercial development Existing use: Vacant land | 11.980 | Leasehold expiring in year 2100 | 18,903 | 14.01.2005 |
| **Intelek Murni (M) Berhad** | | | | | |
| PT 25624, Taman Bukit Mewah, Kajang, Selangor | 3-storey clubhouse, car park and swimming pool, all known as Mewah Club (built-up area of 39,478 sq. ft.) (Building age: 18 years) | 4.840 | Freehold | 12,476 | * 29.09.2010 |
| **Kajang Resources Corporation Sdn. Bhd.** | | | | | |
| All of the parcels of land held by this subsidiary are located at Batu 18, Jalan Semenyih, Mukim Semenyih, Daerah Ulu Langat, Selangor | | | | | |
| Lot 12835 (Previous PT 21725) | Vacant commercial land | 3.606 | Freehold | 1,883 | 1991 |
| PT Nos. 50 and 51 | Residential land Existing use: Oil palm plantation | 9.659 | Leasehold expiring in year 2089 | 2,800 | 1991 |
| PT Nos. 131 and 132 | Vacant residential land | 1.572 | Freehold | 248 | 19.08.1997 |
| Lot 27977 | Agricultural title Existing use: Vacant land | 9.219 | Freehold | 1,851 | 26.05.1994 |
| Lot No. 2028 | Agricultural title Existing use: Rubber plantation | 9.369 | Freehold | 860 | 29.02.1996 |
| Lot Nos. 2118 and 2119 | Agricultural title Existing use: Vacant land | 10.380 | Freehold | 1,206 | 11.08.1995 |
| Lot No. 2217 | Agricultural title Existing use: Vacant land | 7.394 | Freehold | 2,413 | 19.08.1997 |
| Lot 2121 | Agricultural title Existing use: Vacant land | 5.181 | Freehold | 4,294 | 18.05.2012 |
| Lot 2231 | Agricultural title Existing use: Vacant land | 7.387 | Freehold | 3,332 | 23.04.2010 |
| PT10952 | Agricultural title Existing use: Vacant land | 3.296 | Freehold | 1,726 | 06.08.2010 |

# List of Properties
As At 30 September 2012 (continued)

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| PT10953 | Agricultural title<br>Existing use: Vacant land | 3.296 | Freehold | 1,484 | 04.08.2010 |
| Lot 2227 | Agricultural title<br>Existing use: Vacant land | 7.006 | Freehold | 4,580 | 14.01.2011 |
| Lot 2822 | Agricultural title<br>Existing use: Vacant land | 5.669 | Freehold | 3,426 | 13.01.2011 |
| Lot 2823 | Agricultural title<br>Existing use: Vacant land | 5.672 | Freehold | 3,436 | 13.01.2011 |
| Lot 2824 | Agricultural title<br>Existing use: Vacant land | 5.666 | Freehold | 3,424 | 13.01.2011 |
| **Laju Jaya Sdn. Bhd.** | | | | | |
| PT Nos. 19379 - 19391 (13 lots) Jalan Semenyih, Kajang, Selangor | Wisma MKH. A 6-storey hotel cum office building with built-up area of 171,935 sq.ft. Existing use: 100% tenanted (Building age: 18 years) | 0.585 | Leasehold expiring in 2089 | 29,180 | * 29.09.2010 |
| **Maha Usaha Sdn. Bhd.** | | | | | |
| PT No. 19482, Bandar Kajang, Daerah Ulu Langat, Selangor | Commercial complex with built-up area of approximately 600,000 sq. ft. Existing use: 99% tenanted (Building age: 16 years) | 2.330 | Leasehold expiring in 2089 | 133,000 | 28.09.2012 (Investment Properties stated at fair value) |
| **Metro Tiara (M) Sdn. Bhd.** | | | | | |
| Unit 1-1, Tingkat 1, Dataran Pelangi Utama, Pelangi Utama, Jalan Masjid, PJU6A, Petaling Jaya, Selangor | 1 unit of stratified office lot within a block of 6-storey shop offices with 58 bays of car park. (Building age: 4.5 years) | 2,971 sq. ft (net lettable area) | Leasehold expiring in year 2101 | 2,380 | 28.09.2012 (Investment Properties stated at fair value) |
| International School | In progress of construction | 5.0 | Freehold | 9,104 | 28.09.2012 (Investment Properties stated at fair value) |
| **Pelangi Semenyih Sdn. Bhd.** | | | | | |
| Part of Lot 967, Mukim Beranang, Daerah Ulu Langat, Selangor | Land approved for mix development. Existing use: Vacant and partly oil palm plantation | 22.640 | Freehold | 18,175 | 27.03.2009 |

# List of Properties

As At 30 September 2012 (continued)

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| **PT. Khaleda Agroprima Malindo** | | | | | |
| East Kalimantan, Indonesia | Oil palm plantation and office building and estate quarter (built-up area of approximately 1,151,300 sq. ft.) | 39,395 | Leasehold of 35 years expiring in year 2042 with an option to renew for a further period of 25 years | 270,762 | 18.01.2008 |
| **Serba Sentosa Sdn. Bhd.** | | | | | |
| PT 76276, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor (Previously Lot 462 & Lot 463) | Land approved for commercial development. Existing use: vacant land | 3.388 | Leasehold expiring in year 2096 | 8,093 | 25.07.1995 |
| Lot 456, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor | Existing use: Lease out for commercial building | 1.047 | Leasehold expiring in year 2096 | 8,660 | 28.09.2012 (Investment Properties stated at fair value) |
| PT 35799, Bandar Kajang, Daerah Ulu Langat, Selangor | Land approved for commercial development. Existing use: Office | 1.210 | Leasehold expiring in year 2096 | 3,022 | 25.07.1995 |
| Lot 42275, Seksyen 9, Bandar Kajang, Daerah Ulu Langat, Selangor | Land approved for commercial development. Existing use: Building | 1.857 | Leasehold expiring in year 2096 | 4,612 | 25.07.1995 |
| PT 56159, Bandar Kajang, Daerah Ulu Langat, Selangor | Land approved for commercial development. Existing use: Vacant land | 3.720 | Leasehold expiring in year 2103 | 9,236 | 25.07.1995 |
| PT 69670, Bandar Kajang, Daerah Ulu Langat, Selangor | Vacant commercial land | 1.194 | Leasehold expiring in year 2107 | 3,718 | 25.07.1995 |
| Lot 41078 and 41086 Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor | Vacant residential land | 1.011 | Freehold | 953 | 05.08.2004 |

# List of Properties

As At 30 September 2012 (continued)

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| **Srijang Indah Sdn. Bhd.** | | | | | |
| Lot 501, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor | 4-storey commercial complex with built-up area of approximately 358,707 sq. ft. Existing use: 96% tenanted (Building age: 5.5 years) | 1.720 | Leasehold expiring in year 2102 | 49,500 | 28.09.2012 (Investment Properties stated at fair value) |
| PT No. 54017, Bandar Baru Bangi, Daerah Ulu Langat, Selangor | 1.5-storey hypermarket building (built-up area of 67,089 sq. ft.) (Building age: 9 years) | 1.770 | Freehold | 11,000 | 28.09.2012 (Investment Properties stated at fair value) |
| Unit G-01, G-02 & G-03, Idaman KL 128 (Saville Residence), 128, Jalan Klang Lama, Kuala Lumpur | 3 units of strata office lot within a block of 30-storey serviced apartment with 70 bays of car park. (Building age: 2 years) | 11,077 sq. ft (total net lettable area) | Freehold | 7,157 | 28.09.2012 (Investment Properties stated at fair value) |
| **Srijang Kemajuan Sdn. Bhd.** | | | | | |
| Part of Lot 660, 661, 662 and 663, Seksyen 10, Bandar Kajang, Part of Lot 246, 300, 1029, 1070 and 1127, Mukim Kajang, all in Daerah Hulu Langat, Selangor | Land approved for mixed development. Existing use: Vacant land | 141.984 | Freehold | | 05.05.2008 |
| Lot 656, Seksyen 14, Bandar Kajang, Daerah Hulu Langat, Selangor | Agricultural title, Existing use: Vacant land | 2.068 | Freehold | | 04.01.2011 |
| Lot 2148, Mukim Kajang, Daerah Hulu Langat, Selangor | Agricultural title, Existing use: Vacant land | 0.569 | Freehold | 99,813 | 04.01.2011 |
| Geran 94270, Lot 38631 and Geran 94269, Lot 38636, Bandar Kajang, Daerah Hulu Langat, Selangor | Agricultural title. Existing use: partly occupied | 4.052 | Freehold | | 04.01.2011 |
| Lot 13638, Mukim Kajang, Daerah Hulu Langat, Selangor | Agricultural title, Existing use: Vacant land | 3.356 | Freehold | | 04.01.2011 |

# List of Properties

As At 30 September 2012 (continued)

| Location | Description and Existing Use | Land Area (acres) | Tenure | Carrying Amount As At 30-9-2012 RM'000 | *Date of Revaluation/ Date of Acquisition |
|---|---|---|---|---|---|
| **Sumber Lengkap Sdn Bhd** | | | | | |
| Lot 15694, Mukim Semenyih, Daerah Ulu Langat, Selangor | Vacant residential land | 3.105 | Freehold | 1,603 | 30.04.1999 |
| Lot 15683, Mukim Semenyih, Daerah Ulu Langat, Selangor | Vacant residential land | 3.184 | Freehold | | |
| Lot 15703, Mukim Semenyih, Daerah Ulu Langat, Selangor | Partly vacant residential land | 1.770 | Freehold | 462 | 30.04.1999 |
| **Vast Furniture Manufacturing (Kunshan) Co. Ltd.** | | | | | |
| Lot 1120101015 & Lot 1120101009, 588 Airport Road, Shipu Town, Kunshan City, Jiangsu Province, Republic of China | Office, factory buildings & partial vacant land (Building age: 12 years), new factory building (Building age: 7 years) | 10.000 | Leasehold of 50 years expiring in 2049 | 11,587 | * 20.09.2010 |
| **MKH Berhad** | | | | | |
| Lot 2 and Lot 8, Jalan Bukit Mewah 66, 43000 Kajang, Selangor | Two units of 2-storey shop house (built up area: 8,802 sq.ft.) (Building age: 14 years) | 4,401 sq. ft. (total lettable area) | Freehold | 556 | * 29.09.2010 |

**Note:**

All revalued assets were as at 29.09.2010 except Vast Furniture Manufacturing (Kunshan) Co. Ltd. which was at 20.09.2010.

# Analysis Shareholdings

As At 21 December 2012

## SHARE CAPITAL

| | | |
|---|---|---|
| Authorised Share Capital | : | RM1,000,000,000 |
| Issued and Fully Paid-up | : | RM291,043,776 |
| Type of Shares | : | Ordinary shares of RM1.00 each |
| Voting Rights | : | One vote per shareholder on a show of hands<br>One vote per ordinary share on a poll } In the meeting of shareholders |
| No. of Shareholders | : | 4,017 |

## ANALYSIS OF SHAREHOLDINGS

| Size of Shareholdings | No. of Holders | Total Holdings | % |
|---|---|---|---|
| 1 - 99 | 574 | 22,602 | 0.008 |
| 100 - 1,000 | 381 | 149,445 | 0.051 |
| 1,001 - 10,000 | 2,042 | 8,243,311 | 2.832 |
| 10,001 - 100,000 | 851 | 23,713,563 | 8.148 |
| 100,001 - 14,552,187 | 164 | 117,288,583 | 40.299 |
| 14,552,188 and above | 5 | 141,626,272 | 48.662 |
| Total | 4,017 | 291,043,776 | 100.000 |

## SUBSTANTIAL SHAREHOLDERS

| | | No. of Shares Held | | | |
|---|---|---|---|---|---|
| | Name of Shareholder | Direct Interest | % | Indirect Interest | % |
| 1 | Chen Choy & Sons Realty Sdn. Bhd. ("CCSR") | 57,011,965 | 19.589 | 68,348,732* | 23.484 |
| 2 | Public Bank Group Officers' Retirement Benefits Fund | – | – | 26,307,737* | 9.039 |
| 3 | Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 599,930 | 0.206 | 132,395,255# | 45.490 |
| 4 | Datuk Chen Lok Loi | 5,253,268 | 1.805 | 127,344,197^ | 43.754 |
| 5 | Chen Fook Wah | 880,870 | 0.303 | 125,360,697@ | 43.073 |
| 6 | Chan Hon Fu | 255,266 | 0.088 | 125,360,697@ | 43.073 |
| 7 | Chen Ying @ Chin Ying | – | – | 125,360,697@ | 43.073 |
| 8 | Dr. Chin Kuan Haok @ Chen Koh Fook | – | – | 125,360,697@ | 43.073 |

*Notes :*

* *Deemed interest through shares held in nominee companies.*

\# *Deemed interest through shares held in CCSR, Lotus Way Sdn Bhd and shares held through nominee companies.*

^ *Deemed interest through shares held in CCSR and a nominee company.*

@ *Deemed interest through shares held in CCSR.*

# Analysis Shareholdings

As At 21 December 2012 (continued)

## LIST OF TOP 30 SHAREHOLDERS

(Without Aggregating Securities from Different Securities Accounts Belonging To the Same Registered Holder)

| No. | Names | Shareholdings | % |
|---|---|---|---|
| 1 | Chen Choy & Sons Realty Sdn Bhd | 57,011,965 | 19.589 |
| 2 | EB Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for<br>Chen Choy & Sons Realty Sdn Bhd | 29,501,010 | 10.136 |
| 3 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for<br>Chen Choy & Sons Realty Sdn Bhd | 22,470,910 | 7.721 |
| 4 | OSK Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for<br>Chen Choy & Sons Realty Sdn Bhd | 16,376,812 | 5.627 |
| 5 | Kenanga Nominees (Tempatan) Sdn Bhd<br>Qualifier: Public Bank Group Officers' Retirement Benefits Fund | 16,265,575 | 5.589 |
| 6 | Public Invest Nominees (Tempatan) Sdn Bhd<br>Qualifier: Public Bank Group Officers' Retirement Benefits Fund | 10,042,162 | 3.450 |
| 7 | Cipta Wajib Sdn Bhd | 5,286,460 | 1.816 |
| 8 | Datuk Chen Lok Loi | 5,253,268 | 1.805 |
| 9 | Public Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for RekaPacific Berhad | 5,187,875 | 1.782 |
| 10 | JF Apex Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledge Securities Account for Teo Siew Lai | 4,873,169 | 1.674 |
| 11 | JF Apex Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledge Securities Account for Teo Kwee Hock | 4,518,083 | 1.552 |
| 12 | HSBC Nominees (Asing) Sdn Bhd<br>Qualifier: Exempt An For Credit Suisse | 4,169,900 | 1.433 |
| 13 | EB Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for<br>Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 4,129,719 | 1.419 |
| 14 | Public Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Halim Securities Sdn Bhd | 3,705,625 | 1.273 |
| 15 | Public Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Alor Setar Securities Sdn Bhd | 3,705,625 | 1.273 |
| 16 | Lotus Way Sdn Bhd | 2,422,049 | 0.832 |
| 17 | Tan Sou Yee | 2,125,695 | 0.730 |
| 18 | Chai Nyok Lan @ Choy Pah Khin | 2,041,877 | 0.702 |
| 19 | Cau Vong Holdings Sdn Bhd | 1,999,508 | 0.687 |
| 20 | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Liberty Alliance (M) Sdn Bhd | 1,983,500 | 0.682 |
| 21 | Low Siew Lian | 1,589,243 | 0.546 |
| 22 | EB Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Selestar Realty Sdn Bhd | 1,482,250 | 0.509 |
| 23 | Goh Thong Beng | 1,390,000 | 0.478 |
| 24 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Qualifier: Employees Provident Fund Board | 1,350,900 | 0.464 |
| 25 | DB (Malaysia) Nominee (Tempatan) Sdn Bhd<br>Qualifier: Deutsche Trustees Malaysia Berhad for<br>Hong Leong Growth Fund | 1,300,000 | 0.447 |
| 26 | Liew Yam Fee | 1,260,000 | 0.433 |
| 27 | Citigroup Nominees (Asing) Sdn Bhd<br>Qualifier: CBNY for Dimensional Emerging Markets Value Fund | 1,232,658 | 0.424 |
| 28 | Seow Kim Woon | 1,179,900 | 0.405 |
| 29 | EB Nominees (Tempatan) Sdn Bhd<br>Qualifier: Pledged Securities Account for Cau Vong Holdings Sdn Bhd | 1,100,000 | 0.378 |
| 30 | Key Development Sdn Bhd | 1,039,269 | 0.357 |
| **TOTAL** | | **215,995,007** | **74.213** |

# Directors' Shareholdings

As At 21 December 2012

| | No. of Ordinary Shares of RM1.00 each | | | |
|---|---|---|---|---|
| **Director** | **Direct Interest** | **%** | **Deemed Interest** | **%** |
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 599,930 | 0.206 | 132,395,255* | 45.490 |
| Datuk Chen Lok Loi | 5,253,268 | 1.805 | 127,344,197^ | 43.754 |
| Chen Fook Wah | 880,870 | 0.303 | 125,360,697# | 43.073 |
| Mah Swee Buoy | 109,938 | 0.038 | – | – |
| Mohammed Chudi Bin Haji Ghazali | 12,705 | 0.004 | – | – |

*Notes:-*

* *Deemed interest through shares held in Chen Choy & Sons Realty Sdn Bhd ("CCSR"), Lotus Way Sdn Bhd and shares held through nominee companies.*

^ *Deemed interest through shares held in CCSR and a nominee company.*

\# *Deemed interest through shares held in CCSR.*

## RELATED COMPANY

- Srijang Kemajuan Sdn. Bhd.

| | No. of Ordinary Shares of RM1.00 each | | | |
|---|---|---|---|---|
| **Director** | **Direct Interest** | **%** | **Deemed Interest** | **%** |
| Dato' Chen Kooi Chiew @ Cheng Ngi Chong | 1 | 0.0003 | – | – |

**MKH BERHAD**
(Company No.50948-T)
(Incorporated in Malaysia)

**Form of Proxy**

I/We ______________________________________________

of ______________________________________________
(FULL ADDRESS)

being a Member of MKH Berhad hereby appoint ______________________________________________

______________________________________________
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

of ______________________________________________
(FULL ADDRESS)

^ or failing him/her ______________________________________________
(FULL NAME AS PER NRIC IN BLOCK CAPITAL)

of ______________________________________________

or failing him/ her, the Chairman of the Meeting as my/ our proxy/proxies to vote for me/ us on my/ our behalf at the Thirty-Third Annual General Meeting of the Company to be held at the Ballroom, First Floor, Prescott Metro Inn, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Tuesday, 5 February 2013 at 10.00 a.m. and at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of Meeting with "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| Ordinary Resolution 1 - Payment of Directors' Fees | | |
| Ordinary Resolution 2 - Payment of Final Dividend | | |
| Ordinary Resolution 3 - Re-election of retiring Director, Datuk Chen Lok Loi | | |
| Ordinary Resolution 4 - Re-election of retiring Director, Mohammed Chudi Bin Haji Ghazali | | |
| Ordinary Resolution 5 - Re-appointment of Director, Haji Mohamed Bin Ismail | | |
| Ordinary Resolution 6 - Re-appointment of Director, Haji Othman Bin Sonoh | | |
| Ordinary Resolution 7 - Re-appointment of Messrs Baker Tilly AC as Auditors | | |
| Ordinary Resolution 8 - Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |
| Ordinary Resolution 9 - Proposed Renewal of Authority for Share Buy-Back | | |
| Ordinary Resolution 10 - Retention of Mohammed Chudi Bin Haji Ghazali as Independent Non-Executive Director | | |
| Ordinary Resolution 11 - Retention of Haji Othman Bin Sonoh as Independent Non-Executive Director | | |

Dated this ____________________ day of ________________ 2013

| Number of Shares Held |
|---|
| |

______________________________
Signature / Common Seal of Member

* Delete the words "or failing him/ her the Chairman of the meeting" if you do not wish to appoint the Chairman of the meeting to be your proxy
^ Delete if inapplicable

*Notes:-*
1. *A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or attorney or duly authorised representative may but need not be a member of the Company.*
2. *The power of attorney or an office copy or a notarially certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. If the appointor is a corporation, it must be executed under its common seal or in the manner authorised by its constitution.*
3. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.*
4. *If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *Only members whose names appear in the Record of Depositors as at 29 January 2013 will be entitled to attend and vote at the meeting or appoint a proxy or proxies to attend and vote in his/ her stead.*
6. *The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or an office copy or a notarially certified copy thereof must be deposited at the registered office at Suite 1, 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan, at least 48 hours before the time appointed for holding the meeting.*

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Stamp

THE COMPANY SECRETARY
**MKH BERHAD** (50948-T)
Suite 1, 5th Floor,
Wisma MKH
Jalan Semenyih
43000 Kajang
Selangor Darul Ehsan

*Please fold here*




**MKH Berhad** (50948-T)

5th Floor, Wisma MKH, Jalan Semenyih
43000 Kajang, Selangor Darul Ehsan

Tel : +603 8737 8228
Fax : +603 8736 5436

www.mkhberhad.com