PETALING TIN BERHAD (324-H)

1st Floor, No 118, Jalan Semangat
46300 Petaling Jaya, Selangor Darul Ehsan

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PETALING TIN BERHAD (324-H)

ANNUAL REPORT 2011

# PETALING TIN BERHAD (324-H)

INCORPORATED IN MALAYSIA


Annual Report 2011

Innovative,
focused growth strategies.

# Contents

# Corporate Information

## Board of Directors

**Datuk Haji Jaafar bin Abu Bakar**
Chairman

**Tan Sri Dr Chen Lip Keong**
President

**Mr Chen Yiy Fon**
Chief Executive Officer

**Datuk Wan Kassim bin Ahmed**

**Dato' Nik Kamaruddin bin Ismail**

**Mr Tiang Chong Seong**

**Mr Lim Mun Kee**

**Mr Chen Yiy Hwuan**

## Audit Committee

**Datuk Haji Jaafar bin Abu Bakar**
Chairman

**Datuk Wan Kassim bin Ahmed**

**Mr Lim Mun Kee**

## Nomination Committee

**Datuk Haji Jaafar bin Abu Bakar**
Chairman

**Datuk Wan Kassim bin Ahmed**

## Remuneration Committee

**Datuk Haji Jaafar bin Abu Bakar**
Chairman

**Datuk Wan Kassim bin Ahmed**

**Mr Lim Mun Kee**

## Company Secretaries

**Mr Lam Hoi Khong**
MIA 18848

**Ms Voon Yoon Mei**
MAICSA 0802554

## Auditors

Moore Stephens AC
A-37-1, Level 37
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

## Solicitors

Ben & Partners
Tan, Chua & Lawrence
Lavinia Dell Akbar Tee & Partners

## Principal Place of Business

1st Floor, No. 118, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 603 7968 1222
Facsimile : 603 7954 1155

## Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad

## Registered Office

1st Floor, No. 118, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 603 7968 1222
Facsimile : 603 7954 1155

## Share Registrar

Semangat Corporate Resources Sdn Bhd
Ground Floor, No. 118, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 603 7968 1001
Facsimile : 603 7958 8013

# Corporate Structure

## PETALING TIN BERHAD

- PROPERTY DEVELOPMENT
- INVESTMENT HOLDING
- MANAGEMENT SERVICES

**100%**
**PTB DEVELOPMENT SDN BHD**
Property Development
(Ulu Yam Project)

**100%**
**PTB CLAY PRODUCTS SDN BHD**
Dormant

**100%**
**GOLDEN DOMAIN DEVELOPMENT SDN BHD**
Property Investment & Development
(Karambunai Project)

**100%**
**PTB HORTICULTURE FARM SDN BHD**
Property Investment & Development
(PJ Office Project)

**100%**
**GOLDEN DOMAIN HOLDINGS SDN BHD**
Investment Holding

**100%**
**PETALING VENTURES SDN BHD**
Property Investment & Development

**100%**
**LEMBAH LANGAT DEVELOPMENT SDN BHD**
Property Investment & Development
(Ulu Kelang Project)

**100%**
**UKAYLAKE COUNTRY CLUB BHD**
Dormant

**100%**
**MAGILDS PARK SDN BHD**
Property Development
(Magilds Industrial Park & Desa Bukit Indah Projects)

**40%**
**FANDISON RESOURCES MANAGEMENT LTD**
Investment Holding

**100%**
**MAJURAMA DEVELOPMENTS SDN BHD**
Property Development
(Senawang Town Centre Project)

# Chairman/CEO's Statement

*Dear Valued Shareholders,*

On behalf of the Board of Directors, we are pleased to present the Annual Report of Petaling Tin Berhad ("PTB") for the financial period ended 31 December 2011.

## Economic Review

The global economy was largely affected by the continuing and worrying uncertainty in the European regions and the United States, coupled with the natural disasters that struck Japan and Thailand, had further affected the supply chains of global manufacturing sectors and industries. Despite that, the catalyst of the global economy was mainly driven by the Asia region which has remained resilient throughout the face of uncertainties.

Malaysia economy recorded a slightly lower Gross Domestic Product ("GDP") of 5.1% as compared to 7.2% in 2010. This was mainly spurred by the sustained domestic demand in the form of public and private sector spending and consumption arising from some of the Malaysian Government's initiations such as the Economic Transformation Programme ("ETP") and the Greater Kuala Lumpur Development Plan.

## Financial Review

The Group changed its financial year end from 31 October to 31 December 2011 which covered a period of 14 months. The change of financial year end was to coincide with the calendar year, thus able to facilitate better business planning and improve certain operational processes of the Group.

For the financial period under review, the Group recorded a higher turnover of RM24.6 million as compared to the previous year's revenue of RM19.4 million. As a result, the Group recorded a higher profit before tax of RM1.5 million for the period under review as compared to the previous financial year's loss before tax of RM11.4 million.

The Group's shareholders' funds increased by 0.4% from RM361.6 million to RM363.0 million with net tangible assets backing per share increasing from RM1.04 to RM1.05.

## Operational Review

For the period under review, the Group's revenue was mainly contributed from its residential property development activities at its Desa Bukit Indah, Sungai Buloh project. The project comprising 126 units landed residential development was at approximately 63% stage of completion and accounted for approximately RM14.9 million in revenue. The remaining revenue were from sale of development properties at Sungai Buloh and Senawang Town Centre which accounted for RM6.5 million, and rental income of RM3.2 million from its investment properties.

# Chairman/CEO's Statement

The Group's residential development at Desa Bukit Indah, Sungai Buloh received good response from homeowners/consumers, and as at financial period ended 31 December 2011, 118 units of the total 126 units were sold. The residential project catered mainly for the middle income group and is located close to the Sungai Buloh Hospital and the planned Mass Rapid Transit ("MRT") first phase route at Sungai Buloh.

Buoyed by the successful track record of its residential and industrial developments at Sungai Buloh, the Group shall continue to roll-out further phases of its mixed residential, industrial and commercial components at its Sungai Buloh project.

## Dividends

No dividend was paid during the period and the Board does not recommend any dividend payment for the financial period under review.

## Future Outlook

The European sovereign debt crisis which is still escalating, and the slower growth pace experienced by advance economies will continue to dampen the overall global economy growth, and will likely put Asia's economies to test causing its growth momentum to taper down to a more moderate level.

The domestic property market is expected to correct itself, with property prices stabilizing and not increasing at such a high pace as before. Certain segments of the property market especially high-end residential properties will experience slower demand due to policies in place by the Government to curb speculation such as Real Property Gains Tax and lower margin of financing available.

Taking the above factors into consideration, and moving forward, the Group shall continue to focus on its core business of property development paying particular attention to the right development product mix and pricing for its future planned developments to generate higher sustainable revenue. The Group will also emphasize better efficiency and will put in place cost saving measures and efforts to optimize the Group's performance.

## Acknowledgement

On behalf of the Board of Directors, we would like to express our gratitude and thanks to our valued shareholders, customers, business associates, bankers and relevant authorities for their confidence, contributions and continued support for the Group.

Our heartfelt thanks also extend to all our employees, the management team for their unwavering commitment, diligence, dedications and continuous efforts towards bringing the Group to greater heights.

**Datuk Haji Jaafar Bin Abu Bakar**
Chairman

**Chen Yiy Fon**
Chief Executive Officer

3 May 2012

# Profile of Directors/CEO

## Datuk Haji Jaafar Bin Abu Bakar
Chairman, Independent Non-Executive Director

- Aged 65, Malaysian
- Appointed to the Board on 1 August 1997
- Appointed as Chairman on 26 September 2008
- Chairman of the Board, Audit, Nomination and Remuneration Committees
- Graduated with a Bachelor of Arts (Honours) from University of Malaya in 1969; obtained a Masters in Public Policy and Administration from University of Wisconsin, Madison, U.S.A. in 1980 and is a Fellow member of the Economic Development Institute of the World Bank, Washington D.C.
- Started his career as a Land Administrator in FELDA before joining the Malaysian civil service in 1970; has since served in various senior positions within the Government Departments which included State Development Officer in Penang, Pahang and Kelantan, Deputy General Manager of Central Terengganu Development Authority and South Kelantan Development Authority, Director of Kelantan Land Development Board, General Manager of Kelantan State Economic Development Corporation, Deputy Secretary General of the Ministry of Domestic Trade and Consumer Affairs and Council Member of Malaysian Industrial Development Authority; opted for early retirement from the civil service in 1991; joined Koperasi Usaha Bersatu as Group General Manager of KUB Holdings Berhad; subsequently took up a position as Executive Director of Damansara Realty Berhad and a year later, served as Managing Director; served as Executive Chairman of Cold Storage (Malaysia) Berhad from 1996 to 1998 and President / CEO of Uniphoenix Corp. Berhad until 2006

## Tan Sri Dr Chen Lip Keong
President, Non-Independent Executive Director

- Aged 64, Malaysian
- Appointed to the Board on 15 April 1997
- Appointed as President on 1 August 2007
- A major shareholder of Petaling Tin Berhad ("PTB").
- Graduated in medicine and surgery from University of Malaya in 1973 (M.B.B.S. Malaya)
- Has more than 30 years of corporate, managerial and business experience since 1976
- Currently, he is also the President and Executive Director of Karambunai Corp Berhad and Executive Director of FACB Industries Incorporated Berhad

## Mr Chen Yiy Fon
Chief Executive Officer, Non-Independent Executive Director

- Aged 31, Malaysian
- Appointed to the Board on 1 August 2007
- Graduated with a Bachelor of Arts in Economics from University of Southern California, Los Angeles
- Previously worked in Morgan Stanley, Los Angeles, California and Credit Suisse First Boston, Singapore
- Currently, he serves as Chief Executive Officer, Executive Director of Karambunai Corp Bhd, Executive Director of FACB Industries Incorporated Berhad and also as a Director for subsidiaries of Petaling Tin Berhad Group

## Datuk Wan Kassim Bin Ahmed
Independent Non-Executive Director

- Aged 63, Malaysian
- Appointed to the Board on 2 July 2001
- A member of the Audit, Nomination and Remuneration Committees
- Graduated with a Bachelor of Economics (Honours) from University of Malaya in 1973
- Began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad; joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn Bhd in 1984; served as a Councillor for the Petaling Jaya Town Council between 1987 and 1991; served as a Board member of the Malaysian Tourist Development Board from 1992 to 1996
- Currently, he is also an Independent and Non-Executive Director of Karambunai Corp Berhad, FACB Industries Incorporated Berhad and Octagon Consolidated Berhad

# Profile of Directors/CEO

## Dato' Nik Kamaruddin Bin Ismail

Non-Independent Non-Executive Director

- Aged 58, Malaysian
- Appointed to the Board on 1 December 2004
- Graduated with a Bachelor of Science (Finance)
- Worked for a period of 14 years (1973-1987) in 3M Corporation. He served as a director of 3M Corporation from 1983 to 1987, being the first Malaysian appointed to its Board. He was also a director of TV3 from 1987 to 1991, an Executive Director of Karambunai Corp Bhd from November 1994 to November 2004 and a Non-Executive Director of Tebrau Teguh Berhad from December 2002 to November 2004

## Mr Tiang Chong Seong

Non-Independent Executive Director

- Aged 56, Malaysian
- Appointed to the Board on 28 October 2002
- Graduated with a Diploma in building technology from Tunku Abdul Rahman College in 1979
- Served as Managing Director of the Property Division of PTB from January 2000 to May 2007. Prior to joining PTB, he had a total of 13 years' experience in property development and another 6 years as a manager in charge of project management services in an international management consulting firm
- Currently, he serves as a Director for several subsidiaries of Petaling Tin Berhad Group

## Mr Lim Mun Kee

Independent Non-Executive Director

- Aged 45, Malaysian
- Appointed to the Board on 1 August 2007
- A member of the Audit and Remuneration Committees
- A member of the Malaysian Institute of Accountants and Certified Public Accountants and the Malaysian Institute of Chartered Accountants
- He started his career as an article student in KPMG Peat Marwick in 1989 and obtained his professional qualification in 1995. He has over 15 years of experience in auditing, finance and accountancy field where he worked in several listed companies as the Accountant, Financial Controller and Head of Internal Audit
- Currently, he is also an Independent and Non-Executive Director of FACB Industries Incorporated Berhad and Karambunai Corp Berhad

## Mr Chen Yiy Hwuan

Non-Independent Executive Director

- Aged 32, Malaysian
- Appointed to the Board on 1 August 2007
- Graduated with a Bachelor of Arts (Hons) in Accounting with Business Economics from Middlesex University, United Kingdom
- He joined Petaling Tin Berhad in 2003 and subsequently moved to Alliance Merchant Bank in Kuala Lumpur in 2004 specialising in the areas of corporate finance. In 2004, he returned to Petaling Tin Berhad and has been involved in corporate finance and management of the company
- Currently, he serves as a Director for subsidiaries of Petaling Tin Berhad Group. He is an Executive Director of FACB Industries Incorporated Berhad and Karambunai Corp Bhd

## Other Information

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

2. Except for the following directors, the Directors do not have any conflict of interest with the Group:

    - Tan Sri Dr Chen Lip Keong by virtue of his interests in privately owned companies and in Karambunai Corp Berhad, of which some of its subsidiaries are also involved in property development.
    - Datuk Haji Jaafar Bin Abu Bakar by virtue of his interests in privately owned companies, of which some are also involved in property development. However, the said companies are not in direct competition with the business of the Group.

3. Neither the Directors nor Chief Executive Officer have been convicted for any offences within the past 10 years other than traffic offences.

# Corporate Governance Statement

## PREAMBLE

This statement sets out the commitment of the Board to ensure good corporate governance principles within Petaling Tin Berhad, the recommendations of which are set out in the Malaysian Code on Corporate Governance ("the Code"). The Company has complied with the Best Practices in Corporate Governance embodied in Part 2 of the Code and the statement below narrates how the Company has throughout the financial period ended 31 December 2011, applied the principles set out in Part 1 of the Code.

## DIRECTORS

### The Board

The Company is led and managed by an experienced Board with a wide range of expertise. The Board has the overall responsibility for corporate governance, charting strategic direction and overseeing the operations of the Group. During the financial period, the Board met five (5) times and the attendance record for each director is as follows:-

| Directors | Attendance |
|---|---|
| Datuk Haji Jaafar bin Abu Bakar | 5/5 |
| Tan Sri Dr Chen Lip Keong | 5/5 |
| Datuk Wan Kassim bin Ahmed | 5/5 |
| Dato' Nik Kamaruddin bin Ismail | 5/5 |
| Mr Tiang Chong Seong | 5/5 |
| Mr Lim Mun Kee | 5/5 |
| Mr Chen Yiy Hwuan | 5/5 |
| Mr Chen Yiy Fon | 5/5 |

### Board Balance

The Board currently has eight (8) members comprising four (4) Executive Directors and four (4) Non-Executive Directors of whom three (3) are Independent. Hence, the Board's composition of Independent Directors meets the criteria set out in the Listing Requirements of Bursa Malaysia.

Executive Directors have direct responsibilities for business operations whilst non-executive directors have the necessary skill and experience to bring an independent judgement to bear on the issues relating to strategy, performance and resources. Collectively, the Board possesses a wide range of business, commercial and financial experience essential in the management and direction of the Group and the number of directors fairly reflects the investment of the shareholders in the Company. The profile of each Director is set out on pages 6 and 7 of the Annual Report.

The roles of the Chairman and the Chief Executive Officer are distinct and separate with their responsibilities clearly defined to ensure a balance of power and authority.

Datuk Haji Jaafar bin Abu Bakar has been identified as the Senior Independent Non-Executive Director to whom any concerns may be conveyed.

### Directors' Training

The Board has continued to evaluate and determine its training needs to keep abreast with the latest developments in the industry.

During the financial period, the Directors attended inhouse seminars on Key Amendments of Listing Requirements 2011, Corporate Disclosure Guide 2011, Corporate Governance Blueprint 2011 and Overview of Chapter 10 of Listing Requirements - Transactions.

### Supply of Information

The directors have full and unrestricted access to all information pertaining to the Group's business and affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties. There are matters specially reserved for the Board's decision to ensure that the direction and control of the Group is firmly in its hands. Prior to the Board meetings, the directors are provided with the agenda together with Board papers containing reports and information relevant to the business of the meeting.

All directors have access to the advice and the services of the company secretaries and under appropriate circumstances may obtain independent professional advice at the Company's expense, in furtherance of their duties.

# Corporate Governance Statement

## Appointments to the Board

The Board had established a Nomination Committee which is responsible for the assessment of the mix of skills and experience possessed by the Board members and the review of the Board size and composition on an ongoing basis to ensure effectiveness of the Board and the contribution of each director. The Nomination Committee is also responsible for assessing the suitability of proposed candidates for directorships and making recommendations to the Board on new appointments including Board Committees.

The Nomination Committee consists wholly of non-executive and independent directors. The composition of the Committee is as follows:-

Chairman:
Datuk Haji Jaafar bin Abu Bakar

Member:
Datuk Wan Kassim bin Ahmed

The Committee shall meet at least once a year. Additional meetings are held as and when required. During the financial period, the Committee met one (1) time.

## Terms of Reference of Nomination Committee

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

- To recommend to the Board, candidates for all directorships to be filled by shareholders or the Board. In making its recommendations, the Nomination Committee should consider the candidates' skills, knowledge, expertise and experience; professionalism; integrity and in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should evaluate the candidates' ability to discharge such responsibilities / functions as expected from Independent Non-Executive Directors.
- To consider, in making its recommendations, candidates for directorships proposed by the President and, within the bounds of practicability, by any other Senior Executive or any Director or Shareholder.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To assist the Board to implement a formal and transparent procedure for the appointment of new directors to the Board.
- To ensure that all Directors submit themselves for re-election at regular intervals and at least once every 3 years.
- To ensure that any director appointed during the year holds office until the next following Annual General Meeting and is eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation.
- To ensure that the election or appointment of two or more persons as directors shall not be effected by a single resolution at a general meeting unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it.
- To assist the Board to implement a process to be carried out by the Nomination Committee annually for assessing the effectiveness of the Board as a whole, the Board committees and the contribution of each individual director, including Independent Non-Executive Directors and Chief Executive Officer. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.

## Re-election

In accordance with the provisions of the Articles of Association of the Company, all directors are subject to retirement from office at least once in every three (3) years, but shall be eligible for reelection. The Articles also provide that any director appointed during the year is required to retire and seek re-election at the following Annual General Meeting immediately after such appointment.

## DIRECTORS' REMUNERATION

### The Level and Make-up of Remuneration

The remuneration framework for executive directors has an underlying objective of attracting and retaining directors needed to run the Company successfully. Remuneration packages of Executive Directors are structured to commensurate with corporate and the individual's performance. In respect of nonexecutive directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual concerned.

# Corporate Governance Statement

## DIRECTORS' REMUNERATION (Cont'd)

### Procedure

The Board had established a Remuneration Committee to review and recommend to the Board the remuneration package of the executive directors and the determination of remuneration packages of non-executives is a matter for consideration by the Board as a whole. The individuals concerned are required to abstain from discussions pertaining to their own remuneration packages.

The Remuneration Committee consists wholly of non-executive directors. The composition of the Committee is as follows:-

Chairman:
Datuk Haji Jaafar bin Abu Bakar

Members:
Datuk Wan Kassim bin Ahmed
Mr Lim Mun Kee

The Remuneration Committee considers information available from surveys conducted by human resource consultants in reviewing the individual elements of remuneration packages and has also considered packages offered by comparable companies.

The Committee shall meet at least once a year. Additional meetings shall be scheduled if considered necessary by the Committee or Chairman. During the financial period, the Committee met once.

### Disclosure

Details of the directors' remuneration for the financial period are as follows:-

The aggregate remuneration of directors categorized into appropriate components.

| | Fees RM | Salaries RM | Others RM | Total RM |
|---|---|---|---|---|
| Executive | - | 1,134,342 | 199,255 | 1,333,597 |
| Non-Executive | 322,000 | - | - | 322,000 |

The number of directors whose total remuneration falls within the following bands.

| Range of Remuneration (RM) | Executive | Non-Executive |
|---|---|---|
| 0 - 50,000 | - | 1 |
| 50,001 - 100,000 | - | 2 |
| 101,000 - 150,000 | - | 1 |
| 151,000 - 200,000 | 1 | - |
| 201,000 - 250,000 | - | - |
| 251,000 - 300,000 | - | - |
| 301,000 - 350,000 | - | - |
| 351,000 - 400,000 | 2 | - |
| Above 400,000 | 1 | - |
| | 4 | 4 |

The above disclosure is in compliance with the Listing Requirements of Bursa Malaysia. Nevertheless, it represents a departure from the Principles of Corporate Governance which prescribes individual disclosure of directors' remuneration packages. The Board is of the view that the transparency and accountability aspects of corporate governance in respect of directors' remuneration have been appropriately served by the band disclosure made.

## SHAREHOLDERS

### Dialogue between Company and Investors

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via annual reports, quarterly financial results, circulars to shareholders and the various announcements released from time to time.

### The Annual General Meeting ("AGM")

The AGM serves as a principal forum for dialogues with shareholders where the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business and performance. The Chairman and members of the Board are available to respond to shareholders' queries during the AGM.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Group's position and prospects through the annual financial statements and quarterly announcements to shareholders. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out on page 18 of the Annual Report.

### Internal Control

The Statement on Internal Control set out on pages 13 and 14 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

### Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The roles of the Audit Committee in relation to the auditors are detailed on page 16 of the Audit Committee Report in this Annual Report.

This statement is made in accordance with a resolution of the Board passed on 25 May 2012.

# Corporate Social Responsibility Statement

## INTRODUCTION

Petaling Tin Berhad Group is committed to carrying on its business and affairs to meet its stakeholders' expectations in a socially responsible, sustainable and meaningful way, taking into account ethics, the environment and society at large.

The Group currently focus its commitment and contributions along the following core themes and concept of Corporate Social Responsibility (CSR):

### Environment

As a responsible property developer, the Group adopts and promotes "Green Environmental" approaches and practices in all its property development activities. The Group works closely with its business associates and partners, with emphasis placed on using resources efficiently and effectively whilst adopting environmental best practices whenever possible.

Environmental friendly policies and practices are adopted company wide to minimize energy wastages, with proper management of waste disposal and recycling of materials and prevention of emission of gas and air pollutants.

### Community

The Group takes pride in getting itself involved in community works and contributions towards charities, non-profit organisations, donations and reliefs as a way of giving back to society and the community.

### Workplace

Providing a safe, secure, healthy and conducive workplace for employees is a continuous feature of the Group's CSR practice as we recognised the importance of our human resources and work force and their contributions.

# Statement On Internal Control

(Pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Listing Requirements)

## PREAMBLE

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

### Responsibility

The Board has overall stewardship responsibility for the Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholder's investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Group for the purpose of this statement.

### Internal Control System

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

- Organizational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow. Besides the predominantly non-executive standing committees such as the Audit, Nomination and Remuneration Committees, the Board is supported operationally by Executive and Management Committees. These committees is entrusted with the implementation of the systems of internal control and convene periodically to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations. The Board however, still maintains full control and directions over appropriate strategic, financial, organizational and compliance issues.

- Well documented internal operating policies, procedures and standards have been established, periodically reviewed and kept updated in accordance with changes in the operating environment.

- Comprehensive budgeting process for major operating units with periodical monitoring of performance so that major variances are followed up and management action taken.

- Functional limits of authority in respect of revenue and capital expenditure for all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.

- Detailed justification and approval process for major projects and acquisitions imposed, to ensure congruence with the Company's strategic objectives.

- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

### Risk Management Framework

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

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

# Statement On Internal Control

## Risk Management Framework (Cont'd)

A Risk Advisory Committee (RAC) comprising senior management personnel responsible, inter alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 26 March,2002.

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

## Internal Audit

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

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

## Internal Control Issues

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

This statement is made in accordance with a resolution of the Board of Directors dated 25 May 2012 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Bursa Malaysia Securities Listing Requirements.

# Audit Committee Report

## PREAMBLE

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

## COMPOSITION

For the financial year, the members of the Audit Committee, their respective designations and directorships are as follows:-

- Datuk Haji Jaafar bin Abu Bakar
  *Chairman, Independent Non-Executive Director*

- Datuk Wan Kassim bin Ahmed
  *Member, Independent Non-Executive Director*

- Mr Lim Mun Kee
  *Member, Independent Non-Executive Director*

The composition of the Audit Committee reflects the requirements of both the Listing Requirements and the Malaysian Code on Corporate Governance ("the Code"), wherein all members must be non-executive directors with a majority being independent directors.

## TERMS OF REFERENCE

### Purpose

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

### Chairman of the Audit Committee

The members of an Audit Committee shall elect a chairman from among their number who shall be an independent director.

### Reporting Responsibilities

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

### Attendance at Meetings

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

### Frequency of Meetings

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

### Quorum

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

### Authority

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

# Audit Committee Report

## TERMS OF REFERENCE (Cont'd)

### Duties

The duties of the Audit Committee include the following:-

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and the 14 months period financial statements of the company, focusing on:-
    - any changes in accounting policies and practices;
    - major judgmental areas;
    - significant adjustments arising from the audit;
    - the going concern assumption;
    - compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- To review the external auditor's management letter and management's response;
- To do the following, in relation to the internal audit function:-
    - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
    - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointments or termination of senior staff members of the internal audit function; and
    - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- To consider any related party transactions and conflict of interest situation that may arise within the Group;
- To consider the major findings of internal investigations and management's response; and
- To consider other topics as defined by the Board.

## DETAILS OF MEETINGS

The Audit Committee met five times during the financial period and details of attendances are as follows :-

| | |
|---|---|
| Datuk Haji Jaafar Bin Abu Bakar | 5/5 |
| Datuk Wan Kassim bin Ahmed | 5/5 |
| Mr Lim Mun Kee | 5/5 |

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

## SUMMARY OF AUDIT COMMITTEE ACTIVITIES

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

- Reviewed the quarterly and 14 months period financial statements and made recommendations to the Board.
- Deliberated over the internal audit and compliance reports, ensuring recommendations are carried out by the management.
- Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems within the Group.
- Reviewed the Risk Advisory Committee report, ensuring adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their reports and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Group's compliance with regards to the Bursa Malaysia Securities Main Market Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

# Audit Committee Report

## SUMMARY OF INTERNAL AUDIT ACTIVITIES

The Audit Committee is supported by an Internal Audit Department which reports directly to the Committee and is independent of the activities they audit. The cost incurred on this function which includes risk management and corporate governance was approximately RM59,340. During the financial period, the Internal Audit Department conducted, inter alia, the following activities:

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

*This report is made in accordance with a resolution of the Board of Directors dated 25 May 2012.*

# Other Compliance Statements

## 1. DIRECTORS' RESPONSIBILITY STATEMENT

This statement is made pursuant to paragraph 15.26 (a) of Bursa Securities Main Market Listing Requirements.

The provisions of the Companies Act, 1965 requires the Directors to be responsible in preparing the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and of the Company for the financial period ended 31 December 2011. In complying with these requirements, the Directors are responsible for ensuring that proper accounting records are maintained and suitable accounting policies are adopted and applied consistently. In cases whereby judgement and estimates were required, the Directors have ensured that these were made prudently and reasonably.

The Directors also ensured that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

In addition, the Directors are also responsible for safeguarding the assets of the Company by taking reasonable steps to prevent and detect fraud and other irregularities.

## 2. UTILISATION OF PROCEEDS

As at 31 December 2011, the Company did not raise funds from any corporate proposals during the financial period.

## 3. SHARE BUY-BACK

During the financial period, no share buy-back was made by the Company.

As at 31 December 2011, a total of 271,700 of the Company's shares were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial period.

## 4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial period, the Company did not issue any options, warrants or convertible securities.

## 5. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

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

## 6. SANCTIONS AND/OR PENALTIES

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

## 7. NON-AUDIT FEES

Non-audit fees amounting to RM5,859 were paid to external auditors for the financial period 31 December 2011 in respect of their attendance in the Company's Audit Committee Meetings and review of the Statement on Internal Control.

## 8. VARIATION IN RESULTS

There were no material variance between the results for the financial period and the unaudited results previously announced.

## 9. PROFIT GUARANTEE

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

## 10. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

## 11. REVALUATION POLICY

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

## 12. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

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

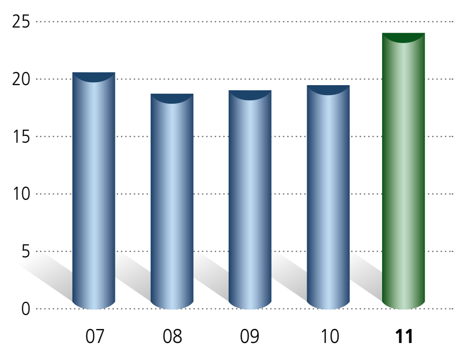
# Five Years' Comparative Results

**FIVE YEARS COMPARATIVE RESULTS**

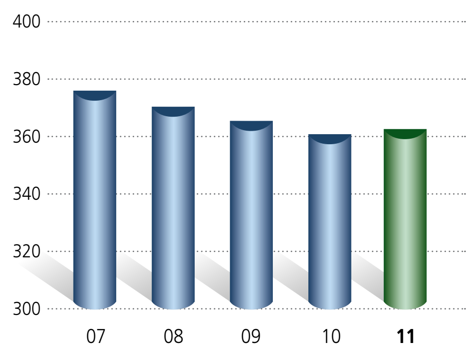
| | 2011* | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Operating revenue (RM'000) | **24,577** | 19,355 | 18,208 | 18,111 | 21,175 |
| Profit / (Loss) before taxation (RM'000) | **1,452** | (11,359) | (2,603) | (10,302) | 19,132 |
| Profit / (Loss) after taxation (RM'000) | **1,474** | (8,400) | (2,379) | (6,291) | 16,568 |
| Shareholders' funds (RM'000) | **363,025** | 361,551 | 369,950 | 372,329 | 378,620 |
| Total assets employed (RM'000) | **440,055** | 442,356 | 454,652 | 456,563 | 462,982 |
| Net tangible assets (RM'000) | **363,025** | 361,551 | 369,950 | 372,329 | 378,620 |
| Gearing ratio (times)** | *** | *** | *** | *** | *** |
| Net tangible assets per share (RM) | **1.05** | 1.04 | 1.07 | 1.08 | 1.10 |
| Earnings / (Loss) per share (sen) | | | | | |
| Basic | **0.4** | (2.4) | (0.7) | (1.8) | 4.8 |
| Fully diluted | **-** | - | - | - | - |

* 14 months financial period due to change of financial year end to 31 December
** Calculated based on bank borrowings over shareholders' funds
*** Negligible

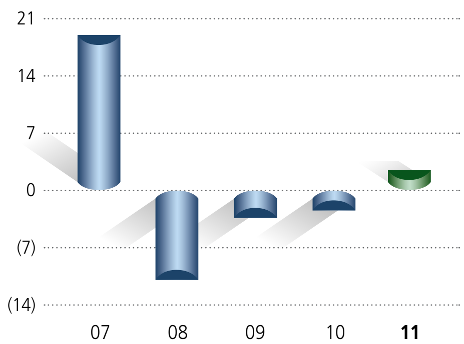
**Operating Revenue**
(RM'000)



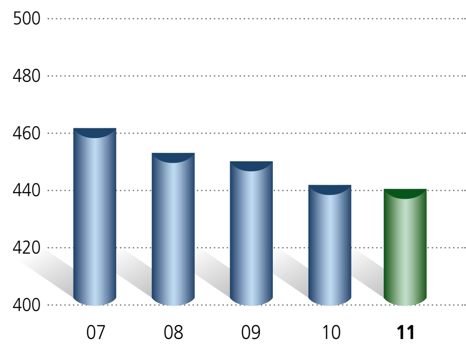

**Shareholders' Funds**
(RM'000)




**Profit / (Loss) Before Tax**
(RM'000)




**Total Assets Employed**
(RM'000)



# Management's Discussion & Analysis

For the Financial Period ended 31 December 2011

## SUMMARY OVERVIEW

### Group Revenue

| | 1.11.2010 to 31.12.2011 RM'000 | Proportion of total % | 1.11.2009 to 31.10.2010 RM'000 | Proportion of total % | Percentage change % |
|---|---|---|---|---|---|
| Property development and related activities | 21,389 | 87.0% | 16,851 | 87.1% | 26.9% |
| Investment properties | 3,188 | 13.0% | 2,504 | 12.9% | 27.3% |
| **Total Revenue** | **24,577** | **100.0%** | **19,355** | **100.0%** | **27.0%** |

**Group Profit / (Loss) Before Taxation**

| | 1.11.2010 to 31.12.2011 RM'000 | 1.11.2009 to 31.10.2010 RM'000 | Percentage change % |
|---|---|---|---|
| **Profit / (Loss) Before Taxation** | **1,452** | **(11,359)** | **N/A** |

*Note:*
*The Group changed its financial year end from 31 October to 31 December 2011 which covered a period of 14 months. The change of financial year end was to coincide with the calendar year, thus able to facilitate better business planning and improve certain operational processes of the Group.*

### Property development and related activities

The Group recorded higher revenue of RM21.4 million as compared to the previous year's revenue of RM16.9 million from its property development and related activities.

The property development revenue was mainly contributed from its residential property development activities at its Desa Bukit Indah, Sungai Buloh project. The project which comprised 126 units landed residential development was at approximately 63% stage of completion and accounted for approximately RM14.9 million in revenue. As at financial period ended 31 December 2011, the residential development achieved 94% sales with 118 units sold.

The remaining revenue were from sales of residential, industrial and commercial development properties at Sungai Buloh and Senawang Town Centre of RM1.7 million and RM4.8 million respectively.

### Investment properties

The investment properties revenue of RM3.2 million made-up of mainly rental income derived from the Group's investment properties comprising mainly commercial properties located at Taman Kelab Ukay, Ampang and Petaling Jaya, and an industrial factory at Banting, Selangor, which have contributed steady income stream to the Group.

### Group Results

For the financial period ended 31 December 2011, the Group recorded a higher profit before taxation of RM1.5 million, a markedly improvement as compared to the previous financial year's loss before taxation of RM11.4 million which was mainly affected by a write back of profit from rescission of sale of a development property by a subsidiary company, a non-recurrent item which transpired in financial year 2010.

The Group's borrowings had remained minimal and had pared down during the financial period 31 December 2011 as compared to the previous financial year 2010.

Moving forward to 2012, with the local property market demand and pricing stabilizing, and steps taken by the Government to curb excessive speculation, the high end properties will likely be experiencing slower demand due to oversupply. The Group shall continue to focus on its core business of property development, with emphasis on developing affordable properties that appeal to the mass market.

# Financial Statements

# Directors' Report

## DIRECTORS' REPORT

The Directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial period ended 31 December 2011.

## CHANGE OF FINANCIAL YEAR END

The Group and the Company changed their financial year end from 31 October to 31 December to coincide with calendar year which will facilitate better business planning and improve certain operational processes of the Group and of the Company.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of property development, investment holding and providing management services.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial period.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit net of taxation, attributable to owners of the parent | 1,474,020 | 230,611 |

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

## DIVIDENDS

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

## ISSUE OF SHARES

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

## DIRECTORS OF THE COMPANY

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

TAN SRI DR. CHEN LIP KEONG
DATUK HAJI JAAFAR BIN ABU BAKAR
DATUK WAN KASSIM BIN AHMED
TIANG CHONG SEONG
DATO' NIK KAMARUDDIN BIN ISMAIL
LIM MUN KEE
CHEN YIY HWUAN
CHEN YIY FON

## DIRECTORS' INTERESTS

Particulars of Directors' interest in the shares of the Company during the financial period according to the registers required to be kept under Section 134 of the Companies Act, 1965 are as follows:-

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| | At 1.11.2010 | Acquired | Disposed | At 31.12.2011 |
| **Direct Interest** | | | | |
| Tan Sri Dr. Chen Lip Keong | 91,777,443 | - | - | 91,777,443 |
| Datuk Haji Jaafar bin Abu Bakar | 5,000 | - | - | 5,000 |
| **Indirect Interest Held Through Persons Connected to Directors and Corporations In Which The Directors Have Interests** | | | | |
| Tan Sri Dr. Chen Lip Keong | 26,082,179 | - | - | 26,082,179 |
| Chen Yiy Hwuan * | 117,859,622 | - | - | 117,859,622 |
| Chen Yiy Fon * | 117,859,622 | - | - | 117,859,622 |

*Deemed interested by virtue of shares held by their father, Tan Sri Dr. Chen Lip Keong.

The Directors who have substantial interests in the shares of the Company are also deemed to have interests in the shares of the subsidiaries to the extent that the Company has an interest.

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

## 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 the Directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed 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 there were no known bad debts 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 it necessary to write off any bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(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.

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

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 period which secures the liabilities 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 period.

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 Group's and of the Company's operations during the financial period 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 period 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 or of the Company for the financial period in which this report is made.

## SIGNIFICANT EVENT

The significant event arising during the financial period is disclosed in Note 29 to the financial statements.

## AUDITORS

The auditors, Messrs. Moore Stephens AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2012.

**DATUK HAJI JAAFAR BIN ABU BAKAR** **CHEN YIY FON**

# Statement by Directors

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

We, the undersigned, being two of the directors of the Company, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 29 to 83 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the period then ended.

The supplementary information set out in Note 38 to the financial statements 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 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 27 April 2012.

**DATUK HAJI JAAFAR BIN ABU BAKAR** **CHEN YIY FON**

# Statutory Declaration

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

I, Lam Hoi Khong, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 29 to 83, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 27 April 2012

**LAM HOI KHONG**

Before me

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

# Independent Auditors' Report

REPORT TO THE MEMBERS OF PETALING TIN BERHAD
(Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Petaling Tin Berhad, which comprise the statements of financial position as at 31 December 2011 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 period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 83.

*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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the period then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

c) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment required to be made under Section 174(3) of the Act.

# Independent Auditors' Report

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with 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 Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**MOORE STEPHENS AC**
Chartered Accountants
AF 001826

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

Kuala Lumpur
Date: 27 April 2012

# Statements of Comprehensive Income

FOR THE PERIOD ENDED 31 DECEMBER 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| Operating revenue | 3 | **24,577,062** | 19,354,516 | **5,453,981** | 4,008,747 |
| Direct costs | 4 | **(17,039,204)** | (12,256,357) | **-** | - |
| **Gross profit** | | **7,537,858** | 7,098,159 | **5,453,981** | 4,008,747 |
| Other operating revenue | | **1,732,642** | 7,801,849 | **327,768** | 59,125 |
| Distribution costs | | **(54,768)** | (97,285) | **-** | - |
| Administrative costs | | **(6,571,853)** | (6,870,244) | **(5,086,555)** | (3,811,608) |
| Other operating costs | | **(572,204)** | (18,956,067) | **(241,731)** | (2,748,962) |
| | | **(7,198,825)** | (25,923,596) | **(5,328,286)** | (6,560,570) |
| **Profit/(Loss) from operations** | | **2,071,675** | (11,023,588) | **453,463** | (2,492,698) |
| Finance costs | | **(619,217)** | (335,098) | **(10,857)** | (7,145) |
| **Profit/(Loss) before taxation** | 5 | **1,452,458** | (11,358,686) | **442,606** | (2,499,843) |
| Taxation | 7 | **21,562** | 2,959,158 | **(211,995)** | (22,900) |
| **Profit/(Loss) net of taxation, representing total comprehensive income for the period/ year** | | **1,474,020** | (8,399,528) | **230,611** | (2,522,743) |
| Basic earnings/(loss) per share (sen) | 8 | **0.43** | (2.43) | | |

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

# Statements of Financial Position

AS AT 31 DECEMBER 2011

| | Note | Group 31.12.2011 RM | Group 31.10.2010 RM | Company 31.12.2011 RM | Company 31.10.2010 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 9 | **249,474** | 173,817 | **194,964** | 54,841 |
| Prepaid land lease payments | 10 | **-** | 2 | **-** | 2 |
| Investments in subsidiaries | 11 | **-** | - | **465,827,660** | 465,845,005 |
| Investments in associates | 12 | **-** | - | **-** | - |
| Investment properties | 13 | **149,926,294** | 149,304,262 | **4,026,020** | 4,026,018 |
| Land held for property development | 14 | **250,077,038** | 213,771,619 | **38,557,973** | 38,557,973 |
| **Total non-current assets** | | **400,252,806** | 363,249,700 | **508,606,617** | 508,483,839 |
| Property development costs | 15 | **47,609** | 44,622,921 | **-** | - |
| Inventories | 16 | **5,256,948** | 5,256,948 | **-** | - |
| Short term investments | 17 | **262,937** | 1,087,609 | **262,937** | 1,087,609 |
| Receivables | 18 | **24,062,077** | 25,018,098 | **67,279,304** | 73,671,599 |
| Cash and bank balances | 19 | **3,983,158** | 3,120,615 | **610,329** | 68,314 |
| Non-current assets classified as held for sale | 20 | **6,189,570** | - | **-** | - |
| **Total current assets** | | **39,802,299** | 79,106,191 | **68,152,570** | 74,827,522 |
| **Total assets** | | **440,055,105** | 442,355,891 | **576,759,187** | 583,311,361 |
| **Equity and liabilities** | | | | | |
| Share capital | 21 | **346,102,679** | 346,102,679 | **346,102,679** | 346,102,679 |
| Reserves | 22 | **16,990,134** | 15,516,114 | **(3,136,264)** | (3,366,875) |
| Treasury shares | 21 | **(68,236)** | (68,236) | **(68,236)** | (68,236) |
| **Total equity** | | **363,024,577** | 361,550,557 | **342,898,179** | 342,667,568 |
| **Liabilities** | | | | | |
| Finance lease liabilities | 24 | **85,290** | 138,867 | **85,290** | 78,252 |
| Borrowings | 25 | **3,561,198** | 4,722,896 | **-** | - |
| Deferred taxation | 26 | **32,138,652** | 33,421,294 | **-** | - |
| **Total non-current liabilities** | | **35,785,140** | 38,283,057 | **85,290** | 78,252 |
| Payables | 27 | **11,113,450** | 11,305,302 | **233,471,750** | 240,494,655 |
| Provisions | 28 | **2,559,375** | 2,621,544 | **-** | - |
| Finance lease liabilities | 24 | **94,386** | 105,249 | **70,327** | 49,240 |
| Borrowings | 25 | **1,011,856** | 2,137,059 | **-** | - |
| Tax payable | | **26,466,321** | 26,353,123 | **233,641** | 21,646 |
| **Total current liabilities** | | **41,245,388** | 42,522,277 | **233,775,718** | 240,565,541 |
| **Total Liabilities** | | **77,030,528** | 80,805,334 | **233,861,008** | 240,643,793 |
| **Total equity and liabilities** | | **440,055,105** | 442,355,891 | **576,759,187** | 583,311,361 |

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

# Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2011

| | Attributable to Owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Non-Distributable | | | | |
| | Share Capital RM | Treasury Shares RM | ICULS - Equity Instrument RM | Share Premium RM | Revaluation Reserve RM | Other Reserve RM | Accumulated Losses RM | Total Equity RM |
| **Group** | | | | | | | | |
| **At 1.11.2009** | 344,292,335 | (68,236) | 2,100,000 | 43,664,342 | 3,027,592 | 3,526,514 | (26,592,462) | 369,950,085 |
| Total comprehensive income for the year | - | - | - | - | - | - | (8,399,528) | (8,399,528) |
| Realisation of revaluation deficit on sales of development properties | - | - | - | - | 617,526 | - | (617,526) | - |
| | 344,292,335 | (68,236) | 2,100,000 | 43,664,342 | 3,645,118 | 3,526,514 | (35,609,516) | 361,550,557 |
| **Transaction with Owners** | | | | | | | | |
| ICULS conversion | 1,810,344 | - | (2,100,000) | 289,656 | - | - | - | - |
| **At 31.10.2010** | 346,102,679 | (68,236) | - | 43,953,998 | 3,645,118 | 3,526,514 | (35,609,516) | 361,550,557 |
| **Group** | | | | | | | | |
| **At 1.11.2010** | 346,102,679 | (68,236) | - | 43,953,998 | 3,645,118 | 3,526,514 | (35,609,516) | 361,550,557 |
| Total comprehensive income for the period | - | - | - | - | - | - | 1,474,020 | 1,474,020 |
| Realisation of revaluation surplus on sales of development properties | - | - | - | - | (610,307) | - | 610,307 | - |
| **At 31.12.2011** | 346,102,679 | (68,236) | - | 43,953,998 | 3,034,811 | 3,526,514 | (33,525,189) | 363,024,577 |

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

# Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2011

| | | | | Non-Distributable | | | |
|---|---|---|---|---|---|---|---|
| | Share Capital RM | Treasury Shares RM | ICULS - Equity Instrument RM | Share Premium RM | Other Reserve RM | Accumulated Losses RM | Total Equity RM |
| **Company** | | | | | | | |
| **At 1.11.2009** | 344,292,335 | (68,236) | 2,100,000 | 43,664,342 | 4,519,264 | (49,317,394) | 345,190,311 |
| Total comprehensive income for the year | - | - | - | - | - | (2,522,743) | (2,522,743) |
| **Transaction with Owners** | | | | | | | |
| ICULS Conversion | 1,810,344 | - | (2,100,000) | 289,656 | - | - | - |
| **At 31.10.2010** | 346,102,679 | (68,236) | - | 43,953,998 | 4,519,264 | (51,840,137) | 342,667,568 |
| Total comprehensive income for the period | - | - | - | - | - | 230,611 | 230,611 |
| **At 31.12.2011** | 346,102,679 | (68,236) | - | 43,953,998 | 4,519,264 | (51,609,526) | 342,898,179 |

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

# Statements of Cash Flows

FOR THE PERIOD ENDED 31 DECEMBER 2011

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| **Cash Flows from Operating Activities** | | | | | |
| Profit/(loss) before taxation | | **1,452,458** | (11,358,686) | **442,606** | (2,499,843) |
| Adjustments for:- | | | | | |
| Depreciation of property, plant and equipment | | **31,417** | 181,274 | **25,004** | 121,334 |
| Effect of rescission of sale of development property | | **-** | 16,944,154 | **-** | - |
| Fair value adjustment on investment properties | | **-** | (5,849,316) | **-** | - |
| Gain on disposal of investment in quoted shares | | **-** | (219) | **-** | (219) |
| Impairment loss on trade receivables | | **105,016** | 171,489 | **63,768** | 2,666,983 |
| Reversal of overprovision of infrastructure costs | | **-** | (1,448,926) | **-** | - |
| Write down of inventories | | **-** | 1 ,600,818 | **-** | - |
| Deposits written off | | **58,450** | - | **58,450** | - |
| Write back of payables over accrued | | **(1,316,356)** | - | **(306,862)** | - |
| Gain on disposal of property, plant and equipment | | **-** | (23,025) | **-** | (20,026) |
| Reversal of impairment loss on short-term investment | | **-** | (24,718) | **-** | (24,718) |
| Dividend income | | **-** | (82) | **-** | (82) |
| Impairment loss on investment in a subsidiary | | **-** | - | **17,345** | - |
| Interest expense | | **619,087** | 316,624 | **10,857** | 7,145 |
| Interest income | | **(110,375)** | (62,093) | **(16,750)** | (14,080) |
| Operating profit before working capital changes | | **839,697** | 447,294 | **294,418** | 236,494 |
| Decrease in land and development expenditure | | **2,080,323** | 8,510,872 | **-** | - |
| Increase in inventories | | **-** | (1,204,646) | **-** | - |
| (Increase)/Decrease in receivables | | **792,555** | (11,998,130) | **1,363,120** | (146,772) |
| Increase/(Decrease) in payables | | **1,062,335** | (1,654,138) | **(378,456)** | (2,510,474) |
| Cash generated from/(used in) operations | | **4,774,910** | (5,898,748) | **1,279,082** | (2,420,752) |
| Interest paid | | **(619,087)** | (316,624) | **(10,857)** | (7,145) |
| Interest received | | **110,375** | 62,093 | **16,750** | 14,080 |
| Tax refunded | | **-** | 3,861,338 | **-** | 3,861,338 |
| Tax paid | | **(1,147,882)** | (4,582,811) | **-** | - |
| Net cash generated from/(used in) operating activities carried down | | **3,118,316** | (6,874,752) | **1,284,975** | 1,447,521 |

# Statements of Cash Flows

| | Note | Group 1.11.2010 to 31.12.2011 RM | Group 1.11.2009 to 31.10.2010 RM | Company 1.11.2010 to 31.12.2011 RM | Company 1.11.2009 to 31.10.2010 RM |
|---|---|---|---|---|---|
| Net cash generated from/(used in) operating activities brought down | | **3,118,316** | (6,874,752) | **1,284,975** | 1,447,521 |
| **Cash Flows from Investing Activities** | | | | | |
| Additional investment in a subsidiary | | **-** | - | **-** | (750,000) |
| Costs incurred on investment properties | | **(622,030)** | (831,290) | **-** | - |
| Placement of fixed deposits | | **-** | (24,112) | **-** | - |
| Withdrawal of investment | | **824,672** | 250,550 | **824,672** | 250,550 |
| Proceeds from disposal of property, plant and equipment | | **59,203** | 23,026 | **-** | 20,026 |
| Dividend received | | **-** | 82 | **-** | 82 |
| Repayments from subsidiaries | | **-** | - | **4,906,957** | 1,348,791 |
| Purchase of property, plant and equipment | 9 | **(33,975)** | (16,864) | **(32,825)** | (11,364) |
| Net cash generated from/(used in) investing activities | | **227,870** | (598,608) | **5,698,804** | 858,085 |
| **Cash Flows from Financing Activities** | | | | | |
| Repayment to subsidiaries | | **-** | - | **(6,337,587)** | (2,272,163) |
| Drawdown of loans | | **3,298,000** | 8,866,000 | **-** | - |
| Repayment of loans | | **(5,584,901)** | (2,006,045) | **-** | - |
| Payments of finance lease liabilities | | **(196,742)** | (100,502) | **(104,177)** | (46,891) |
| Net cash (used in)/generated from financing activities | | **(2,483,643)** | 6 ,759,453 | **(6,441,764)** | (2,319,054) |
| **Net increase/(decrease) in cash and cash equivalents** | | **862,543** | (713,907) | **542,015** | (13,448) |
| Cash and cash equivalents at beginning of the period/ year | | **3,120,615** | 3,834,522 | **68,314** | 81,762 |
| **Cash and cash equivalents at end of the period/ year** | 19 | **3,983,158** | 3,120,615 | **610,329** | 68,314 |

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

# Notes to the Financial Statements

31 DECEMBER 2011

## CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

1st Floor, No. 118,
Jalan Semangat,
46300 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

The Company is principally engaged in the business of property development, investment holding and providing management services. The principal activities of the subsidiaries are disclosed in Note 11. There have been no significant changes in the nature of these activities during the financial period.

The Group and the Company changed their financial year end from 31 October to 31 December to coincide with calendar year which will facilitate better business planning and improve certain operational processes of the Group and of the Company.

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2012.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with 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 to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted**

On 1 November 2010, the Group and the Company adopted the following new and revised FRSs, Amendments to FRSs, IC Interpretations and TRs:

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations (Revised) |
| FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements (Revised) |
| FRS 123 | Borrowing Costs |
| FRS 127 | Consolidated and Separate Financial Statements (Revised) |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 2 | Share-based Payment: Vesting Conditions and Cancellations |
| Amendments to FRS 2 | Share-based Payment |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 138 | Intangible Assets |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives |

# Notes to the Financial Statements

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

**New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (Cont'd)**

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

| | |
|---|---|
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | FRS 2 Group and Treasury Share Transactions |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

| | |
|---|---|
| TR 3 | Guidance on Disclosures of Transition to IFRSs |
| TR i-3 | Presentation of Financial Statements of Islamic Financial Institutions |

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TRs does not have any effect on the financial statements of the Group and of the Company except for those discussed below.

***FRS 7 Financial Instruments: Disclosures***

Prior to 1 November 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the period ended 31 December 2011.

***FRS 101 Presentation of Financial Statements (Revised)***

The revised FRS 101 requires owner and non-owner changes in equity to be presented separately. The statements of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statements of comprehensive income. It presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement. New terminologies have replaced 'balance sheet' with 'statement of financial position' and 'cash flow statement' with 'statement of cash flows'.

In addition, a statements of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

**New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TRs") adopted (Cont'd)**

***FRS 139 Financial Instruments: Recognition and Measurement***

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the reporting date reflects the designation of the financial instruments.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost using the effective interest method, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

In accordance with the transitional provision of FRS 139, the above changes are applied prospectively and the comparatives as at 31 October 2010 are not restated.

***FRS 3, Business Combinations (Revised) and FRS 127, Consolidated and Separate Financial Statements (Revised)***

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

***Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***

The amendment to FRS 127 removes the definition of cost method currently set out in FRS 127 and therefore, making the distinction between pre- and post-acquisition profit no longer required. Instead, an entity is required to recognise all dividends from subsidiaries, jointly-controlled entities or associates in its separate financial statements. The Group has applied the amendment prospectively. There is no financial impact on the financial statements of the Group for the current financial period other than changes in accounting policies.

# Notes to the Financial Statements

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

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

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

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein referred as "Transitioning Entities"). The adoption of the MFRS Framework by Transitioning Entities is deferred by another year and hence, will be mandatory only for annual financial period beginning on or after 1 January 2013.

The Group and the Company, which are transitioning entities, elected to continue preparing their financial statements in accordance with the FRS framework for annual financial periods beginning before 1 January 2013. As such, the Group and the Company will prepare their first financial statements using the MFRS framework for the financial year ending 31 December 2013. In presenting their first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

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

At the date of authorisation of these financial statements, MASB has also issued the following revised FRS, Amendments to FRSs, IC Interpretations and TR that are not yet effective and have not been early adopted in preparing these financial statements:

| | | For financial periods beginning on or after |
|---|---|---|
| FRS 124 | Related Party Disclosures (Revised) | 1 January 2012 |
| Amendments to FRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters | 1 January 2012 |
| Amendments to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 1 | Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 | Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 7 | Disclosures – Transfers of Financial Assets | 1 January 2012 |
| Amendments to FRS 112 | Deferred tax: Recovery of Underlying Assets | 1 January 2012 |
| Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" | | 1 January 2011 |
| IC Interpretation 4 | Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Interpretation 18 | Transfers of Assets from Customers | 1 January 2011 |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14) | | 1 July 2011 |
| TR i-4 | Shariah Compliant Sale Contracts | 1 January 2011 |

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (Cont'd)

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

The Group and the Company will adopt the above FRS, Amendment to FRSs, IC Interpretations and TR for financial year beginning on 1 January 2012 but do not expect the adoption to have any significant impact on the financial statements of the Group and of the Company upon their initial application except for the following:

***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.

***Deferred tax: Recovery of Underlying Assets (Amendments to FRS 112)***

Amendments to FRS 112 provide a limited exception for measuring deferred tax liabilities and deferred tax assets when investment property is subsequently measured using the fair value model. The amendments introduce a rebuttable presumption that the investment property is recovered entirely through sale. However, this presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not evaluated the full extent of the impact that the amendments will have on its financial statements.

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

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

### (b) Basis of measurement

The financial statements have been prepared on the historical cost convention except as disclosed in the respective 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.

## 1. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting estimates and judgements

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

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

(i) Useful lives of property, plant and equipment (Note 9) – the cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Property development costs (Note 15) – significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group and the Company relied on past experience and work of specialists.

(iii) Revenue and cost of sales recognition (Notes 3 and 4) – the Group 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.

(iv) Fair value of investment properties (Note 13) – 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. In the absence of current prices in an active market, the valuations are prepared by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(v) Construction contracts (Note 3) – total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group relied on past experience and work of specialists.

(vi) Impairment loss on receivables (Note 18) – 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.

(vii) Taxation (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. Included in the tax liability of the Group is an amount of RM10,054,518 relating to the tax payable on the sale of land. This sale transaction was rescinded in prior year. The Group is currently seeking the approval of the Inland Revenue Board ("IRB") for tax waiver in respect of this amount. Pending the issuance of Form J by IRB, the Group has continued to carry this amount as tax liability.

# Notes to the Financial Statements

## 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 and by the Company, 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. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The financial statements of subsidiaries acquired or disposed off during the financial period 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 position.

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.

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

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities 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 the Group has an obligation or has made payments on behalf of the investee.

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 reports 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.

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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Consolidation

#### (ii) Associates (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognised the amount in profit or loss.

#### (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) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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 carrying amount is recognised in the profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Property, plant and equipment (Cont'd)

#### (ii) 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 the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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 years are as follows:-

| | |
|---|---|
| Buildings | 2% |
| Plant and equipment | 10% - 33% |
| Motor vehicles | 20% |
| Renovation | 20% |

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

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### (c) Lease

#### (i) Finance leases – the Group as lessee

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

Finance lease is capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to 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.

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

#### (ii) Operating leases – the Group as lessee

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

#### (iii) Operating leases – the Group and the Company as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) 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 occupied rather than as investment properties.

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

When an item of inventory or 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 the profit or loss.

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.

In the absence of current prices in an active market, the valuations are prepared by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

### (e) 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.

In certain subsidiaries, the revalued amount of land in land held for property development is retained as its surrogate cost as allowed under the transitional provisions of FRS 201.

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.

### (f) 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.

In certain subsidiaries, the revalued amount of land in property development cost is retained as its surrogate cost as allowed under the transitional provisions of FRS 201.

When the financial outcome of a development activity can be reliably estimated, property development revenue and costs are recognised in the profit or loss by reference to the stage of completion of development activities at the reporting date.

# Notes to the Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Property development costs (Cont'd)

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

### (g) Inventories

Inventories of unsold completed properties are stated at the lower of cost and net realisable value. Cost of unsold completed properties is determined on specific identification basis and comprises attributable land and development expenditure incurred up to completion of the properties.

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

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

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

Any subsequent increase in recoverable amount 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.

### (i) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Financial assets (Cont'd)

**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 classify the following financial assets as loan and receivables:
- cash and cash equivalents,
- short term investments, and
- trade and other receivables including amount owing by subsidiaries and amount owing by an associate

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

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

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

### (j) 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.

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**Trade and other receivables and other financial assets carried at amortised cost (Cont'd)**

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.

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in value.

### (l) 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.

### (m) Share capital

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

### (n) Treasury shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

### (o) Compound financial instruments

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

As permitted under the transitional provisions of FRS 132, the Irredeemable Convertible Unsecured Loan Stocks ("ICULS") are classified as equity instruments in accordance with the substance of the contractual arrangement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Compound financial instruments(Cont'd)

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not premeasured subsequent to initial recognition.

### (p) 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.

The Group's and the Company's financial liabilities include trade payables, other payables, amount owing to holding company and borrowings.

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

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

For these 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.

### (q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (r) Construction contracts

When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### (s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured.

#### (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.

#### (ii) Revenue from sale of developed land and completed landed properties

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

#### (iii) Interest income

Interest income is recognised on time proportion basis that reflects the effective yield of the asset.

#### (iv) Rental and management revenue

Revenue from rental and management fee are recognised on accrual basis.

#### (v) Construction contract

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Employee benefits

#### (i) Short term employee benefits

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

#### (ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the profit or loss as incurred.

### (u) Taxation

Taxation 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 period, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

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

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

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

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

### (v) Operating segments

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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (w) Borrowing costs

All borrowing costs are recognised in the 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.

### (x) Contingencies

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

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

## 3. OPERATING REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **1.11.2010 to 31.12.2011 RM** | **1.11.2009 to 31.10.2010 RM** | **1.11.2010 to 31.12.2011 RM** | **1.11.2009 to 31.10.2010 RM** |
| Attributable property development revenue | **15,888,936** | 7,632,965 | **-** | - |
| Attributable contract revenue | **-** | 1,117,476 | **-** | - |
| Sales of land held for property development | **4,800,000** | - | **-** | - |
| Sales of development properties | **700,000** | 8,100,000 | **-** | - |
| Rental income from investment properties | **3,188,126** | 2,504,075 | **520,000** | 217,110 |
| Management fees | **-** | - | **4,933,981** | 3,791,637 |
| | **24,577,062** | 19,354,516 | **5,453,981** | 4,008,747 |

## 4. DIRECT COSTS

| | Group | |
|---|---|---|
| | **1.11.2010 to 31.12.2011 RM** | **1.11.2009 to 31.10.2010 RM** |
| Attributable property development and contract costs | **11,788,050** | 5,082,087 |
| Attributable contract costs | **-** | 1,085,891 |
| Cost of land held for property development sold | **4,423,281** | - |
| Cost of development properties sold | **641,034** | 5,885,497 |
| Direct operating costs from revenue generating investment properties | **186,839** | 202,882 |
| | **17,039,204** | 12,256,357 |

## 5. PROFIT/(LOSS) BEFORE TAXATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| Impairment loss on receivables | **105,016** | 171,489 | **63,768** | 2,666,983 |
| Auditors' remuneration | **75,000** | 61,000 | **36,000** | 27,000 |
| Depreciation of property, plant and equipment | **31,417** | 181,274 | **25,004** | 121,334 |
| Deposits written off | **58,450** | - | **58,450** | - |
| Effect of rescission of sale of development property (Note a) | **-** | 16,944,154 | **-** | - |
| Gain on disposal of property, plant and equipment | **-** | (23,025) | **-** | (20,026) |
| Impairment loss on investments in subsidiaries | **-** | - | **17,345** | - |
| Interest expense | **619,087** | 316,624 | **10,857** | 7,145 |
| Gain on disposal of investment in quoted shares | **-** | (219) | **-** | (219) |
| Rental of office equipment | **7,966** | 10,641 | **7,966** | 10,641 |
| Rental of premises | **8,400** | 7,200 | **-** | - |
| Reversal of overprovision of infrastructure costs | **-** | (1,448,926) | **-** | - |
| Personnel expenses | | | | |
| - contributions to defined contribution plan | **270,260** | 213,983 | **267,026** | 211,211 |
| - salaries, wages and others | **2,565,241** | 1,792,646 | **2,537,473** | 1,769,016 |
| Directors' remuneration (Note 6) | **1,655,597** | 1,094,000 | **1,655,597** | 1,094,000 |
| Dividend income | **-** | (82) | **-** | (82) |
| Fair value adjustment on investment properties | **-** | (5,849,316) | **-** | - |
| Interest income | **(110,375)** | (62,093) | **(16,750)** | (14,080) |
| Rental income | **(147,190)** | (152,320) | **-** | - |
| Reversal of impairment loss on short term investments | **-** | (24,718) | **-** | (24,718) |
| Write back of payables over accrued | **(1,316,356)** | - | **(306,862)** | - |
| Write down of inventories | **-** | 1,600,818 | **-** | - |

**Note a**
This is in respect of reversal of profit arising from disposal of a land held for property development by a subsidiary subsequent to the rescission of the sale by the purchaser in prior year.

## 6. DIRECTORS' REMUNERATION

| | Group/Company | |
|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| **Directors of the Company** | | |
| Executive Directors | | |
| - Salaries and other emoluments | **1,333,597** | 818,000 |
| Non-Executive Directors | | |
| - Fees | **322,000** | 276,000 |
| | **1,655,597** | 1,094,000 |

The Executive Directors are as follows:

31.12.2011/31.10.2010

- Tan Sri Dr. Chen Lip Keong
- Tiang Chong Seong
- Chen Yiy Hwuan
- Chen Yiy Fon

The Non-Executive Directors are as follows:

31.12.2011/31.10.2010

- Datuk Haji Jaafar bin Abu Bakar
- Dato' Nik Kamaruddin bin Ismail
- Datuk Wan Kassim bin Ahmed
- Lim Mun Kee

**Key management personnel compensation**

Key management personnel comprise the directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly.

The remuneration of key management personnel, who are also directors of the Company, are as follows:

| | Group/Company | |
|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| Short term employee benefits | **1,542,899** | 1,040,432 |
| Post employment benefits | **112,698** | 53,568 |
| | **1,655,597** | 1,094,000 |

# Notes to the Financial Statements

## 7. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| **Current tax** | | | | |
| Current period/ year | **1,241,015** | 381,600 | **186,200** | 22,900 |
| Under/(Over) provision in prior year* | **20,065** | (4,277,881) | **25,795** | - |
| | **1,261,080** | (3,896,281) | **211,995** | 22,900 |
| **Deferred tax (Note 26)** | | | | |
| Origination and reversal of temporary differences | **(1,223,357)** | 696,510 | **-** | - |
| (Over)/Under provision in prior year | **(59,285)** | 240,613 | **-** | - |
| | **(1,282,642)** | 937,123 | **-** | - |
| Tax (credit)/expense | **(21,562)** | (2,959,158) | **211,995** | 22,900 |

**Reconciliation of effective tax (credit)/expense to the statutory income tax rate**

| | Group | | Company | |
|---|---|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| Profit/(Loss) before taxation | **1,452,458** | (11,358,686) | **442,606** | (2,499,843) |
| Taxation at Malaysian statutory tax rate of 25% | **363,100** | (2,839,700) | **110,700** | (625,000) |
| Tax effect on the rescission of sale of development property | **-** | 3,977,800 | **-** | - |
| Tax effect of non-deductible expenses | **236,309** | 165,810 | **73,500** | 720,600 |
| Tax effect of non-taxable income | **(584,751)** | (3,700) | **(1,000)** | (3,200) |
| Utilisation of deferred tax assets not recognised previously | **-** | (222,100) | **-** | (69,500) |
| Deferred tax assets not recognised during the year | **3,000** | - | **3,000** | - |
| Under/(Over) provision in prior year | | | | |
| - current tax * | **20,065** | (4,277,881) | **25,795** | - |
| - deferred tax | **(59,285)** | 240,613 | **-** | - |
| Tax (credit)/expense | **(21,562)** | (2,959,158) | **211,995** | 22,900 |

* The over provision of taxation recognised in previous year is in respect of a reduced assessment by the Inland Revenue Board on previously assessed tax due to rescission of sale of a development property in a subsidiary.

The Group and the Company have estimated unrelieved tax losses of RM38,626,995 (31.10.2010 : 39,667,322) and RM10,170,500 (31.10.2010 : RM10,170,500) and unabsorbed capital allowances of RM8,516,300 (31.10.2010 : RM8,437,600) and RM221,300 (31.10.2010 : RM140,900) carried forward respectively, available for set-off against future taxable profits of the Group and of the Company.

## 8. BASIC EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is calculated by dividing the Group's profit attributable to equity shareholders of RM1,474,020 (31.10.2010 : loss of RM8,399,528) by the weighted average number of ordinary shares of RM1 each of 345,830,979 (31.10.2010 : 345,830,979) ordinary shares in issue during the period.

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

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RM | Plant & Equipment RM | Motor Vehicles RM | Renovation RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1.11.2010 | 730,344 | 1,461,699 | 754,949 | 419,383 | 3,366,375 |
| Additions | - | 33,975 | 132,302 | - | 166,277 |
| Disposal | - | - | (165,093) | - | (165,093) |
| At 31.12.2011 | 730,344 | 1,495,674 | 722,158 | 419,383 | 3,367,559 |
| **Accumulated Depreciation** | | | | | |
| At 1.11.2010 | 730,341 | 1,443,076 | 606,090 | 413,051 | 3,192,558 |
| Charge for the period | - | 17,413 | 9,582 | 4,422 | 31,417 |
| Disposal | - | - | (105,890) | - | (105,890) |
| At 31.12.2011 | 730,341 | 1,460,489 | 509,782 | 417,473 | 3,118,085 |
| **Net Carrying Amount** | | | | | |
| At 31.12.2011 | 3 | 35,185 | 212,376 | 1,910 | 249,474 |
| **Cost** | | | | | |
| At 1.11.2009 | 730,344 | 1,967,653 | 847,484 | 419,383 | 3,964,864 |
| Additions | - | 16,864 | - | - | 16,864 |
| Disposal | - | (500,493) | (92,535) | - | (593,028) |
| Written off | - | (22,325) | - | - | (22,325) |
| At 31.10.2010 | 730,344 | 1,461,699 | 754,949 | 419,383 | 3,366,375 |
| **Accumulated Depreciation** | | | | | |
| At 1.11.2009 | 730,341 | 1,931,841 | 557,891 | 406,563 | 3,626,636 |
| Charge for the year | - | 34,053 | 140,733 | 6,488 | 181,274 |
| Disposal | - | (500,493) | (92,534) | - | (593,027) |
| Written off | - | (22,325) | - | - | (22,325) |
| At 31.10.2010 | 730,341 | 1,443,076 | 606,090 | 413,051 | 3,192,558 |
| **Net Carrying Amount** | | | | | |
| At 31.10.2010 | 3 | 18,623 | 148,859 | 6,332 | 173,817 |

# Notes to the Financial Statements

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Buildings RM | Plant & Equipment RM | Motor Vehicles RM | Renovation RM | Total RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost** | | | | | |
| At 1.11.2010 | 730,344 | 1,420,596 | 410,081 | 419,383 | 2,980,404 |
| Additions | - | 32,825 | 132,302 | - | 165,127 |
| At 31.12.2011 | 730,344 | 1,453,421 | 542,383 | 419,383 | 3,145,531 |
| **Accumulated Depreciation** | | | | | |
| At 1.11.2010 | 730,341 | 1,406,265 | 375,906 | 413,051 | 2,925,563 |
| Charge for the period | - | 15,081 | 5,501 | 4,422 | 25,004 |
| At 31.12.2011 | 730,341 | 1,421,346 | 381,407 | 417,473 | 2,950,567 |
| **Net Carrying Amount** | | | | | |
| At 31.12.2011 | 3 | 32,075 | 160,976 | 1,910 | 194,964 |
| **Cost** | | | | | |
| At 1.11.2009 | 730,344 | 1,932,050 | 410,081 | 419,383 | 3,491,858 |
| Additions | - | 11,364 | - | - | 11,364 |
| Disposal | - | (500,493) | - | - | (500,493) |
| Written off | - | (22,325) | - | - | (22,325) |
| At 31.10.2010 | 730,344 | 1,420,596 | 410,081 | 419,383 | 2,980,404 |
| **Accumulated Depreciation** | | | | | |
| At 1.11.2009 | 730,341 | 1,896,253 | 293,890 | 406,563 | 3,327,047 |
| Charge for the year | - | 32,830 | 82,016 | 6,488 | 121,334 |
| Disposal | - | (500,493) | - | - | (500,493) |
| Written off | - | (22,325) | - | - | (22,325) |
| At 31.10.2010 | 730,341 | 1,406,265 | 375,906 | 413,051 | 2,925,563 |
| **Net Carrying Amount** | | | | | |
| At 31.10.2010 | 3 | 14,331 | 34,175 | 6,332 | 54,841 |

Motor vehicles under finance lease arrangements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Cost | **670,876** | 703,667 | **542,383** | 410,081 |
| Net carrying amount | **212,375** | 148,858 | **160,976** | 34,175 |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the period, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM166,277 (31.10.2010 : RM16,864) and RM165,127 (31.10.2010 : RM11,364) respectively which were satisfied by the following:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Finance lease arrangement | **132,302** | - | **132,302** | - |
| Cash payments | **33,975** | 16,864 | **32,825** | 11,364 |
| | **166,277** | 16,864 | **165,127** | 11,364 |

## 10. PREPAID LAND LEASE PAYMENTS

| | Group/Company | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Long term leasehold land | | |
| At beginning of the period/ year | **2** | 2 |
| Reclassified as investment properties (Note 13) | **(2)** | - |
| At end of the period/ year | **-** | 2 |

Long term leasehold land has unexpired lease period of more than 50 years.

## 11. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Unquoted shares, at cost | **467,845,004** | 467,845,004 |
| Less: Allowance for impairment loss | **(2,017,344)** | (1,999,999) |
| At end of the period/ year | **465,827,660** | 465,845,005 |

Impairment loss recognised

During the financial period, an impairment loss was recognised to write down the carrying amount of an inactive subsidiary.

# Notes to the Financial Statements

## 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The particulars of the subsidiaries are as follows:

| Name of Company | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|---|---|---|---|---|
| | | 31.12.2011 | 31.10.2010 | |
| PTB Clay Products Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant |
| Ukaylake Country Club Bhd. | Malaysia | **100%** | 100% | Dormant |
| Golden Domain Holdings Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding |
| Petaling Ventures Sdn. Bhd. | Malaysia | **100%** | 100% | Property investment and development |
| Lembah Langat Development Sdn. Bhd. | Malaysia | **100%** | 100% | Property investment and development |
| PTB Development Sdn. Bhd. | Malaysia | **100%** | 100% | Property development |
| PTB Horticulture Farm Sdn. Bhd. | Malaysia | **100%** | 100% | Property investment and development |
| Golden Domain Development Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding, property investment and development |
| Majurama Developments Sdn. Bhd. | Malaysia | **100%** | 100% | Property development |
| Magilds Park Sdn. Bhd. | Malaysia | **100%** | 100% | Property development |

## 12. INVESTMENTS IN ASSOCIATES

| | Group/Company | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Unquoted shares, at cost | **114** | 114 |
| Less: Allowance for impairment loss | **(114)** | (114) |
| | **-** | - |

The Group has not recognised losses relating to the associates where its share of losses exceeds the Group's interest in these associates. The Group's cumulative share of unrecognised losses and currency fluctuation reserve at the reporting date was RM3,211,770 (31.10.2010 : RM3,399,693). The Group has no obligation in respect of these losses.

The particulars of the associates are as follows:-

| Name of Company | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|---|---|---|---|---|
| | | 31.12.2011 | 31.10.2010 | |
| Fandison Resources Management Limited | Hong Kong | **40%** | 40% | Investment holding |
| Subsidiary of Fandison Resources Management Limited | | | | |
| Hainan Wansing Mineral Development Limited * | People's Republic of China | **34%** | 34% | Production of mineral sand products |

* Fandison Resources Management Limited owns 85% equity interest in Hainan Wansing Mineral Development Limited.

# Notes to the Financial Statements

## 12. INVESTMENTS IN ASSOCIATES (CONT'D)

The associates are not audited by Moore Stephens AC.

The share of results in associates not recognised are based on unaudited management financial statements. The reporting date of the financial statements of the associates are coterminous with those of the Group. In the previous year, the reporting date was not coterminous with those of the Group.

The summarised financial information of the associates are as follows:-

| | 31.12.2011 RM | 31.10.2010 RM |
|---|---|---|
| Assets and Liabilities: | | |
| Total assets | **4,658,495** | 3,540,816 |
| Total liabilities | **12,687,918** | 12,034,586 |
| Results: | | |
| Revenue | **28** | 23 |
| Profit for the year | **594,189** | 51,482 |

## 13. INVESTMENT PROPERTIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Long term leasehold land, at fair value | **116,041,154** | 116,041,154 | **-** | - |
| Land and building, at fair value | | | | |
| At beginning of the period/ year | **33,263,108** | 26,582,502 | **4,026,018** | 4,026,018 |
| Addition | **622,030** | 831,290 | **-** | - |
| Fair value adjustment | **-** | 5,849,316 | **-** | - |
| Reclassified from prepaid land lease payments (Note 10) | **2** | - | **2** | - |
| At end of the period/ year | **33,885,140** | 33,263,108 | **4,026,020** | 4,026,018 |
| | **149,926,294** | 149,304,262 | **4,026,020** | 4,026,018 |

The long term leasehold land has an unexpired lease period of more than 50 years. The long term leasehold land is held under a master title jointly with other land owners which include certain director related companies.

Caveat was placed by a third party on the investment property of the Group with a carrying amount of RM16,624,230 (31.10.2010 : RM16,624,300) as disclosed in Note 25.

The master land title to the investment property with a carrying amount of RM13,234,890 (31.10.2010 : RM13,234,890) which the Group has beneficial interest is still held under the name of previous proprietor.

# Notes to the Financial Statements

## 14. LAND HELD FOR PROPERTY DEVELOPMENT

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| **Long term leasehold land, at cost** | | | | |
| At beginning of the period/year | **191,688,707** | 210,761,242 | **38,557,973** | 38,557,973 |
| Transfer from property development costs (Note 15) | **1,397,500** | 1,057,642 | **-** | - |
| Reversal of land transaction | **-** | (35,602,592) | **-** | - |
| Reclassify to long term development cost | **-** | (33,939) | **-** | - |
| Reclassified as non-current assets held for sale (Note 20) | **(4,441,714)** | - | **-** | - |
| Transfer to property development costs (Note 15) | **-** | (1,044,237) | **-** | - |
| Effect of rescission of sale (Note 5(a)) | **-** | 16,550,591 | **-** | - |
| Disposals | **(3,436,207)** | - | **-** | - |
| At end of the period/ year | **185,208,286** | 191,688,707 | **38,557,973** | 38,557,973 |
| **Freehold land, at cost** | | | | |
| At beginning of the period/year | **-** | - | **-** | - |
| Transfer from property development costs (Note 15) | **33,602,456** | - | **-** | - |
| At end of the period/year | **33,602,456** | - | **-** | - |
| **Long term development costs, at cost** | | | | |
| At beginning of the period/year | **22,082,912** | 21,427,950 | **-** | - |
| Additions | **6,780,250** | 152,376 | **-** | - |
| Reclassify from long term leasehold land | **-** | 33,939 | **-** | - |
| Transfer from/(to) property development costs (Note 15) | **5,170,701** | (13,405) | **-** | - |
| Reclassified as non-current assets held for sale (Note 20) | **(1,747,856)** | - | **-** | - |
| Charge out to profit or loss | **(32,637)** | - | **-** | - |
| Effect of rescission of sale (Note 5(a)) | **-** | 482,052 | **-** | - |
| Disposals | **(987,074)** | - | **-** | - |
| At end of the period/year | **31,266,296** | 22,082,912 | **-** | - |
| **Total land and development costs** | **250,077,038** | 213,771,619 | **38,557,973** | 38,557,973 |

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

The long term leasehold land carried at group cost is based on independent valuation on open market value basis carried out in 1999.

The long term leasehold land with a carrying amount of RM153,525,244 (31.10.2010 : RM153,168,504) is held under a master title jointly with other land owners which include certain director related companies.

The long term leasehold land with a carrying amount of RM8,946,082 (31.10.2010 : RM8,946,082) which the Group has beneficial interest is still held under the name of the previous proprietor, which is also a director related company.

The master land title to the freehold land which the Group has beneficial interest is still held under the name of the previous proprietor.

In the previous financial year, the long term leasehold land with carrying amount of RM35,160,015 have been pledged as security for bridging loan facility granted to a subsidiary as mentioned in Note 25. There are caveats placed on the land by interested parties.

# Notes to the Financial Statements

## 15. PROPERTY DEVELOPMENT COSTS

| | Group | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| **Freehold land, at cost** | | |
| At beginning of the period/year | **38,732,290** | 40,659,597 |
| Reclassify from long term leasehold land, at cost | **79,675** | - |
| Transfer to land held for property development (Note 14) | **(33,602,456)** | - |
| Disposals | **-** | (1,927,307) |
| At end of the period/year | **5,209,509** | 38,732,290 |
| **Long term leasehold land, at cost** | | |
| At beginning of the period/year | **9,332,894** | 9,346,299 |
| Additions | **-** | 1,044,237 |
| Reclassify to freehold land, at cost | **(79,675)** | - |
| Transfer to inventories | **(315,849)** | - |
| Transfer to land held for property development (Note 14) | **(1,397,500)** | (1,057,642) |
| Adjustment for completed projects in prior years | **(1,544,708)** | - |
| At end of the period/year | **5,995,162** | 9,332,894 |
| Total land costs | **11,204,671** | 48,065,184 |
| **Development costs, at cost** | | |
| At beginning of the period/year | **50,573,646** | 46,736,094 |
| Additions | **8,024,429** | 4,669,405 |
| Disposals | **-** | (845,258) |
| Transfer to inventories | **(388,902)** | - |
| Adjustment for completed projects in prior years | **(311,731)** | - |
| Transfer (to)/from land held for property development (Note 14) | **(5,170,701)** | 13,405 |
| At end of the period/year | **52,726,741** | 50,573,646 |
| Total land and development costs | **63,931,412** | 98,638,830 |
| **Less: Cost recognised as an expense in profit or loss** | | |
| At beginning of the period/ year | **54,015,909** | 45,081,614 |
| Current period/ year | **11,724,333** | 8,934,295 |
| Adjustment for completed projects in prior years | **(1,856,439)** | - |
| At end of the period/ year | **(63,883,803)** | (54,015,909) |
| | **47,609** | 44,622,921 |

The leasehold land carried at the group cost is based on independent valuation on open market value basis carried out in 1999.

The long term leasehold lands have unexpired lease period of more than 50 years.

The master land title to the freehold land which the Group has beneficial interest is still held under the name of previous proprietor.

In the previous financial year, the long term leasehold land with a carrying amount of RM3,852,104 have been pledged as security for bridging loan facility granted to a subsidiary as mentioned in Note 25. There are caveats placed on the land by interested parties.

# Notes to the Financial Statements

## 16. INVENTORIES

| | Group | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Unsold completed properties | | |
| At cost | **1,315,050** | 1,315,050 |
| At net realisable value | **3,941,898** | 3,941,898 |
| | **5,256,948** | 5,256,948 |

The master land title to the inventories with carrying amount of RM481,898 (31.12.2010 : RM481,898) which the Group has beneficial interest is still held under the name of the previous proprietor.

Caveat was placed by an interested party on the inventories with carrying amount of RM3,690,000 (31.10.2010 : RM3,690,000) and thus, any transfer of these inventories' is subject to the withdrawal of caveat by the party.

## 17. SHORT TERM INVESTMENTS

| | Group/Company | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Loans and receivables financial asset | | |
| Short-term funds - fixed income fund (unquoted) | | |
| - redeemable at call | **262,937** | 1,087,609 |

Unquoted short-term funds represent placements in fixed income trust fund. These fixed income trust funds bear interest at rates ranging from 1.83% - 2.51% (31.10.2010 : 2.39% to 2.46%) per annum.

## 18. RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| **Trade** | | | | | |
| Trade receivables | a | **6,623,941** | 11,119,000 | **-** | - |
| Accrued billings in respect of property development costs | | **8,071,090** | 2,384,212 | **-** | - |
| | | **14,695,031** | 13,503,212 | **-** | - |
| **Non-trade** | | | | | |
| Other receivables | b | **5,230,710** | 7,298,312 | **1,504** | 1,368,697 |
| Deposits | c | **4,108,894** | 4,184,929 | **90,530** | 148,980 |
| Prepayments | | **27,442** | 31,645 | **27,442** | 23,369 |
| Amounts owing by subsidiaries | d | **-** | - | **67,159,828** | 72,130,553 |
| Amount owing by an associate | e | **-** | - | **-** | - |
| | | **9,367,046** | 11,514,886 | **67,279,304** | 73,671,599 |
| | | **24,062,077** | 25,018,098 | **67,279,304** | 73,671,599 |

## 18. RECEIVABLES (CONT'D)

**Note a**
**Trade receivables**

| | Group | |
|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** |
| External parties | **5,830,620** | 10,513,211 |
| Related parties | **1,069,826** | 777,278 |
| | **6,900,446** | 11,290,489 |
| Less: Allowance for impairment loss | **(276,505)** | (171,489) |
| | **6,623,941** | 11,119,000 |

Included in trade receivables of the Group are:-

(i) retention sum held by stakeholders of RM1,018,964 (31.10.2010 : RM1,937,559); and
(ii) amounts of RM1,069,826 (31.10.2010 : RM777,278) receivable from companies in which some Directors of the Company are also directors and have substantial direct and indirect financial interest.

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

The Group's normal trade credit term ranges from 14 to 90 days (31.10.2010 : 14 to 90 days) or according to payment terms as stated in the sale and purchase agreement. Other credit terms are assessed and approved on a case-by-case basis.

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

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

| | **Group 31.12.2011 RM** |
|---|---|
| Neither past due nor impaired | **5,582,396** |
| 1 to 30 days past due not impaired | **24,252** |
| 31 to 60 days past due not impaired | **24,200** |
| 61 to 90 days past due not impaired | **24,253** |
| 91 to 120 days past due not impaired | **24,422** |
| More than 121 days past due not impaired | **943,913** |
| | **1,041,040** |
| Impaired | **277,010** |
| | **6,900,446** |

<u>Receivables that are neither past due nor impaired</u>
Trade receivables that are neither past due nor impaired are purchasers of development properties who are financed by financiers and also long-standing tenants of the Group.

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

## 18. RECEIVABLES (CONT'D)

**Note a**
**Trade receivables (Cont'd)**

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

Receivables that are past due but not impaired
The Company has trade receivables amounting to RM1,041,040 that are past due at the reporting date but not impaired.

No impairment loss on trade receivables has been made as in the opinion the management, the debts would be collected in full within the next twelve months.

Receivables that are impaired
The Group's trade receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

| | Group Individually Impaired 31.12.2011 RM |
|---|---|
| Trade receivables (nominal amounts) | 277,010 |
| Less: Allowance for impairment loss | (276,505) |
| | 505 |

Movement in allowance accounts:

| | Group 31.12.2011 RM |
|---|---|
| At 1.11.2010 | 171,489 |
| Charge for the period (Note 5) | 105,016 |
| At 31.12.2011 | 276,505 |

Trade receivables are individually determined to be impaired at the reporting date due to default on payments. These receivables are not secured by any collateral or credit enhancements.

**Note b**
**Other receivables**

Included in other receivables of the Group is an amount of RM4,803,100 (31.10.2010 : RM5,500,000) paid by a subsidiary to a third party in respect of a land acquisition agreement which has since been terminated. During the previous financial year, the subsidiary has entered into a settlement agreement with the third party for the refund of the amount within the next twelve months. The third party has undertaken to refund the amount which is further secured by an assignment of a plot of land to the subsidiary as security. During the current financial period, the subsidiary had agreed to extend the period for refund to 31 December 2012.

**Note c**
**Deposits**

Included in deposits of the Group is an amount of RM3,500,000 (31.10.2010 : RM3,500,000) paid by a subsidiary to a third party to secure a joint venture arrangement in the previous financial years. The joint venture arrangement was not secured. Subsequent to period end, the third party has refunded an amount of RM500,000 and entered into a settlement arrangement with the subsidiary for the refund of remaining amount within the next twelve months.

## 18. RECEIVABLES (CONT'D)

**Note d**
**Amounts owing by subsidiaries**

| | Company | |
|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** |
| Balance outstanding | **74,890,579** | 79,797,536 |
| Less: Allowance for impairment loss | **(7,730,751)** | (7,666,983) |
| | **67,159,828** | 72,130,553 |

Movement in allowance accounts:

| | **Group 31.12.2011 RM** |
|---|---|
| At 1.11.2010 | **7,666,983** |
| Charge for the period (Note 5) | **63,768** |
| At 31.12.2011 | **7,730,751** |

These amounts are non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

**Note e**
**Amount owing by an associate**

| | Group/Company | |
|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** |
| Balance outstanding | **8,004,752** | 8,004,752 |
| Less: Allowance for impairment loss | **(8,004,752)** | (8,004,752) |
| | **-** | - |

This amount is non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

## 19. CASH AND BANK BALANCES/ CASH AND CASH EQUIVALENTS

| | Note | Group 31.12.2011 RM | Group 31.10.2010 RM | Company 31.12.2011 RM | Company 31.10.2010 RM |
|---|---|---|---|---|---|
| Fixed deposits with licensed banks | a | **1,082,763** | 1,098,642 | **50,000** | 50,000 |
| Cash and bank balances | | **2,137,420** | 553,546 | **560,329** | 18,314 |
| Cash held under housing development accounts | b | **762,975** | 1,468,427 | **-** | - |
| Cash and bank balances/Cash and cash equivalents | | **3,983,158** | 3,120,615 | **610,329** | 68,314 |

**Note a**

These fixed deposits are pledged as security for bank guarantee facilities granted to the Group and to the Company and hence, are not freely available for use.

The fixed deposits of the Group and of the Company bear effective interest at rates ranging from 2.97% to 3.10% (31.10.2010: 2.18% to 2.85%) and 3.00% (31.10.2010 : 2.18%) per annum respectively.

**Note b**

The cash held under housing development accounts maintained pursuant to Section 7A of the Housing Development (Control and Licensing) (Amendment) Act 1966 are not freely available for the Group's use.

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

Land held for property development that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

During the period, a subsidiary has embarked on a plan to dispose the land held for property development. The disposal is expected to be completed within a year.

| | Group 31.12.2011 RM | Group 31.10.2010 RM |
|---|---|---|
| At carrying amount: | | |
| At beginning of the period/year | **-** | - |
| Reclassified from land held for property development (Note 14) | **6,189,570** | - |
| At end of the period/year | **6,189,570** | - |
| Included in the above is: | | |
| Long term leasehold land | **6,189,570** | - |

## 21. SHARE CAPITAL AND TREASURY SHARES

| | | Group/Company | | | |
|---|---|---|---|---|---|
| | | Number of shares | | Amount | |
| | Note | 31.12.2011 | 31.10.2010 | 31.12.2011 RM | 31.10.2010 RM |
| **Ordinary shares of RM1 each** | | | | | |
| Authorised: | | | | | |
| As at beginning/end of the period/year | | **500,000,000** | 500,000,000 | **500,000,000** | 500,000,000 |
| Issued and fully paid: | | | | | |
| As at beginning of the period/year | | **346,102,679** | 344,292,335 | **346,102,679** | 344,292,335 |
| Conversion of ICULS to ordinary shares (Note 23) | | **-** | 1,810,344 | **-** | 1 ,810,344 |
| As at end of the period/year | a | **346,102,679** | 346,102,679 | **346,102,679** | 346,102,679 |
| **Treasury shares** | b | **(68,236)** | (68,236) | **(68,236)** | (68,236) |

**Note a**

The number of issued and fully paid ordinary shares with voting rights as at the financial period/year end are as follows:-

| | Group/Company | |
|---|---|---|
| | 31.12.2011 | 31.10.2010 |
| Issued and fully paid ordinary shares of RM1 each | | |
| Total number of issued and fully paid ordinary shares | **346,102,679** | 346,102,679 |
| Less: Ordinary shares held as treasury shares | **(271,700)** | (271,700) |
| | **345,830,979** | 345,830,979 |

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

The Detachable Warrants 2000/2010 ("Warrant") of the Company were issued on 2 February 2000 and were constituted by a Deed Poll dated 18 January 2000 executed by the Company. The salient features of the Warrants were as follows:-

(a) each Warrant will entitle its registered holder to subscribe for one new ordinary share of RM1 each in the Company at the exercise price of RM1.16 per new ordinary share by payment in cash during the exercise period;

(b) exercise of the Warrants will be allowed at any time up to the expiry of 10 years following the date of issue; and

(c) the new ordinary shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respect with the existing ordinary shares in the Company except that they shall not be entitled to any rights allotment or other distribution declared or distributed, the record date of which is on or before the date of exercise of the Warrants. In addition, these new shares shall not be entitled to any dividends declared in respect of a prior financial year or interim dividends the record date of which is on or before the date of exercise of the Warrants. For the purpose hereof, record date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any other distributions.

The Detachable Warrants 2000/2010 of the Company expired on 26 January 2010.

## 21. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

**Note b**

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

| | Group/Company | | | |
|---|---|---|---|---|
| | 31.12.2011 | | 31.10.2010 | |
| | Number of shares of RM1 each | RM | Number of shares of RM1 each | RM |
| Shares repurchased and held as treasury shares | **271,700** | **68,236** | 271,700 | 68,236 |

There were no resale, cancellation or distribution of treasury shares during the financial period.

## 22. RESERVES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Accumulated losses | | **(33,525,189)** | (35,609,516) | **(51,609,526)** | (51,840,137) |
| Other reserve | | **3,526,514** | 3,526,514 | **4,519,264** | 4,519,264 |
| **Non-distributable** | | | | | |
| Revaluation reserve | a | **3,034,811** | 3,645,118 | **-** | - |
| Share premium | | **43,953,998** | 43,953,998 | **43,953,998** | 43,953,998 |
| | | **46,988,809** | 47,599,116 | **43,953,998** | 43,953,998 |
| | | **16,990,134** | 15,516,114 | **(3,136,264)** | (3,366,875) |

**Note a**

The revaluation reserve relates to the revaluation of land held for property development prior to the adoption of FRS201.

## 23. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

| | Group/Company | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| At beginning of period/year | **-** | 2,100,000 |
| Less: | | |
| Amount converted during the period/year | | |
| - ordinary shares | **-** | (1,810,344) |
| - share premium | **-** | (289,656) |
| | **-** | (2,100,000) |
| At end of period/year | **-** | - |

## 23. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (CONT'D)

The Irredeemable Convertible Unsecured Loan Stocks 2000/2010 ("ICULS") at nominal value of RM1 each were issued on 2 February 2000 and are constituted by a Trust Deed dated 28 January 2000 made between the Company and the trustee for the holders of the ICULS. The main features of the ICULS are as follows:

(a) the ICULS may be convertible at a conversion price of RM1.16 nominal value of ICULS for each new ordinary share of RM1 each in the Company on the following staggered conversion period:

| Year of ICULS in Issue | Percentage Convertible |
|---|---|
| First | Up to maximum of 30% of their holdings |
| Second | Up to maximum of 30% of their holdings |
| Third | Up to maximum of 40% of their holdings |

(b) the remaining ICULS shall be converted into fully paid ordinary shares of RM1 each in the Company on the maturity date of ten years from the date of issue of the ICULS at the rate of RM1.16 nominal value of the ICULS; and

(c) upon conversion of the ICULS into new ordinary shares, such shares should rank pari passu in all respect with the existing ordinary shares of the Company in issue at the time of conversion except that they would not be entitled to any rights allotment, dividends or other distributions declared in respect of a financial year on or before the financial year in which the ICULS are converted or any interim dividend declared on or before the date of conversion of the ICULS.

During the previous financial year, the ICULS was converted into 1,810,344 ordinary shares of RM1 each at a conversion price of RM1.16 per share.

## 24. FINANCE LEASE LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** | **31.12.2011 RM** | **31.10.2010 RM** |
| Gross instalment payments | **195,010** | 256,888 | **170,447** | 135,078 |
| Less: Future finance charges | **(15,334)** | (12,772) | **(14,830)** | (7,586) |
| Present value of finance lease liabilities | **179,676** | 244,116 | **155,617** | 127,492 |
| Payable within 1 year | | | | |
| Gross instalment payments | **102,227** | 113,831 | **77,664** | 54,036 |
| Less: Future finance charges | **(7,841)** | (8,582) | **(7,337)** | (4,796) |
| Present value of finance lease liabilities | **94,386** | 105,249 | **70,327** | 49,240 |
| Payable after 1 year but not later than 5 years | | | | |
| Gross instalment payments | **92,783** | 143,057 | **92,783** | 81,042 |
| Less: Future finance charges | **(7,493)** | (4,190) | **( 7,493)** | (2,790) |
| Present value of finance lease liabilities | **85,290** | 138,867 | **85,290** | 78,252 |
| Total present value of finance lease liabilities | **179,676** | 244,116 | **155,617** | 127,492 |

## 24. FINANCE LEASE LIABILITIES (CONT'D)

The maturity profile of the finance lease liabilities is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011<br>RM | 31.10.2010<br>RM | 31.12.2011<br>RM | 31.10.2010<br>RM |
| Present value of finance lease liabilities | | | | |
| Payable within 1 year | **94,386** | 105,249 | **70,327** | 49,240 |
| Payable after 1 year but not later than 5 years | | | | |
| Payable after 1 year but not later than 2 years | **37,607** | 109,978 | **37,607** | 51,589 |
| Payable after 2 years but not later than 3 years | **21,195** | 28,889 | **21,195** | 26,663 |
| Payable after 3 years but not later than 4 years | **22,619** | - | **22,619** | - |
| Payable after 4 years but not later than 5 years | **3,869** | - | **3,869** | - |
| | **85,290** | 138,867 | **85,290** | 78,252 |
| | **179,676** | 244,116 | **155,617** | 127,492 |

The finance lease liabilities of the Group and of the Company bear effective interest at rates ranging from 4.42% to 6.76% (31.10.2010: 4.23% to 4.87%) and 4.87% to 6.76% (31.10.2010: 4.87%) per annum respectively.

## 25. BORROWINGS

| | Group | |
|---|---|---|
| | 31.12.2011<br>RM | 31.10.2010<br>RM |
| **Secured:** | | |
| **Current liabilities** | | |
| Term loan | **1,011,856** | 916,789 |
| Bridging loan | **-** | 1,220,270 |
| | **1,011,856** | 2,137,059 |
| **Non-current liabilities** | | |
| Term loan | **3,561,198** | 4,722,896 |
| Total borrowings | **4,573,054** | 6,859,955 |

## 25. BORROWINGS (CONT'D)

The maturity profile of the term loan is as follow:-

| | Group | |
|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** |
| **Current Liabilities** | | |
| Repayable within 1 year | **1,011,856** | 916,789 |
| **Non-Current Liabilities** | | |
| Repayable after 1 year but not later than 2 years | **1,102,119** | 995,845 |
| Repayable after 2 years but not later than 3 years | **1,191,058** | 1,091,014 |
| Repayable after 3 years but not later than 4 years | **1,268,021** | 1,175,798 |
| Repayable after 4 years but not later than 5 years | **-** | 1 ,277,189 |
| Repayable after 5 years | **-** | 183,050 |
| | **3,561,198** | 4,722,896 |
| | **4,573,054** | 5,639,685 |

The term loan of the Group is secured and supported as follows:

(i) third party lien-holder's caveat over the investment property of a subsidiary; and

(ii) deed of assignment over the monthly rental proceeds from the investment property of the subsidiary.

The term loan bears effective interest at a rate of 8.3% (31.10.2010 : 8.3%) per annum. The bridging loan was repaid by way of redemption settlement of the property development units sold by a subsidiary. The bridging loan bore effective interest at a rate of 8.05% per annum in prior year. The bridging loan was secured by first party legal charge over the master title of the project development land as disclosed in Notes 14 and 15.

## 26. DEFERRED TAXATION

| | Group | |
|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** |
| **Deferred tax liabilities** | | |
| At beginning of the period/ year | **33,421,294** | 32,484,171 |
| Recognised in profit or loss (Note 7) | **(1,282,642)** | 937,123 |
| At end of the period/ year | **32,138,652** | 33,421,294 |

## 26. DEFERRED TAXATION (CONT'D)

The deferred tax liabilities/(assets) are in respect of temporary differences as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Fair value adjustment on investment properties | **11,619,657** | 11,619,657 | **-** | - |
| Revaluation surplus on revaluation of development properties in the subsidiaries to group cost | **27,163,041** | 28,767,055 | **-** | - |
| Deductible temporary differences in respect of expenses | **(412,100)** | (528,600) | **-** | - |
| Difference between the carrying amount of property, plant and equipment and its tax base | **6,700** | (700) | **4,200** | - |
| Unabsorbed capital allowances | **(4,200)** | (300) | **(4,200)** | - |
| Unrelieved tax losses | **(6,234,446)** | (6,435,818) | **-** | - |
| | **32,138,652** | 33,421,294 | **-** | - |

**Unrecognised deferred tax assets**
Deferred tax assets not recognised are in respect of the following items:

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Unrelieved tax losses | **13,689,700** | 13,689,600 | **10,170,500** | 10,170,500 |
| Unabsorbed capital allowances | **8,499,600** | 8,435,900 | **204,600** | 140,900 |
| Differences between the carrying amount of property, plant and equipment and its tax base | **-** | 51,500 | **-** | 51,500 |
| | **22,189,300** | 22,177,000 | **10,375,100** | 10,362,900 |

## 27. PAYABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| **Trade** | | | | | |
| Trade payables | a | **5,021,889** | 5,843,309 | **-** | 5,009 |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | b | **-** | - | **232,469,965** | 238,807,552 |
| Other payables | c | **1,566,614** | 3,256,362 | **516,980** | 1,234,094 |
| Deposits refundable | d | **1,177,987** | 988,557 | **132,422** | 131,600 |
| Deposits for sale of land held for property development | | **2,260,000** | - | **-** | - |
| Accruals | | **1,086,960** | 1,217,074 | **352,383** | 316,400 |
| | | **6,091,561** | 5,461,993 | **233,471,750** | 240,489,646 |
| | | **11,113,450** | 11,305,302 | **233,471,750** | 240,494,655 |

## 27. PAYABLES (CONT'D)

**Note a**
The normal trade credit term granted to the Group and to the Company is 30 to 90 days (31.10.2010 : 30 to 90 days) respectively.

**Note b**
These amounts are non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

**Note c**
Included in other payables of the Group and of the Company is amount totalling RMNil (31.10.2010 : RM67,672) owing to companies in which certain Directors of the Company are also directors and have substantial direct and indirect financial interest in the ultimate holding company of these companies.

These amounts are non-trade in nature, unsecured, interest free, repayable on demand and expected to be settled in cash.

**Note d**
Included in deposits refundable of the Group is a deposit received from a director's related company amounting to RM75,240 (31.10.2010: RM75,240).

## 28. PROVISION

| | Group RM |
|---|---|
| Provision for infrastructure and development costs : | |
| At 1 November 2010 | 2 ,621,544 |
| Utilised | (62,169) |
| At 31 December 2011 | 2,559,375 |
| At 31 October 2010 | 2,621,544 |

The provision for infrastructure and development costs is made based on the Management's best estimate in respect of development properties sold of which the Group has either constructive or contractual obligation to incur the said expenses. These expenses are expected to be incurred within the normal operating cycles of the relevant development.

## 29. SIGNIFICANT EVENT

On 24 July 2009, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a company in which certain Directors of the Company are also directors and have substantial direct and indirect financial interest (the "Vendor"), to acquire a piece of leasehold land for a cash consideration of RM1,655,000.

On 21 May 2010, the subsidiary granted an extension of time to the Vendor until 23 November 2010 to fulfill the conditions precedent in the sale and purchase agreement. On 23 November 2010, the Company and the Vendor mutually agreed to abort the proposed acquisition as one of the conditions relating to approval by the relevant authority cannot be met within the stipulated time frame.

# Notes to the Financial Statements

## 30. CAPITAL COMMITMENT

| | Group | |
|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM |
| Approved and contracted for:- | | |
| Purchase of leasehold land | - | 1,655,000 |

The capital commitment was aborted in current financial period as disclosed in Note 29.

## 31. SEGMENT INFORMATION

Segment information is presented in respect of the Group's operating segments.

Segment revenue, expenses, assets and liabilities are those amounts from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

**Operating Segments**

The Group comprises the following two major operating segments:

(i) Property development - property development, contract works and investment property business
(ii) Other operations - investment holding, provision of management and secretarial services and others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before taxation.

**Geographical Information**

External customers and non-current assets of the Group are all located in Malaysia.

**Information about a major customer**

Revenue from one (31.12.2010 : two) major customer(s) amount to RM4,800,000 (31.12.2010 : RM8,100,000) arising from sales by the property development segment.

## 31. SEGMENT INFORMATION (CONT'D)

### Operating Segments

| | Property Development RM | Other Operations RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|
| **31.12.2011** | | | | |
| **Revenue** | | | | |
| External revenue | 24,057,062 | 520,000 | - | 24,577,062 |
| Inter-segment revenue (Note 31(a)) | - | 4,933,981 | (4,933,981) | - |
| Total revenue | 24,057,062 | 5,453,981 | (4,933,981) | 24,577,062 |
| **Results** | | | | |
| Segment profit before taxation | 917,652 | 534,806 | - | 1,452,458 |
| Interest income | 93,625 | 16,750 | - | 110,375 |
| Interest expense | (608,230) | (10,857) | - | (619,087) |
| Depreciation | (6,413) | (25,004) | - | (31,417) |
| Other non-cash expenses (Note 31(b)) | (105,016) | - | - | (105,016) |
| Taxation | 233,557 | (211,995) | - | 21,562 |
| **Assets** | | | | |
| Segment assets | 395,230,348 | 44,824,757 | - | 440,055,105 |
| Addition to non-current assets other than financial assets and deferred tax assets (Note 31(c)) | 7,403,430 | 165,127 | - | 7,568,557 |
| **Segment liabilities (Note 31(d))** | 12,641,438 | 1,031,387 | 63,357,703 | 77,030,528 |

# Notes to the Financial Statements

## 31. SEGMENT INFORMATION (CONT'D)

### Operating Segments (Cont'd)

| | Property Development RM | Other Operations RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|
| **31.10.2010** | | | | |
| **Revenue** | | | | |
| External revenue | 19,137,406 | 217,110 | - | 19,354,516 |
| Inter-segment revenue (Note 31(a)) | - | 3,791,637 | (3,791,637) | - |
| Total revenue | 19,137,406 | 4,008,747 | (3,791,637) | 19,354,516 |
| **Results** | | | | |
| Segment loss before taxation | (7,698,965) | (3,659,721) | - | (11,358,686) |
| Dividend income | - | 82 | - | 82 |
| Interest income | 48,013 | 14,080 | - | 62,093 |
| Interest expense | (309,479) | (7,145) | - | (316,624) |
| Depreciation | (59,940) | (121,334) | - | (181,274) |
| Fair value gains on investment properties | 5,849,316 | - | - | 5,849,316 |
| Other non-cash expenses (Note 31(b)) | (1,772,307) | - | - | (1,772,307) |
| Taxation | 2,982,058 | (22,900) | - | 2,959,158 |
| **Assets** | | | | |
| Segment assets | 398,012,615 | 44,343,276 | - | 442,355,891 |
| Addition to non-current assets other than financial assets and deferred tax assets (Note 31(c)) | 6,849,846 | - | - | 6,849,846 |
| **Segment liabilities (Note 31(d))** | 12,127,653 | 1,799,193 | 66,878,488 | 80,805,334 |

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

(b) Other material non-cash expenses consist of the following items as presented in the respective notes:-

| | 31.12.2011 RM | 31.10.2010 RM |
|---|---|---|
| Impairment loss on receivables | **105,016** | 171,489 |
| Write down of inventories | **-** | 1,600,818 |
| | **105,016** | 1,772,307 |

## 31. SEGMENT INFORMATION (CONT'D)

### Operating Segments (Cont'd)

(c) Addition to non-current assets other than financial assets and deferred tax assets consists of:-

| | 31.12.2011 RM | 31.10.2010 RM |
|---|---|---|
| Property, plant and equipment | **166,277** | 16,864 |
| Investment properties | **622,030** | 6,680,606 |
| Land held for property development | **6,780,250** | 152,376 |
| | **7,568,557** | 6,849,846 |

(d) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

| | 31.12.2011 RM | 31.10.2010 RM |
|---|---|---|
| Deferred taxation | **32,138,652** | 33,421,294 |
| Tax payable | **26,466,321** | 26,353,123 |
| Borrowings | **4,752,730** | 7,104,071 |
| | **63,357,703** | 66,878,488 |

## 32. RELATED PARTY DISCLOSURES

### (i) Identity of related parties

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

The Group and the Company have related party relationship with its subsidiaries, key management personnel and directors' related companies. Directors' related companies refer to companies in which certain directors of the Company are also directors and have substantial direct and indirect financial interests.

### (ii) Related party transactions and balances of the Company are as follows:-

| | Company | |
|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| **Received and receivable from subsidiaries** | | |
| Management fees | **(4,933,981)** | (3,971,637) |

Information regarding outstanding balances arising from transactions with the subsidiaries are disclosed in Notes 18 and 27 respectively.

## 32. RELATED PARTY DISCLOSURES (CONT'D)

### (iii) Related party transactions and balances of the Group are as follows:-

| | Group | |
|---|---|---|
| | 1.11.2010 to 31.12.2011 RM | 1.11.2009 to 31.10.2010 RM |
| **Received and receivable from companies in which some Directors of a subsidiary are also directors and have substantial direct and indirect financial interest** | | |
| Office rental | **(351,120)** | (300,960) |

Information regarding outstanding balances arising from transactions with the Directors' related companies are disclosed in Note 18.

### (iv) Key management personnel's compensation

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any Director of the Group and of the Company.

Key management personnel compensation is disclosed in Note 6.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group and the Company are exposed to a variety of risks in the normal cause of business. The key financial risks include interest rate risk, credit risk and liquidity risk. The Group's and Company's risk management policy seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:-

### i. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group exposure to interest rate risk arises primarily from interest bearing financial assets and financial liabilities which include deposits placed with licensed banks, finance lease payables and term loan. The deposits are short term in nature and are placed to satisfy conditions for bank facilities granted to the Group and to the Company and for better yield returns than cash at banks. The deposits at fixed rate expose the Group and the Company to fair value interest rate risk.

Term loan at floating rate exposes the Group to cash flow interest rate risk whilst finance lease liabilities at fixed rate, expose the Group and the Company to fair value interest rate risk.

<u>Sensitivity analysis for interest rate risk</u>
If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profits net of taxation for the period ended 31 December 2011 would decrease/increase by RM22,865 as a result of exposure to floating rate borrowings.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### ii. Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

Exposure to credit risk
The Group's and the Company's exposure to credit risk arise mainly from its receivables and the maximum risk associated with the recognised financial assets is the carrying amounts as presented in the statements of financial position.

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

Information regarding credit enhancements, if any, for trade and other receivables is disclosed in Note 18.

Credit risk concentration profile
The Group and the Company determine concentrations of credit risk by monitoring profiles of its receivables on an ongoing basis. The Group does not have any significant exposure to any individual customer.

At the reporting date, approximately 98% (31.10.2010: 98%) of the Company's receivables were amounts owing by subsidiaries.

### iii. Liquidity Risk

Liquidity risk is the risk that the Group and the Company 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 and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities of a reasonable level to their overall debt position.

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.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### iii. Liquidity Risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)

| | Carrying amount RM | Contractual cash flows RM | On demand or within 1 year RM | 1 to 2 years RM | 2 to 5 years RM |
|---|---|---|---|---|---|
| **31.12.2011** | | | | | |
| **Group** | | | | | |
| Financial liabilities: | | | | | |
| Trade payables | 5,021,889 | 5,021,889 | 5,021,889 | - | - |
| Other payables | 1,566,614 | 1,566,614 | 1,566,614 | - | - |
| Deposits refundable | 1,177,987 | 1,177,987 | 1,177,987 | - | - |
| Deposits for sale of land held for property development | 2,260,000 | 2,260,000 | 2,260,000 | - | - |
| Accruals | 1,086,960 | 1,086,960 | 1,086,960 | - | - |
| Borrowings | 4,573,054 | 5,376,309 | 1,350,528 | 1,350,528 | 2,675,253 |
| Finance lease liabilities | 179,676 | 195,010 | 102,227 | 41,628 | 51,155 |
| | 15,866,180 | 16,684,769 | 12,566,205 | 1,392,156 | 2,726,408 |
| **Company** | | | | | |
| Financial liabilities: | | | | | |
| Other payables | 516,980 | 516,980 | 516,980 | - | - |
| Deposits refundable | 132,422 | 132,422 | 132,422 | - | - |
| Accruals | 352,383 | 352,383 | 352,383 | - | - |
| Amount due to subsidiaries | 232,469,965 | 232,469,965 | 232,469,965 | - | - |
| Finance lease liabilities | 155,617 | 170,447 | 77,664 | 41,628 | 51,155 |
| | 233,627,367 | 233,642,197 | 233,549,414 | 41,628 | 51,155 |

## 34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the period/year ended 31 December 2011 and 31 October 2010.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total shareholder's equity. The Group's gearing ratio as at the reporting date is 0.01 (31.10.2010 : 0.02).

## 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

**i. Cash and Cash Equivalents, Receivables and Payables, Unquoted Short Term Investment**

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

**ii. Finance leases**

The fair value of finance lease liabilities is estimated using discounted cash flow analysis, based on current lending rates for similar type of borrowing arrangements.

**iii. Borrowings**

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

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying Amount RM | Fair Value RM | Carrying Amount RM | Fair Value RM |
| **31.12.2011** | | | | |
| **Financial Liability** | | | | |
| Finance lease liabilities | 179,676 | 171,332 | 155,617 | 147,448 |
| **31.10.2010** | | | | |
| **Financial Liability** | | | | |
| Finance lease liabilities | 244,116 | 239,292 | 127,492 | 124,465 |

# Notes to the Financial Statements

## 36. OPERATING LEASE COMMITMENTS

The Group and the Company had entered into commercial property leases on their investment properties. These non-cancellable leases have remaining lease terms of between one and three years. Certain leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

As at the reporting date, the Group and the Company were committed to receive the following payments in respect of operating leases:-

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2011 RM | 31.10.2010 RM | 31.12.2011 RM | 31.10.2010 RM |
| Receivable within 1 year | **2,131,000** | 2,332,000 | **405,000** | 520,000 |
| Receivable after 1 year but not more than 2 years | **144,000** | 2,131,000 | **-** | 405,000 |
| Receivable after 2 years but not more than 3 years | **-** | 144,000 | **-** | - |
| | **2,275,000** | 4,607,000 | **405,000** | 925,000 |

## 37. COMPARATIVE FIGURES

The comparative year is from 1 November 2009 to 31 October 2010. The statements of comprehensive income, statements of changes in equity, statements of cash flows and their related notes are not in respect of comparable periods.

The following comparative figures have been reclassified to conform with the current period presentation:

| | Group | |
|---|---|---|
| | As Reclassified RM | As Previously Classified RM |
| Provision | 2,621,544 | 2,019,400 |
| Trade payables | 11,305,302 | 11,907,446 |

This is in respect of reclassification of provision which was previously included in trade payables.

## 38. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised accumulated losses of the Group and of the Company at 31 December 2011 and 31 October 2010 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses of the Group and of the Company as at 31 December 2011 and 31 October 2010 is analysed as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2011 RM** | **31.10.2010 RM** | **31.12.2011 RM** | **31.10.2010 RM** |
| Total accumulated losses of the Company and its subsidiaries:- | | | | |
| - realised | **258,437,540** | 256,319,915 | **(51,609,526)** | (51,840,137) |
| - unrealised | **51,453,078** | 51,131,706 | **-** | - |
| | **309,890,618** | 307,451,621 | **(51,609,526)** | (51,840,137) |
| Less: Consolidation adjustments | **(343,415,807)** | (343,061,137) | **-** | - |
| Total accumulated losses | **(33,525,189)** | (35,609,516) | **(51,609,526)** | (51,840,137) |

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

# List of Group Properties

AS AT 31 DECEMBER 2011

| | LOCATION | DESCRIPTION | YEAR OF EXPIRY | AREA (HECTARES) | AGE OF BUILDING | EXISTING USE | NET BOOK VALUE (RM'000) |
|---|---|---|---|---|---|---|---|
| 1 | H.S. (M) Title No. 2375, 2376 & 2377 Lot P.T. 546, 547 & 548 Mukim of Tanjong Dua Belas, District of Kuala Langat, Selangor Darul Ehsan | Leasehold land & building | 2076 | 4.5 | 15 | Factory premise | 4,026 |
| 2 | H.S. (D) Title No. 39909 Lot P.T. 19694, Mukim of Batu, District of Gombak, Selangor Darul Ehsan | Leasehold land | 2064 | 11.1 | - | Under development | 37,370 |
| 3 | H.S. (D) Title No. 63477 to 63573, 63734, 63737, 63742 & 63746 Lot Nos. P.T. 9835 to 9931, 10092, 10095, 10100 & 10104 Mukim of Ampangan, District of Seremban Negeri Sembilan Darul Khusus | Leasehold land | 2088 | 2.8 | - | Under development | 13,043 |
| 4 | Part of Master Title No. Country Lease 045091174, Mukim of Menggatal District of Tuaran, Kota Kinabalu, Sabah | Leasehold land | 2093 | 607.0 | - | Development land | 231,008 |
| 5 | Parcel 28, being approved subdivision parcel of Master Title No. Country Lease 045091174, Mukim of Menggatal District of Tuaran, Kota Kinabalu, Sabah | Leasehold land | 2093 | 25.1 | - | Development land | 38,558 |
| 6 | Part of Parent Lot No. 7125 Seksyen 2, Geran 247699, Mukim of Bandar Ulu Kelang, District of Gombak Selangor Darul Ehsan | Freehold land | - | 6.3 | - | Under development | 36,728 |
| 7 | Part of Parent Lot No. 7125 Seksyen 2, Geran 247699, Mukim of Bandar Ulu Kelang, District of Gombak Selangor Darul Ehsan | Freehold land & building | - | 1.1 | 12 | Clubhouse | 13,235 |

# List of Properties

| | LOCATION | DESCRIPTION | YEAR OF EXPIRY | AREA (HECTARES) | AGE OF BUILDING | EXISTING USE | NET BOOK VALUE (RM'000) |
|---|---|---|---|---|---|---|---|
| 8 | Lot P.T. 697, 698, 699, 700 & 701 Mukim of Ulu Yam, District of Ulu Selangor Selangor Darul Ehsan | Leasehold land | 2083 | 47.0 | - | Development land | 15,648 |
| 9 | Lot No. 4, Section 36 Town of Petaling Jaya Selangor Darul Ehsan | Leasehold land and building | 2060 | 0.8 | 13 | Four storey office/ showroom building and annexed factory | 16,624 |
| | | | | | | | 406,240 |

# Shareholdings Statistics

AS AT 14 MAY 2012

## ANALYSIS OF SHAREHOLDINGS

| | | |
|---|---|---|
| Authorised Share Capital | : | RM500,000,000 |
| Issued and Paid-up Share Capital | : | RM346,102,679 |
| Class of securities | : | Ordinary Shares of RM1.00 each |
| Voting Rights | : | Every member present in person or by proxy has one (1) vote on a show of hands and on a poll, every member present in person or by proxy has one (1) vote for each share he holds. |

| Holdings | No. of Holders | Total Holdings * | % * |
|---|---|---|---|
| Less than 100 | 42 | 1,223 | 0.01 |
| 100 to 1,000 | 1,006 | 963,870 | 0.28 |
| 1,001 to 10,000 | 2,589 | 13,035,817 | 3.76 |
| 10,001 to 100,000 | 1,029 | 33,513,950 | 9.68 |
| 100,001 to less than 5% of issued shares | 111 | 104,103,824 | 30.08 |
| 5% and above of issued shares | 3 | 194,483,995 | 56.19 |
| **Total** | **4,780** | **346,102,679** | **100.00** |

* *Excluding a total of 271,700 Petaling Tin Berhad ("PTB") shares bought back by PTB and retained as treasury shares as at 14 May 2012*

** *Negligible*

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No. | Names | No. of Shares Held | % * |
|---|---|---|---|
| 1. | Emden Investment Ltd | 107,146,552 | 30.96 |
| 2. | OSK Nominees (Tempatan) Sdn Berhad<br>*Pledged securities account for Tan Sri Dr Chen Lip Keong* | 53,600,000 | 15.49 |
| 3. | Chen Lip Keong | 33,737,443 | 9.75 |
| 4. | The KL Regency Sdn Bhd | 15,517,241 | 4.48 |
| 5. | Quantum Symbol Sdn Bhd | 12,759,400 | 3.69 |
| 6. | Fastrack Investments Limited | 10,344,828 | 2.99 |
| 7. | Profitline Worldwide Ltd | 10,344,828 | 2.99 |
| 8. | Star Combination Sdn Bhd | 5,943,103 | 1.72 |
| 9. | Importex Sdn Bhd | 5,913,793 | 1.71 |
| 10. | HDM Nominees (Asing) Sdn Bhd<br>*Selvione Limited* | 5,000,000 | 1.44 |
| 11. | Asali Developments Sdn Bhd | 4,008,621 | 1.16 |
| 12. | Star Combination Sdn Bhd | 2,942,206 | 0.85 |

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

| No. | Names | No. of Shares Held | % * |
|---|---|---|---|
| 13. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for JPMorgan Chase Bank, National Association (Singapore)* | 2,738,000 | 0.79 |
| 14. | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Low Hock See* | 2,265,600 | 0.65 |
| 15. | JF Apex Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Chew Kuan Fah* | 1,615,400 | 0.47 |
| 16. | Maybank Nominees (Tempatan) Sdn Bhd<br>*H'ng Siew Tuan* | 1,083,800 | 0.31 |
| 17. | HSBC Nominees (Asing) Sdn Bhd<br>*HSBC-FS for Asian Emerging Countries Fund* | 992,700 | 0.29 |
| 18. | JF Apex Nominees (Asing) Sdn Bhd<br>*Exempt an for CIMB Securities (Singapore) Pte Ltd* | 760,000 | 0.22 |
| 19. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Phoa Boon Ting* | 730,000 | 0.21 |
| 20. | Khor Kar Hor | 662,900 | 0.19 |
| 21. | Anchor Peak Sdn Bhd | 652,524 | 0.19 |
| 22. | Yeong Kok Wah | 650,000 | 0.19 |
| 23. | Daniel Boo Hui Siong | 610,000 | 0.18 |
| 24. | Tan Yew Thiam | 600,000 | 0.17 |
| 25. | JF Apex Nominees (Asing) Sdn Bhd<br>*Pledged securities account for Chiang Ping-Chung* | 532,700 | 0.15 |
| 26. | HDM Nominees (Tempatan) Sdn Bhd<br>*DBS Vickers Secs (S) Pte Ltd for Wee Cheow Beng* | 500,000 | 0.14 |
| 27. | Tan Beng Koon | 495,100 | 0.14 |
| 28. | AIBB Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Tan Tai Oi* | 487,700 | 0.14 |
| 29. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt an for OCBC Securities Pte Ltd* | 481,500 | 0.14 |
| 30. | Lee Kung Chew | 390,000 | 0.11 |
| **Total** | | **283,505,939** | **81.91** |

* *Excluding a total of 271,700 Petaling Tin Berhad ("PTB") shares bought back by PTB and retained as treasury shares as at 14 May 2012*

# Shareholdings Statistics

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | Number of Ordinary Shares of RM1.00 Each Held | | | | | |
|---|---|---|---|---|---|---|
| Name | Direct Interest | %* | Deemed Interest | %* | Total Interest | %* |
| Tan Sri Dr Chen Lip Keong | 91,777,443 [(a)] | 26.54 | 26,082,179 [(b)] | 7.54 | 117,859,622 | 34.08 |
| Emden Investment Limited | 107,146,552 | 30.98 | - | - | 107,146,552 | 30.98 |

***Notes***

(a) *Held as registered holder and through HSBC Nominees (Tempatan) Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd.*

(b) *Deemed interested by virtue of his interest in Asali Developments Sdn Bhd, Importex Sdn Bhd and The K.L. Regency Sdn Bhd and his deemed interest in Anchor Peak Sdn Bhd.*

* *Excluding a total of 271,700 Petaling Tin Berhad ("PTB") shares bought back by PTB and retained as treasury shares as at 14 May 2012.*

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN THE COMPANY AND RELATED CORPORATIONS

### In Petaling Tin Berhad

| | Number of Ordinary Shares of RM1.00 each Held | | | | | |
|---|---|---|---|---|---|---|
| Name | Direct Interest | %* | Deemed Interest | %* | Total Interest | %* |
| Tan Sri Dr Chen Lip Keong | 91,777,443 [(a)] | 26.54 | 26,082,179 [(b)] | 7.54 | 117,859,622 | 34.08 |
| Datuk Haji Jaafar bin Abu Bakar | 5,000 | ** | - | - | 5,000 | ** |
| Datuk Wan Kassim bin Ahmed | - | - | - | - | - | - |
| Dato' Nik Kamaruddin bin Ismail | - | - | - | - | - | - |
| Tiang Chong Seong | - | - | - | - | - | - |
| Lim Mun Kee | - | - | - | - | - | - |
| Chen Yiy Hwuan | - | - | - | - | - | - |
| Chen Yiy Fon | - | - | - | - | - | - |

* *Excluding a total of 271,700 Petaling Tin Berhad ("PTB") shares bought back by PTB and retained as treasury shares as at 14 May 2012*

***Notes***

(a) *Held as registered holder and through HSBC Nominees (Tempatan) Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd.*

(b) *Deemed interested by virtue of his interest in Asali Developments Sdn Bhd, Importex Sdn Bhd and The K.L. Regency Sdn Bhd and his deemed interest in Anchor Peak Sdn Bhd.*

(c) *By virtue of his substantial interests in the Company, Tan Sri Dr Chen Lip Keong is deemed to have an interest in all shares held by the Company in its related corporations.*

(d) *Save as disclosed, none of the directors have any interests in the shares of the Company or its related corporations as at 14 May 2012.*

** *Negligible*

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eighty-Sixth Annual General Meeting of Petaling Tin Berhad will be held at Bukit Unggul Country Club Berhad, Lot P.T 2180 - 2182, Mukim Dengkil, Daerah Sepang, 43807 Dengkil, Selangor Darul Ehsan on Friday, 29 June 2012 at 10.30 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial period ended 31 December 2011 together with the Reports of Directors and Auditors thereon.
   **Ordinary Resolution 1**

2. To approve the payment of Directors' fees of RM322,000.00 for the financial period ended 31 December 2011.
   **Ordinary Resolution 2**

3. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-

   (a) Datuk Haji Jaafar Bin Abu Bakar
   **Ordinary Resolution 3**

   (b) Dato' Nik Kamaruddin Bin Ismail
   **Ordinary Resolution 4**

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

### As Special Business

5. To consider and, if thought fit, to pass the following Ordinary Resolutions:-

   Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

   **"THAT** the Directors of the Company be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time subject to Section 132D(3) and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being."
   **Ordinary Resolution 6**

6. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

**LAM HOI KHONG** (MIA 18848)
**VOON YOON MEI** (MAICSA 0802554)
Company Secretaries

Petaling Jaya
7 June 2012

# Notice of Annual General Meeting

**Notes:-**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 June 2012 shall be entitled to attend, speak and vote at the meeting.

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

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

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

5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which the instrument is signed or a notarily certified copy of that power or authority, shall be deposited at the Share Registrar of the Company at Ground Floor, No.118, Jalan Semangat, 46300 Petaling Jaya at least forty-eight (48) hours before the time for holding the meeting or adjourned meeting.

6. The 2011 Annual Report is in CD-ROM format. Printed copies of the Annual Report shall be provided to the shareholders upon request. Shareholders who wish to receive a printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Goh Chin Khoon at Tel : 603-79681001 & Fax : 603-79588013 or Voon Yoon Mei at Tel : 603-79681222 & Fax : 603-79541155 or e-mail to comsec@ptb.com.my

**Explanatory Notes on Special Business:-**

1. Ordinary Resolution 7 is proposed pursuant to Section 132D of the Companies Act, 1965 and if passed, will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

   No proceeds were raised from the previous mandate.

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

**Statement Accompanying Notice of Annual General Meeting**

1. Name of the Directors who are standing for re-election

   (a) Datuk Haji Jaafar Bin Abu Bakar
   (b) Dato' Nik Kamaruddin Bin Ismail

2. Details of attendance of Directors at Board Meetings

   The details are set out on page 8 of the Annual Report.

3. Date, Time and Venue of the Annual General Meeting

   Friday, 29 June 2012 at 10.30 a.m.

   Bukit Unggul Country Club Berhad, Lot P.T 2180 - 2182, Mukim Dengkil, Daerah Sepang, 43807 Dengkil, Selangor Darul Ehsan.

4. Further details of Directors who are standing for reelection

   The further details of the Directors who are standing for re-election are disclosed under Profile of Directors/CEO on pages 6 to 7 of this Annual Report. The shareholdings of these Directors in the Company are disclosed under Analysis of Shareholdings on page 86 of this Annual Report.

# Proxy Form

No. of shares : ____________ CDS Account No. : ____________

I/We ______________________________________________
(Full Name of Shareholder)

of ______________________________________________
(Full Address of Shareholder)

being a member of Petaling Tin Berhad, hereby appoint ______________________________
(Full Name of Proxy)

of ______________________________________________
(Full Address of Proxy)

or failing him/her, ______________________________________________
(Full Name of Proxy)

of ______________________________________________
(Full Address of Proxy)

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Eighty-Sixth Annual General Meeting of the Company to be held at Bukit Unggul Country Club Berhad, Lot P.T 2180 - 2182, Mukim Dengkil, Daerah Sepang, 43807 Dengkil, Selangor Darul Ehsan on Friday, 29 June 2012 at 10:30 a.m. and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Adoption of audited financial statements and reports. | | |
| 2 | Approval of the payment of directors' fees. | | |
| 3 | Re-election of Datuk Haji Jaafar Bin Abu Bakar. | | |
| 4 | Re-election of Dato' Nik Kamaruddin Bin Ismail. | | |
| 5 | Re-appointment of Messrs Moore Stephens AC as auditors of the Company. | | |
| 6 | Authority pursuant to Section 132D of the Companies Act, 1965. | | |

(Please indicate with an "x" in the appropriate box how you wish your vote to be cast. If this Proxy Form is returned without any indication as how the proxy shall vote, the proxy will vote or abstain from voting as he thinks fit.)

Signed this ____________ day of ____________ , 2012

Signature/Seal of Shareholder : ____________ Telephone No. (during office hours) : ____________

**Notes:-**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 June 2012 shall be entitled to attend, speak and vote at the meeting.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote, in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if such appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which the instrument is signed or a notarily certified copy of that power or authority, shall be deposited at the Share Registrar of the Company at Ground Floor, No.118, Jalan Semangat, 46300 Petaling Jaya at least forty-eight (48) hours before the time for holding the meeting or adjourned meeting.
6. The 2011 Annual Report is in CD-ROM format. Printed copies of the Annual Report shall be provided to the shareholders upon request. Shareholders who wish to receive a printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Goh Chin Khoon at Tel : 603-79681001 & Fax : 603-79588013 or Voon Yoon Mei at Tel : 603-79681222 & Fax : 603-79541155 or e-mail to comsec@ptb.com.my

Affix Stamp

**The Share Registrar of Petaling Tin Berhad (324-H)**
Semangat Corporate Resources Sdn Bhd
Ground Floor, No. 118, Jalan Semangat
46300 Petaling Jaya, Selangor Darul Ehsan
Malaysia