LienHoe

# LIEN HOE CORPORATION BERHAD

(Company No. 8507-X)

ANNUAL REPORT 2012

# Contents

# Corporate Information

## DIRECTORS

Mr Yeoh Chong Keat
Chairman, Independent Non-executive Director

Mr Cheong Marn Seng, Allen
Executive Director

Dr Teoh Kim Loon
Independent Non-executive Director

Dato' Yap Sing Hock
Managing Director

Dato' Tea Choo Keng
Independent Non-executive Director

## SECRETARY

Lee Sook Peng (MAICSA 0810465)

## REGISTERED OFFICE

3rd Floor, Plaza Armada
Lot 6, Lorong Utara C
Section 52
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7955 8808 Fax: 03-7955 5808

## AUDITORS

UHY
Chartered Accountants
Suite 11.05 Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2279 3088 Fax: 03-2279 3099

## PRINCIPAL FINANCIAL INSTITUTIONS

Malayan Banking Berhad
OCBC Al-Amin Bank Berhad
Bangkok Bank Berhad
Bank Islam Malaysia Berhad
HwangDBS Investment Bank Berhad

## REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883 Fax: 03-2282 1886

## STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia Securities Berhad

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting of the members of Lien Hoe Corporation Berhad will be held at Atlanta Ballroom, Level 3, Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya on Wednesday, 26 June 2013 at 11.00 a.m. for the purpose of transacting the following businesses:-

**AS ORDINARY BUSINESS**

1. To lay the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note A)*

2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2012. *(Resolution 1)*

3. To re-elect the following Directors retiring pursuant to Article 84 of the Company's Articles of Association:-
   i. Mr Yeoh Chong Keat *(Resolution 2)*
   ii. Mr Cheong Marn Seng, Allen *(Resolution 3)*

4. To re-appoint Messrs UHY as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to determine their remuneration. *(Resolution 4)*

**AS SPECIAL BUSINESS**

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

**5. AUTHORITY FOR DIRECTORS TO ISSUE SHARES**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities (if any), authority be and is hereby given to the Directors of the Company to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid up share capital of the Company for the time being and such authority shall continue in force until the next Annual General Meeting of the Company." *(Resolution 5)*

6. **PROPOSED RENEWAL OF SHAREHOLDERS' APPROVAL FOR SHARE BUY-BACK**

"THAT subject to the Companies Act, 1965, provisions of the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant authorities, the Directors of the Company be and are hereby authorized to make purchases of ordinary shares of RM1.00 each in the issued and paid up share capital of the Company through Bursa Malaysia Securities Berhad, provided that:-

(i) the maximum number of ordinary shares purchased and/or held by the Company shall not exceed 10% of the issued and paid up share capital of the Company;

(ii) the total maximum amount of funds to be utilized for the Proposed Share Buy-Back shall not exceed the aggregate of retained profits and/or the share premium account of the Company based on its audited financial statements for the financial year ended 31 December 2012; and

(iii) upon completion of the purchase(s) of its shares by the Company, the shares shall be dealt with in the following manner:-

(a) to cancel the shares so purchased; or

(b) to retain the shares so purchased as treasury shares, which may be distributed as dividends to the shareholders, and/or resold on the stock market of Bursa Malaysia Securities Berhad; or

(c) to retain part of the shares so purchased as treasury shares and cancel the remainder.

AND THAT the authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:-

(a) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at a general meeting, either unconditionally or subject to conditions;

(b) the expiry of the period within which the next annual general meeting is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever so occurs first, but not to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date, and in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorized to do all acts, deeds and things and to execute, sign and deliver all such documents and/or agreements as they may deem necessary or expedient in the best interest of the Company and with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities to give effect to and to complete the aforesaid Proposed Share Buy-Back." *(Resolution 6)*

**7. RETENTION OF MR YEOH CHONG KEAT AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT in accordance with the Malaysian Code on Corporate Governance 2012, Mr Yeoh Chong Keat be retained as Independent Non-executive Director of the Company." *(Resolution 7)*

**8. RETENTION OF DR TEOH KIM LOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT in accordance with the Malaysian Code on Corporate Governance 2012, Dr Teoh Kim Loon be retained as Independent Non-executive Director of the Company." *(Resolution 8)*

**9.** To transact any other business of the Company for which due notice shall have been given.

**BY ORDER OF THE BOARD**

LEE SOOK PENG
MAICSA 0810465
Secretary
Petaling Jaya, Selangor Darul Ehsan
31 May 2013

**NOTES**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2. In the case of a corporate member, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.

3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The form of proxy must be deposited at the registered office of the Company at 3rd Floor, Plaza Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, not later than 48 hours before the time stipulated for holding of this meeting or any adjournment thereof.

5. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositor as at 18 June 2013 ("Record of Depositor") and only a depositor whose name appears on the Record of Depositor shall be entitled to attend this meeting.

**EXPLANATORY NOTE A**

This agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. As such, this item is not put forward for voting.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

**RESOLUTION 5 - AUTHORITY FOR DIRECTORS TO ISSUE SHARES**

This resolution is proposed for the purpose of granting a renewed general mandate and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue new shares in the Company up to an aggregate amount not exceeding 10% of the issued and paid up share capital of the Company for such purpose as they consider would be in the interest of the Company. With this renewed general mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investments, working capital and/or acquisitions. This will avoid any delay and cost involved in convening a general meeting to approve such issue of shares. The general mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 26 June 2012 and which will lapse at the conclusion of the 43rd Annual General Meeting.

**RESOLUTION 6 - PROPOSED RENEWAL OF SHAREHOLDERS' APPROVAL FOR SHARE BUY-BACK**

This proposed resolution, if passed, will empower the Company to purchase its own shares of a number which, when aggregated with the existing treasury shares, does not exceed 10% of its prevailing issued and paid up share capital. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the proposed share buy back, please refer to the statement to shareholders dated 31 May 2013 which is despatched together with the 2012 Annual Report.

**RESOLUTION 7 - RETENTION OF MR YEOH CHONG KEAT AS INDEPENDENT NON-EXECUTIVE DIRECTOR**
**RESOLUTION 8 - RETENTION OF DR TEOH KIM LOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

These proposed resolutions, if passed, will enable Mr Yeoh Chong Keat and Dr Teoh Kim Loon to be retained as Independent Non-executive Directors of the Company. Both Mr Yeoh Chong Keat and Dr Teoh Kim Loon have served the Company as Independent Non-executive Directors for a cumulative terms of more than 9 years and the Board of Directors of the Company recommended that they should be retained as Independent Non-executive Directors based on the following criteria:-

(i) They have confirmed and declared that they are independent directors as defined under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) They do not have any conflict of interest with the Company and have not been entering/are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) They are currently not sitting on the board of any other public and/or private companies that have transactions with the Company and its subsidiary companies; and

(iv) The Board is of the opinion that they are important independent directors of the Board in view of their many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and have provided invaluable contributions to the Board in their roles as independent directors during their tenure.

**2012 ANNUAL REPORT**

The 2012 Annual Report is in the CD-ROM format. Printed copy of the Annual Report shall be provided to the members within 4 market days from the date of receipt of their verbal or written request. Members who wish to receive the printed copy of the Annual Report and who require assistant with viewing the CD-ROM, kindly contact Ms Lee Sook Peng or Ms Wong Ngoke Meng at Tel. No. 03-79558808, Fax No. 03-79555808 or e-mail to lienhoe@lienhoe.com.my.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

The profile of the Directors standing for re-election can be found on pages 8 to 10 of the 2012 Annual Report.

# Profile of Directors

**Mr Yeoh Chong Keat**
**(54 years of age – Malaysian)**
**Chairman, Independent Non-executive Director**

He was appointed a Director of the Company on 6 December 2001 and was appointed as Chairman of the Company on 16 September 2009. He also Chairs the Audit, Remuneration and Nomination Committees.

He is a chartered accountant by profession and is a Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Malaysian Institute of Taxation, a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants.

He has been in professional practice upon his return from the United Kingdom in 1982 where he trained and qualified as a chartered accountant with the firm of Deloitte Haskins & Sells (now part of the PricewaterhouseCoopers network) and was also formerly the Executive Director of PFA Corporate Services Sdn Bhd for over 10 years.

Currently he is the external company secretary of a number of public companies listed on Bursa Malaysia Securities Bhd and is also an independent non-executive director of Cheetah Holdings Bhd and Tambun Indah Land Bhd and a non-independent non-executive director of AbleGroup Bhd (formerly known as Gefung Holdings Bhd), all listed on the Main Market of Bursa Malaysia Securities Bhd.

**Dato' Yap Sing Hock**
**(64 years of age – Malaysian)**
**Managing Director**

He was appointed the Managing Director of the Company on 30 January 2002. He also serves as a member of the Board's Remuneration Committee.

He started his career as a building contractor before venturing into property development in the Klang Valley and Johor Baru. He has also been active in real estate investment in Hong Kong and Singapore.

**Mr Cheong Marn Seng, Allen**
**(48 years of age – Malaysian)**
**Executive Director**

He was appointed as an Executive Director of the Company since 2001.

He holds a Bachelor of Commerce degree in economics and finance from The University of Melbourne, Australia and is a Chartered Accountant of the Malaysian Institute of Accountants. He has wide experience and knowledge in the discipline of corporate finance, after working in the corporate finance department of an investment bank for 8 years in senior management position. Prior to his stint in the investment banking industry, he was attached to two international accounting firms for several years in the audit and financial services division.

He is also an independent non-executive director of AbleGroup Bhd (formerly known as Gefung Holdings Bhd), a company listed on the Main Market of Bursa Malaysia Securities Bhd.

**Dr Teoh Kim Loon**
**(59 years of age – Malaysian)**
**Independent Non-executive Director**

He was appointed a Director of the Company on 7 July 2004. He also serves as a member of the Board's Audit, Remuneration and Nomination Committees.

He graduated in medicine with a degree in MBBS from University of Malaya in 1979. He started his own general practice in 1983. In 1999, he was appointed an independent non-executive director of Pharmaniaga Bhd, a company listed on the second board of Bursa Malaysia Securities Bhd. He resigned as a director from Pharmaniaga Bhd in 2001 and assumed the post of Director/Chief Executive of TDMC Hospital Sdn Bhd which owns a 128 bed private hospital in Kuala Lumpur. He resigned from TDMC Hospital Sdn Bhd on 31 July 2011.

He is also a founder member of Korporatif Doctor Malaysia, a life member of Malaysian Medical Association and a member of the American Board of Independent Medical Examiner and is a director of Seloga Holdings Bhd, a public company.

**Dato' Tea Choo Keng**
**(45 years of age – Malaysian)**
**Independent Non-executive Director**

He was appointed a Director of the Company on 22 August 2011. He also serves as a member of the Board's Audit and Nomination Committees.

He graduated with a law degree (LL.B Hons) from the University of Hull (United Kingdom) in 1991. He was called to the bar and admitted as advocate and solicitor in 1993. He set up his own legal practice under the name of Messrs Tea & Company in year 1994. He is currently the managing partner of a legal firm, Messrs Tea, Kelvin Kang & Co.

He is an alternate director to the independent non-executive chairman of Power Root Bhd, a company listed on the Main Market of Bursa Malaysia Securities Bhd.

## OTHER DISCLOSURE BY THE BOARD OF DIRECTORS

None of the Directors has any family relationship with any director and/or substantial shareholders of the Company.

The Directors do not have any conflict of interest with the Company and they have not convicted any offences within the past 10 years.

As at 2 May 2013, the interest of Directors in shares of the Company were as follows:-

| | Direct Holdings | | Indirect Holdings | |
|---|---|---|---|---|
| **Name** | **No. of shares** | **%*** | **No. of shares** | **%*** |
| Mr Yeoh Chong Keat | - | - | - | - |
| Dato' Yap Sing Hock | 108,131,117 | 31.53 | 3,821,250 | 1.11 |
| Mr Cheong Marn Seng, Allen | 526,500 | 0.15 | - | - |
| Dr Teoh Kim Loon | 900,550 | 0.26 | - | - |
| Dato' Tea Choo Keng | - | - | - | - |

* Excluding 18,796,100 ordinary shares bought back by the Company and retained as Treasury Shares.

# Letter to Shareholders

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present to you the Annual Report of our Company for the financial year ended 31 December 2012, and to share with you our 2012 performance and our plans for 2013.

It is particularly delighting to report that in 2012, our Company swung to a net profit of RM94.27 million and continued to achieve revenue growth in the face of a less than ideal economic condition. This exceptional result, which represents a record profit in the history of our Company, was the culmination of several years of planning, commitment and up-front financial resources.

**Operating performance**

The revenue of the Group expanded rapidly in 2012, up RM29.30 million or 30.5% to reach RM125.43 million compared to RM96.13 million in prior year. Both our core businesses contributed to the revenue uplift. Reflecting the increase in revenue, gross profit rose by RM1.70 million to RM37.56 million from RM35.86 million in previous year.

Our building construction division delivered a strong performance last year by posting revenue of RM92.01 million, represents growth of 47.2% or RM29.52 million on the previous year. Contract jobs carried out during the year included the building of 86 linked houses at Symphony Hill in Cyberjaya, 270 apartments at Alam Impian in Shah Alam, 42 semi-detached houses at Symphony Hill in Cyberjaya and 74 shop offices at Olive Hill (Phase 1) in Serdang, all situated in the Klang Valley. In tandem with the higher revenue, operating profit from the division surged to RM6.55 million from RM4.56 million in prior year due largely to improved project pricing and more efficient project execution.

Our hotel division also saw a robust operating performance in 2012, building on the momentum generated over the past few years. Revenue was up by 4.2% or RM1.06 million to a new height of RM26.15 million, boosted by higher sales in both room and food & beverage business. Our Armada Petaling Jaya benefitted from the continuing steady growth in the domestic and international business travel which led to healthy gain in room occupancy and rate. The strong food & beverage business was spurred primarily by the hotel's banqueting operations which benefited from the rise in the number and pricing of seminars, corporate functions, social events and weddings. Our hotel's food & beverage outlets also recorded increased covers and average checks owing to sale initiatives and successful promotions which attracted higher patronage from both the in-house guests and surrounding communities. Net operating profit of the hotel division jumped to RM10.38 million from RM9.91 million the year before driven by higher operating efficiency.

## Financials review

Without doubt the financial result for 2012 is dominated by the profit of RM96.10 million from the 5.43 acres of land in Tebrau, Johor Baru. This profit is pertaining to the development agreement entered into with AQRS The Building Company Sdn Bhd for the construction and sale of 668 units of luxury condominium known as "The Peak". The project was launched in early December 2012 and has todate received strong take-up and interest from the locals as well as foreigners.

In addition, there is a gain of RM2.85 million from the disposal of our remaining investment in the shares of Perduren (M) Berhad. After accounting for corporate expenses, interest cost and depreciation charges, our Company's net profit for the year amounted to RM94.27 million, equivalent to earnings per share of 27.49 sen.

The strong profitability coupled with prudent financial management have strengthened our Company's balance sheet considerably. We ended the financial year 2012 with a net asset value per share of RM0.77, up 55.2% year-on-year from RM0.50 at the beginning of the year. Our debt-to-equity ratio is at a very healthy level of 17.4% against 20.9% one year ago.

## Dividend

The Board is not recommending the payment of any dividend for the financial year 2012 as our Company does not have surplus cash for distribution to shareholders. It should be noted that the profit of RM96.10 million from the land transaction is not yet due for payment and as such is accounted for as receivable in our books. According to the terms of the development agreement, our Company is scheduled to receive this amount progressively from 2012 to 2015, with the majority of it in the final 2 years as would have been reasonably expected from a transaction of such nature.

Nevertheless the Board is determined to return part of this RM96.10 million to shareholders through payment of dividends when the proceeds is received in the coming years.

## Looking ahead

Our Company has had a good year and looking into 2013, we remain focus on our twin strategy of growing our core businesses at a sustainable rate and constantly enhancing the value of our investment land for potential development or sale at the best market opportunity. This strategy allows us to be prudent and financially sustainable. We shall also continue to invest throughout our businesses that will help secure our long term growth.

The building construction segment is set for further growth in earning underpinned by the pipeline of new contracts and upcoming jobs worth a total of RM166.41 million. We are also confident to win more new contracts given our proven delivery capabilities and competitive prowess.

Likewise, our hotel segment is projected to generate higher yield in room revenue and stronger income from sale of food & beverage under a marginally improved industry outlook in 2013. However, the projected earnings from the hotel segment is subject to higher uncertainty due to the on-going refurbishment and face-lift works at Armada Petaling Jaya.

We therefore expect the Group to continue generating earning growth from the two core businesses in this new financial year but, in contrast to last year, there will likely be no major profit from land investment and development as we are only in the midst of working on a new plot of land.

**Acknowledgement**

On behalf of the Board, we wish to thank all staff, shareholders, business partners and associates for their continued commitment and support of the Group.

**YEOH CHONG KEAT**
Chairman, Independent Non-executive Director

**DATO' YAP SING HOCK**
Managing Director

2 May 2013

# Statement on Corporate Governance

The Board of Directors ("the Board") of Lien Hoe Corporation Berhad continues to endeavour compliance with all the key principles and practices of the Malaysian Code on Corporate Governance and is making a transition from prevailing regime in adopting the principles and recommendations proposed in the Malaysian Code on Corporate Governance 2012. The following statement outlines the corporate governance practices that were in place throughout the year ended 31 December 2012.

## 1. BOARD OF DIRECTORS

### 1.1 Board Composition and Balance

The Board presently consists of 5 members; comprising 2 Executive Directors and 3 Independent Non-executive Directors. Collectively the Board has a mix of industry-specific knowledge and technical skills which are necessary for the leadership and management of the Group. The composition of the Board is such that it facilitates the decision making of the Group and is reviewed from time to time to ensure its appropriateness. The profile of each of the members of the Board can be found on pages 8 to 10 of this Annual Report.

At any one time, at least 2 or 1/3 whichever is higher, of the Board members are independent directors. There is balance in the Board represented by the presence of 3 independent non-executive directors who will review and discuss the strategies proposed by the Management to ensure that the long term interests of minority shareholders are taken into consideration.

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to re-election by the shareholders at the annual general meeting following their appointment. At least one third of the Directors are required to retire from office by rotation annually and shall be eligible for re-election at each annual general meeting.

All Board members shall notify the Chairman of the Board before accepting any new directorship in other companies and shall include an indication of the time that will be spent on the new appointment. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

### 1.2 Board Assessment of its Independent Directors

The Board undertakes an annual assessment of the independence of its independent directors based on the criteria developed by the Nomination Committee.

The tenure of an independent director is capped at 9 years, which can either be consecutive service or a cumulative service of 9 years with intervals. An independent director who has served the Company for 9 years may, in the interest of the Company, continue to serve the Company but in the capacity of a non-independent director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than 9 years.

Mr Yeoh Chong Keat and Dr Teoh Kim Loon, who have served the Board for more than 9 years as Independent Non-executive Directors, will continue to serve the Board until the conclusion of the Annual General Meeting on 26 June 2013. The Board has conducted an assessment of the independence of both Mr Yeoh Chong Keat and Dr Teoh Kim Loon based on the following criterias:-

(i) Mr Yeoh Chong Keat and Dr Teoh Kim Loon have confirmed and declared that they are independent directors as defined under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd;

(ii) They do not have any conflict of interest with the Company and have not been entering/are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) They are currently not sitting on the board of any other public and/or private companies that have transactions with the Company and its subsidiary companies; and

(iv) The Board is of the opinion that Mr Yeoh Chong Keat and Dr Teoh Kim Loon are important independent directors of the Board in view of their many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and have provided invaluable contributions to the Board in their roles as independent directors during their tenure,

and has recommended to the shareholders for their approval that they be retained as Independent Non-executive Directors of the Company.

### 1.3 Board Responsibilities

The Board is overall and collectively responsible for the strategic direction and business performance of the Group and assume, amongst others, the following responsibilities:-

1. to focus on issues relating to strategic planning for the Group by reviewing and monitoring the implementation of the strategic business plans by Management;

2. to focus on the conduct of the Group's business by reviewing and monitoring the performance of all operating units and subsidiaries;

3. to identify risks and ensure the implementation of appropriate internal controls and mitigation measures;

4. to review and prescribe policies in relation to the day to day operations of the Group; and

5. to approve annual operating budget, major capital expenditures, material acquisitions and disposals of assets.

The Board meets regularly to review the Group's corporate strategy, business operation, financial results and also to decide on matters significant to the Group's business and finances including approval of annual operating budget, major capital expenditures, material acquisitions and disposals of assets.

The roles of the Chairman and the Managing Director are distinct and separate so as to ensure balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board while the Managing Director has overall responsibility for the day-to-day management of the business and implementation of Board's policies and decisions. The Chairman is a non-executive member of the Board.

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective terms of reference. The chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

### 1.4 Access To Information and Independent Advice

The Board had been supplied with complete and timely information to enable it to discharge its responsibilities. All notices of meetings together with the agenda and discussion papers were served on the Directors in advance of the meeting dates. The Directors may seek advice from the Management on issues under their purview and may interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concern from them. The Board has access to advice and support services of the Company Secretary in ensuring that Board meeting procedures are followed and deliberations at the Board and the Board Committee meetings are minuted, and applicable rules and regulations are complied with.

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

### 1.5 Board Committee

The Board has delegated specific responsibilities to other Board Committees. The details of each of the said committees are set out below:-

#### 1.5.1 Audit Committee

The terms of reference of the Audit Committee, its members and its activities during the financial year, details of attendance of each member and the number of meetings held are set out on pages 23 to 26 of this Annual Report.

#### 1.5.2 Nomination Committee

The Nomination Committee comprises of the following Directors:-

Mr Yeoh Chong Keat
Chairman, Independent Non-executive Director

Dr Teoh Kim Loon
Independent Non-executive Director

Dato' Tea Choo Keng
Independent Non-executive Director

**Terms of Reference**

The Nomination Committee comprises exclusively of non-executive directors, a majority of whom must be independent. The chair of the Nomination Committee should be the senior independent director identified by the Board.

**Responsibilities of the Nomination Committee**

The Nomination Committee assumes the following responsibilities:-

(a) to recommend to the Board new candidate(s) for appointment and the re-appointment/re-election of directors and to take steps to ensure that women candidates are sought as part of its recruitment exercise;

(b) to review the required mix of skills and experience of the Board as a whole for it to function effectively;

(c) to review the effectiveness of each individual director to ensure they have the ability to contribute to the effective decision making of the Board;

(d) to assess and recommend to the Board the appointment of directors to the Board's Committees;

(e) to review the Board's succession plans; and

(f) to ensure orientation and education programmes are provided for new members of the Board, and to review the directors' continuing education programmes.

The nomination and election process of new Board members are as follows:-

(a) review annual Board assessment and evaluation;

(b) determine required mix of skills and experience of the current Board;

(c) source for candidate(s), if necessary;

(d) evaluate and match the criteria of the candidate(s); and

(e) recommend the candidate(s) to the Board for appointment.

During the financial year ended 31 December 2012, the Nomination Committee recommended to the Board the re-election of Directors and assessed and evaluated the effectiveness of each individual Director and the Board as a whole through Directors' self-evaluation forms.

The Nomination Committee has also developed the criteria with which the Board uses to assess the independence of the Company's independent directors and to assess their suitability to continue to serve on the Board as independent directors upon attainment of their cumulative 9 year tenure, where applicable.

### 1.5.3 Remuneration Committee

The Remuneration Committee comprises of the following Directors:-

Mr Yeoh Chong Keat
Chairman, Independent Non-executive Director

Dato' Yap Sing Hock
Managing Director

Dr Teoh Kim Loon
Independent Non-executive Director

**Terms of Reference**

The Remuneration Committee consists exclusively or a majority of non-executive directors, drawing from outside advice as necessary. The Directors do not participate in decisions on their own remuneration.

**Responsibilities of the Remuneration Committee**

The Remuneration Committee reviews and recommends to the Board the remuneration of the Executive Directors of the Company based on their duties, responsibilities and performances and also based on comparison with remuneration packages of other listed companies.

Analysis of the Directors' remuneration are set out on page 88 of this Annual Report.

**1.6 Code of Ethics and Conduct and Board Charter**

The Board has on 22 November 2012 formalised the Code of Ethics and Conducts which sets out the principles and standards of business ethics and conduct of the Group and also formalised the Board Charter which sets out the composition, responsibilities, operations and processes of the Board. Both the Code of Ethics and Conducts and Board Charter will be reviewed periodically by the Board and are available for reference in the Company's website at www.lienhoe.com.my

## 2. FOSTER COMMITMENT

**2.1 Time Commitment**

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors at the Board meetings held in the financial year ended 31 December 2012:-

| Board of Directors | Meeting Attendance |
|---|---|
| Mr Yeoh Chong Keat | 5/5 |
| Dato' Yap Sing Hock | 5/5 |
| Mr Cheong Marn Seng, Allen | 5/5 |
| Dr Teoh Kim Loon | 5/5 |
| Dato' Tea Choo Keng | 5/5 |

During the year, the Board resolved and approved the Group's matters through board meetings or by way of circular resolutions.

### 2.2 Continuing Education Programmes

The Directors had attended the following training sessions during the financial year ended 31 December 2012:-

| Directors | Trainings Attended |
|---|---|
| Mr Yeoh Chong Keat | National Tax Conference on 17 & 18 July 2012<br>Malaysian Competition Act 2010 on 5 & 6 September 2012<br>Seminar Percukaian Kebangsaan 2012 on 3 October 2012<br>7th Advent Tax & Business Management Seminar on 10 October 2012. |
| Mr Cheong Marn Seng, Allen | Understanding Malaysian Property & Tax Planning Strategies on 6 September 2012. |
| Dr Teoh Kim Loon | Minimum Wages and Retirement Age-"Restructuring of Wage" on 29 December 2012 |
| Dato' Tea Choo Keng | Practical Guide to Establishing a Risk Management Handbook on 18 September 2012 |

Dato' Yap Sing Hock was unable to attend any training during the financial year ended 31 December 2012 due to work commitment.

All the Directors have attended the mandatory accreditation programme and the Directors will continue to undergo other relevant training programmes and seminars to keep abreast with developments in the capital markets, relevant changes in rules and regulations and the business environment from time to time.

## 3. ACCOUNTABILITY AND AUDIT

### 3.1 Financial Reporting

The Board aims to provide a balanced and understandable assessment of the Company's financial position and prospects at the end of the financial year.

The Group publishes full financial statements annually and quarterly results announcements as required by the Main Market Listing Requirements. The Audit Committee assists the Board by reviewing the disclosure information to ensure accuracy and adequacy and to ensure the financial statements comply with applicable financial reporting standards as this is integral to the reliability of the financial statements.

### 3.2 Internal Control

Details of the Company's internal controls and regulatory compliance are set out in the Statement on Risk Management and Internal Control on pages 27 to 29 of this Annual Report. It provides an overview of the Company's approach in maintaining a sound framework of reporting on internal controls and regulatory compliance to safeguard shareholders' investment and the Group's assets.

### 3.3 Relationship with the Auditors

The Company has always maintained a transparent and appropriate relationship with its auditors in seeking their professional advice and ensuring compliance with accounting standards in Malaysia.

Further details on the Audit Committee's dealing with the external auditors are set out in the Audit Committee Report on pages 23 to 26 of this Annual Report.

## 4. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Annual Reports, announcements and release of quarterly financial results are made electronically to the public via Bursa Malaysia's website at www.bursamalaysia.com as well as the Company's website at www.lienhoe.com.my. It provides the shareholders and the investing public with the neccessary information about the Group's performance and operations. The Company's Board Charter, Code of Ethics and Conduct and Rights of Shareholders are made available for reference at the Company's website.

The Board has identified Mr Yeoh Chong Keat as the Senior Independent Non-executive Director to whom concerns of the shareholders may be conveyed.

The annual general meeting is the principal forum for dialogue with individual shareholders and investors. The Board has taken steps to encourage shareholder participation at general meetings by serving notices for meetings earlier than the minimum prescribed notice period. The Board also encourages poll voting and the Chairman will inform the shareholders of their right to demand a poll vote at the commencement of a general meeting of the Company.

At the Company's annual general meeting, shareholders are encouraged to ask questions and express their views about the Company's business and financial issues and other matters affecting shareholders' interests. The Board, Management and External Auditors are in attendance to respond to shareholders' queries.

## 5. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

During the financial year ended 31 December 2012, the staff of Armada Petaling Jaya, a unit of the Company, visited the Alzheimer Disease Foundation Malaysia ("ADFM") as part of its contribution to the community. ADFM is a non-governmental organisation and during the visit, patients of ADFM were treated to delicious and healthy food prepared by the Hotel's team of culinary experts. They were also treated to entertainment provided by a 4-piece band brought in by the Hotel. The Hotel also distributed ang pows and donated groceries to the patients of ADFM.

6. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each financial year and of their results and their cash flows for the year then ended.

The Directors are to ensure that appropriate accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements.

The Directors are responsible for ensuring the Group keeps proper accounting records so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Company and of the Group, to prevent and detect fraud and other irregularities.

**COMPLIANCE STATEMENT**

The Board is satisfied that in the financial year ended 31 December 2012, the Company is in compliance with the key principles and best practices of the Malaysian Code on Corporate Governance and the Board is formulating and/or reviewing policies and procedures to duly comply with the recommendations of the Malaysian Code on Corporate Governance 2012.

This Statement on Corporate Governance is made in accordance with the resolution of the Board dated 2 May 2013.

# Audit Committee Report

The Board of Directors of Lien Hoe Corporation Berhad is pleased to present the Audit Committee Report to provide insight on the discharge of the Audit Committee's function.

**MEMBERS OF THE AUDIT COMMITTEE**

The Audit Committee comprises the following Directors:-

**MR YEOH CHONG KEAT**
Chairman, Independent Non-executive Director

**DR TEOH KIM LOON**
Independent Non-executive Director

**DATO' TEA CHOO KENG**
Independent Non-executive Director

**TERMS OF REFERENCE**

**COMPOSITION**

The Committee shall be appointed by the Board of Directors ("the Board") from amongst its Directors which fulfils the following requirements: -

(a) it must be composed of no fewer than 3 members;

(b) a majority of its members must be independent directors and all its members must be non-executive directors;

(c) at least one of its member: -

  (i) must be a member of the Malaysian Institute of Accountants; or

  (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and: -

    (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

    (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

  (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

(d) no alternate director is appointed as its member.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above paragraph, the Company must fill the vacancy within 3 months.

The members of the Audit Committee shall select a chairman from among themselves who shall be an independent director.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board once every 3 years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

**RIGHTS OF THE AUDIT COMMITTEE**

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company: -

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties

(c) have full and unrestricted access to any information pertaining to the Company;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(e) be able to obtain independent professional, legal or other advice; and

(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of executive directors and employees of the Company, whenever deemed necessary.

**REPORTING OF BREACHES TO BURSA MALAYSIA SECURITIES BERHAD**

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

**KEY FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

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

(a) To review

  (i) with the external auditors, the audit plan;

  (ii) with the external auditors and internal auditors, the evaluation of the system of internal controls;

(iii) with the external auditors, the audit report;

(iv) the assistance given by the Company's officers to the auditors;

(v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and the adequacy of the competency of the internal audit functions;

(vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors;

(vii) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -

- changes in or implementation of major accounting policy changes;
- significant and unusual events; and
- compliance with accounting standards and other legal requirements;

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

(ix) any letter of resignation from the external auditors of the Company;

(x) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

(xi) the adequacy of the risk management framework, policy, process and procedures undertaken and whether or not appropriate risk management control action is taken on to safeguard the interests of the respective stakeholders.

(b) To consider the nomination of a person or persons as external auditors together with such other functions as may be agreed to by the Audit Committee and the Board.

**MEETINGS OF THE AUDIT COMMITTEE**

Meetings of the Audit Committee shall be held no fewer than 4 times a year and the external auditors may request a meeting if they consider that one is necessary. A representative of the external auditors shall normally attend meetings.

In order to form a quorum in respect of a meeting of the Audit Committee, the majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Audit Committee and shall circulate the minutes of the meetings of the Audit Committee to all members of the Board.

The Audit Committee met 6 times during the financial year ended 31 December 2012 and the attendance of each member of the Audit Committee are as follows:-

| Composition of the Audit Committee | Meeting Attendance |
|---|---|
| Mr Yeoh Chong Keat | 6/6 |
| Dr Teoh Kim Loon | 6/6 |
| Dato' Tea Choo Keng | 6/6 |

During the financial year ended 31 December 2012, the Audit Committee met 3 times with the external auditors without the presence of executive directors.

**SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE**

The Audit Committee had discharged its duties as set out in its Terms of Reference.

During the financial year ended 31 December 2012, the activities undertaken by the Audit Committee included the following:-

1. Reviewed the quarterly and annual financial results before recommending for approval by the Board, with the reviews focusing particularly on compliance with accounting standards and regulatory requirements;

2. Reviewed the nature and scope of the audit with the external auditors, considered any significant changes in accounting and auditing standards, reviewed the auditors' report on control weaknesses to the Audit Committee and management's response thereto;

3. Reviewed the scope of internal audit plan and the results of the audit work carried out by the internal auditors as well as the recommendations suggested by the internal auditors and the actions and timeliness of those actions taken by the management on such recommendations; and

4. Reviewed the proposals submitted and interviewed the candidates for new external auditors for the financial year ended 31 December 2012.

# Statement on Risk Management and Internal Control

The preparation of this statement is in compliance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the Board of Directors of public listed companies to include in its Annual Report a "statement about the state of internal control of the listed issuer as a group". The Board is committed to maintaining sound internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control for the financial year ended 31 December 2012.

## 1. BOARD'S RESPONSIBILITIES

The Board of Directors recognises the importance of sound internal control and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control, risk management and has reviewed the adequacy and integrity of these systems. The system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss as it is designated to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

## 2. RISK MANAGEMENT FRAMEWORK

The Group has in place a risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by policies as well as detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

The Board has delegated its authority to the management to review and determine the level of risk tolerance. The process requires management to comprehensively identify and assess all possible types of risks in terms of likelihood and magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. The process encompasses assessments and evaluations at business unit process level before being examined on a Group perspective.

Commencing 2013, risk registry is presented annually to the Audit Committee on the significant risks impacting the Group and the measures taken and to be taken by the management to address such risks. The registry also highlight the risk exposures along with an appropriate management action plan to manage or mitigate such exposures. Any internal or external changes that may significantly impact the risks and control spectrum are also highlighted. The Board will annually review and discuss with management at Board meetings, the summary of risk tolerance and additional internal controls to be implemented (if any).

## 3. KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

### 3.1 Control Environment and Control Activities

- The Group maintains clear organization structure and clear hierarchical reporting with defined lines of responsibility and accountability.

- Experienced and competent staffs are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal control.
- Clearly defined authorization limits at appropriate levels are set out for controlling and approving capital expenditure and expenses.
- Clearly defined Internal Policies, Standard Operating Procedures and Personnel Manual are implemented as the key framework for good internal control practices. These policy manuals are the subject of regular review.

### 3.2 Monitoring and Communication

- The Board had received assurance from the Executive Director that the Group's risk management and internal control are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.
- Regular Board and Management meetings were held to assess performance and controls.
- Regular visits to operating units were carried out by members of the Board and senior management, whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal control were performed by the internal auditors. Reports on findings of the internal audit were presented to the Audit Committee for consideration.

## 4. INTERNAL AUDIT FUNCTION

In accordance with the Malaysian Code on Corporate Governance, the Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to review the adequacy and integrity of its system of internal control. The independent consulting firm acts as the internal auditor and reports directly to the Audit Committee.

During the year, the internal auditors reviewed key business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such system continue to operate satisfactorily and effectively within the Group.

Follow-up visits were also carried out to ensure weaknesses identified have been or are being addressed. Periodic audit reports and status report on follow up actions were tabled to the Audit Committee and Board during its quarterly meetings. For the financial year ended 31 December 2012, the total costs incurred for the outsourced internal audit function is RM43,802.

## 5. REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control and risk management of the Group. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

## 6. CONCLUSION

For the year under review, the Board is of the opinion that the internal control system and risk management currently in place is adequate and sufficiently effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary. This statement is made in accordance with the resolution passed by the Board dated 2 May 2013.

# Other Information

**SHARE BUY-BACK**

The Company did not buy any of its own shares in the financial year ended 31 December 2012.

**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

In the financial year ended 31 December 2012, the Company did not issue any options, warrants or convertible securities.

**DEPOSITORY RECEIPT PROGRAMME ('DRP')**

The Company did not sponsor any DRP in the financial year ended 31 December 2012.

**SANCTIONS AND /OR PENALTIES**

Since the end of the previous financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulating bodies.

**NON-AUDIT FEES**

The amount of non-audit fees incurred for services rendered by the external auditors and its affiliated firms in the financial year ended 31 December 2012 was RM5,000 (2011 : RM83,000).

**VARIATION IN RESULTS**

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced by the Company.

**PROFIT GUARANTEE**

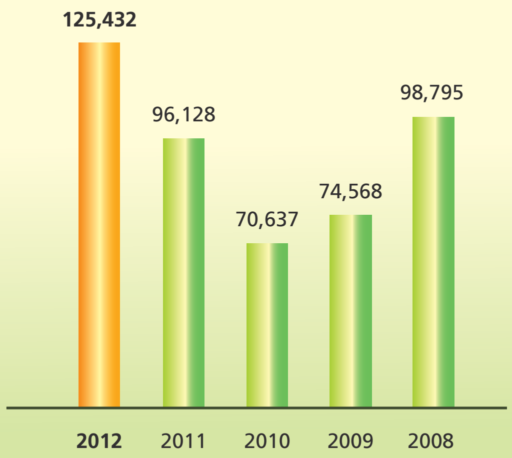
There were no profit guarantee given by the Company for the financial year ended 31 December 2012.

**MATERIAL CONTRACTS**

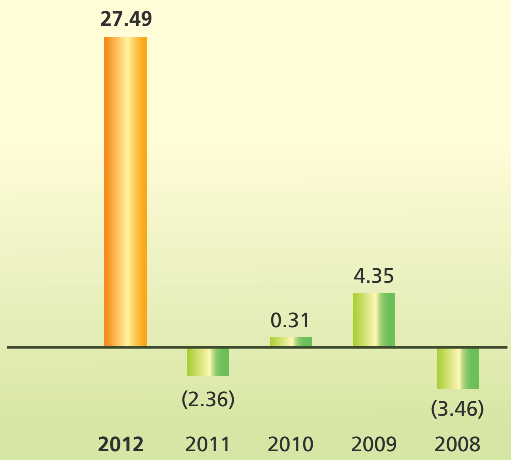
Since the end of the previous financial year, there were no material contracts entered into by the Company and its subsidiaries, involving the directors or substantial shareholders of the Company.

# Five Years Financial Highlights

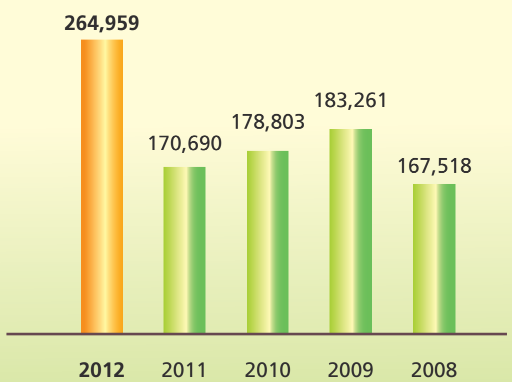
### REVENUE (RM'000)



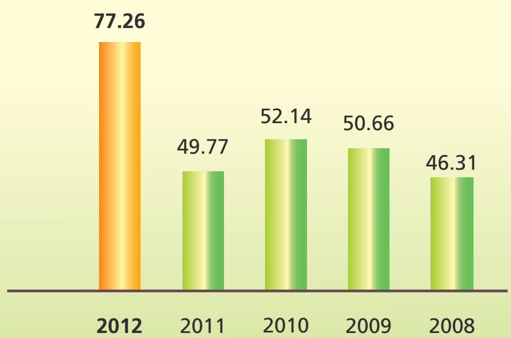

### EARNINGS PER SHARE (SEN)




### SHAREHOLDERS' EQUITY (RM'000)




### NET ASSET VALUE PER SHARE (SEN)



# Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

**PRINCIPAL ACTIVITIES**

The Company is a property and investment holding company.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities in the current financial year.

**RESULTS**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit net of tax, attributable to owners of the parent | 94,271 | 95,439 |

There were no material transfers to or from reserves or provisions in the current financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company in the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

**DIRECTORS**

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

Yeoh Chong Keat
Dato' Yap Sing Hock
Cheong Marn Seng
Dr. Teoh Kim Loon
Dato' Tea Choo Keng

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 24(a) to the financial statements) by reason of a contract made by the Company or a related corporation with any 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.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the current financial year in shares in the Company during the current financial year were as follows:

| | Number of Ordinary Shares of RM1 each | | | |
|---|---|---|---|---|
| | 1 January 2012 | Acquired | Sold | 31 December 2012 |
| **The Company** | | | | |
| **Direct interest** | | | | |
| Dato' Yap Sing Hock | 108,131,117 | - | - | 108,131,117 |
| Cheong Marn Seng | 526,500 | - | - | 526,500 |
| Dr. Teoh Kim Loon | 900,550 | - | - | 900,550 |
| **Indirect interest** | | | | |
| Dato' Yap Sing Hock | 3,821,250 | - | - | 3,821,250 |

Dato' Yap Sing Hock by virtue of his interest in shares in the Company is also deemed to be interested in shares in all the Company's subsidiaries to the extent in which the Company has an interest.

Mr Yeoh Chong Keat and Dato' Tea Choo Keng who held office at the end of the current financial year do not have any interest in shares in the Company or its related corporations during the current financial year.

## TREASURY SHARES

As at 31 December 2012, the Company held as treasury shares a total of 18,796,100 of its 361,742,241 issued ordinary shares. Such treasury shares are held at a carrying amount of RM5,568,000 and further relevant details are disclosed in Note 15 to the financial statements.

## OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and adequate allowance had been made for doubtful debts; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) 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 current financial year 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 current financial year.

(f) In the opinion of the directors:

  (i) 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 current financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the current financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**AUDITORS**

The auditors, UHY, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2013.

**Dato' Yap Sing Hock** **Cheong Marn Seng**

# Statement by Directors and Statutory Declaration

**STATEMENT BY DIRECTORS**
**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Yap Sing Hock and Cheong Marn Seng, being two of the directors of Lien Hoe Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 103 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

The supplementary information set out on page 104 have 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 the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2013.

**Dato' Yap Sing Hock** **Cheong Marn Seng**

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

I, Cheong Marn Seng, being the director primarily responsible for the financial management of Lien Hoe Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 104 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Cheong Marn Seng at Kuala
Lumpur in the Federal Territory
on 17 April 2013. **Cheong Marn Seng**

Before me,
Arshad Abdullah
No. W550
Pesuruhjaya Sumpah

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIEN HOE CORPORATION BERHAD**
**(Company No. 8507-X)**
**(Incorporated in Malaysia)**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lien Hoe Corporation Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 39 to 103.

## 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 requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 risk 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 the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(b) We have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

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

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 104 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

UHY
Firm Number: AF 1411
Chartered Accountants

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant
KUALA LUMPUR
17 April 2013

## STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | **Note** | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **182,982** | 187,100 | **2,233** | 9,991 |
| Investment properties | 5 | **-** | 6,596 | **-** | - |
| Subsidiaries | 6 | **-** | - | **81,046** | 81,046 |
| Investment in an associate | 7 | **-** | - | **-** | - |
| Other investments | 8 | **1,000** | - | **-** | - |
| Goodwill on consolidation | 9 | **8,979** | 8,979 | **-** | - |
| Development expenditure | 10 | **8,536** | - | **-** | - |
| Trade and other receivables | 11 | **80,288** | 6,425 | **69,724** | 576 |
| | | **281,785** | 209,100 | **153,003** | 91,613 |
| **Current assets** | | | | | |
| Subsidiaries | 6 | **-** | - | **62,463** | 61,212 |
| Inventories | 12 | **10,367** | 14,547 | **-** | - |
| Trade and other receivables | 11 | **61,695** | 28,317 | **33,424** | 5,274 |
| Amount due from customers for contract works | 13 | **3,614** | 1,717 | **-** | - |
| Other investments | 8 | **-** | 8,440 | **-** | 8,440 |
| Income tax recoverable | | **1,213** | 1,261 | **809** | 789 |
| Cash and bank balances | 14 | **10,407** | 6,395 | **1,650** | 315 |
| | | **87,296** | 60,677 | **98,346** | 76,030 |
| **TOTAL ASSETS** | | **369,081** | 269,777 | **251,349** | 167,643 |

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 15 | **361,742** | 361,742 | **361,742** | 361,742 |
| Share premium | 15 | **51,056** | 51,056 | **51,056** | 51,056 |
| Treasury shares | 15 | **(5,568)** | (5,568) | **(5,568)** | (5,568) |
| Other reserves | 16 | **21,455** | 21,457 | **19,337** | 19,337 |
| Accumulated losses | | **(163,726)** | (257,997) | **(178,019)** | (273,458) |
| **Total equity** | | **264,959** | 170,690 | **248,548** | 153,109 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 17 | **10,846** | 11,265 | **-** | - |
| Borrowings (secured) | 18 | **48,218** | 25,895 | **152** | 392 |
| Other payables | 19 | **-** | 4,087 | **-** | - |
| | | **59,064** | 41,247 | **152** | 392 |
| **Current liabilities** | | | | | |
| Borrowings (secured) | 18 | **6,865** | 14,689 | **240** | 3,240 |
| Bank overdraft | 20 | **859** | 1,012 | **-** | - |
| Trade and other payables | 19 | **26,978** | 39,350 | **2,409** | 10,902 |
| Amount due to customers for contract works | 13 | **9,347** | 1,735 | **-** | - |
| Income tax payable | | **1,009** | 1,054 | **-** | - |
| | | **45,058** | 57,840 | **2,649** | 14,142 |
| **Total liabilities** | | **104,122** | 99,087 | **2,801** | 14,534 |
| **TOTAL EQUITY AND LIABILITIES** | | **369,081** | 269,777 | **251,349** | 167,643 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | Note | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Revenue | 21 | **125,432** | 96,128 | **2,040** | 2,040 |
| Cost of sales | 22 | **(87,872)** | (60,266) | **-** | - |
| Gross profit | | **37,560** | 35,862 | **2,040** | 2,040 |
| Other income | 23(b) | **113,468** | 6,219 | **112,296** | 14,910 |
| Operating and administration expenses | | **(38,875)** | (39,813) | **(8,796)** | (9,741) |
| Other expenses | 23(a) | **(11,011)** | (4,620) | **(9,828)** | (4,096) |
| Profit/(loss) from operations | 23 | **101,142** | (2,352) | **95,712** | 3,113 |
| Finance costs | 25 | **(4,724)** | (3,555) | **(293)** | (431) |
| Share of result of an associate | | **-** | (233) | **-** | - |
| Profit/(loss) before tax | | **96,418** | (6,140) | **95,419** | 2,682 |
| Income tax expense | 26 | **(2,147)** | (1,955) | **20** | (2,330) |
| Profit/(loss) net of tax | | **94,271** | (8,095) | **95,439** | 352 |
| Other comprehensive income: | | | | | |
| Foreign currency translation, representing other comprehensive income for the year | | **(2)** | (18) | **-** | - |
| Total comprehensive income for the financial year | | **94,269** | (8,113) | **95,439** | 352 |
| Profit/(loss) attributable to owners of the parent | | **94,271** | (8,095) | **95,439** | 352 |
| Total comprehensive income attributable to owners of the parent | | **94,269** | (8,113) | **95,439** | 352 |
| Earnings/(loss) per share attributable to owners of the parent (sen) | | | | | |
| Basic and diluted | 27 | **27.49** | (2.36) | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | Distributable | | |
| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Exchange reserve RM'000 | Capital reserves RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
| **Group** | | | | | | | |
| At 1 January 2011 | 361,742 | 51,056 | (5,568) | 20 | 21,455 | (249,902) | 178,803 |
| Total comprehensive income for the | | | | | | | - |
| financial year | - | - | - | (18) | - | (8,095) | (8,113) |
| At 31 December 2011 | 361,742 | 51,056 | (5,568) | 2 | 21,455 | (257,997) | 170,690 |
| Total comprehensive income for the financial year | **-** | **-** | **-** | **(2)** | **-** | **94,271** | **94,269** |
| **At 31 December 2012** | **361,742** | **51,056** | **(5,568)** | **-** | **21,455** | **(163,726)** | **264,959** |

| | Non-distributable | | | Distributable | | |
|---|---|---|---|---|---|---|
| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Capital reserves RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
| **Company** | | | | | | |
| At 1 January 2011 | 361,742 | 51,056 | (5,568) | 19,337 | (273,810) | 152,757 |
| Total comprehensive income for the financial year | - | - | - | - | 352 | 352 |
| At 31 December 2011 | 361,742 | 51,056 | (5,568) | 19,337 | (273,458) | 153,109 |
| Total comprehensive income for the financial year | **-** | **-** | **-** | **-** | **95,439** | **95,439** |
| **At 31 December 2012** | **361,742** | **51,056** | **(5,568)** | **19,337** | **(178,019)** | **248,548** |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Operating activities** | | | | |
| Profit/(loss) before tax | **96,418** | (6,140) | **95,419** | 2,682 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **7,807** | 6,526 | **722** | 590 |
| (Gain)/loss from disposals of: | | | | |
| - other investments | **(2,850)** | - | **(2,850)** | - |
| - property, plant and equipment | **(105,757)** | 222 | **(105,727)** | - |
| - subsidiary | **-** | (624) | **-** | - |
| Forfeiture of performance security fund | **(1,183)** | (2,082) | **-** | - |
| Goodwill written off | **-** | 15 | **-** | - |
| Impairment loss on: | | | | |
| - amount owing by subsidiaries | **-** | - | **1,821** | 529 |
| - other receivables (third parties) | **-** | 197 | **-** | 197 |
| - property, plant and equipment | **-** | 181 | **-** | 181 |
| Interest expense | **4,724** | 3,555 | **293** | 431 |
| Interest income | **(107)** | (181) | **(10)** | (5) |
| Fair value adjustment on: | | | | |
| - other investments | **-** | 1,303 | **-** | 1,303 |
| - other receivables (cash collaterals and performance bond) | **(237)** | 237 | **-** | - |
| - other receivables (third parties) | **7,878** | - | **7,878** | - |
| - trade receivables (retention sums on contracts) | **102** | 532 | **-** | - |
| Net impairment loss on trade receivables | **-** | 250 | **-** | - |
| Property, plant and equipment written off | **3,031** | 47 | **129** | - |
| Reversal of impairment loss on: | | | | |
| - investment in subsidiaries | **-** | - | **-** | (14,384) |
| - other receivables (third parties) | **(87)** | - | **(87)** | - |
| - trade receivables | **(249)** | - | **-** | - |
| Share of result of an associate | **-** | 233 | **-** | - |
| Unrealised foreign exchange gain | **-** | - | **(695)** | (508) |
| Waiver of debt | **(2,886)** | (1,205) | **(2,886)** | - |
| Operating cash flows before changes in working capital | **6,604** | 3,066 | **(5,993)** | (8,984) |

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| Development expenditure | | **(8,536)** | - | **-** | - |
| Inventories | | **4,102** | (71) | **-** | - |
| Receivables | | **(10,545)** | (12,318) | **1,911** | (1,911) |
| Payables | | **(1,334)** | 17,014 | **(4,990)** | 4,119 |
| Subsidiaries | | **-** | - | **(2,377)** | 6,212 |
| Cash flows (used in)/from operations | | **(9,709)** | 7,691 | **(11,449)** | (564) |
| Income taxes paid | | **(2,563)** | (2,567) | **-** | - |
| Net cash flows (used in)/from operating activities | | **(12,272)** | 5,124 | **(11,449)** | (564) |
| **Investing activities** | | | | | |
| Interest received | | **107** | 181 | **10** | 5 |
| Net proceeds from disposals of: | | | | | |
| - other investment | | **11,290** | - | **11,290** | - |
| - property, plant and equipment | | **7,044** | 1,127 | **7,005** | - |
| Purchase of property, plant and equipment | 4(a) | **(8,096)** | (15,791) | **(1,371)** | (14) |
| Refund of performance security fund | | **(2,904)** | - | **-** | - |
| Net cash flows from/(used in) investing activities | | **7,441** | (14,483) | **16,934** | (9) |
| **Financing activities** | | | | | |
| Interest paid | | **(5,266)** | (3,577) | **(910)** | (431) |
| Net drawdown/(repayment) of: | | | | | |
| - bankers' acceptances | | **2,616** | - | **-** | - |
| - hire purchase payables | | **(551)** | (1,836) | **(240)** | (277) |
| - term loans | | **12,197** | 8,631 | **(3,000)** | - |
| Net cash from/(used in) financing activities | | **8,996** | 3,218 | **(4,150)** | (708) |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,165** | (6,141) | **1,335** | (1,281) |
| **Cash and cash equivalents at 1 January** | | **4,883** | 11,024 | **315** | 1,596 |
| **Cash and cash equivalents at 31 December (Note 14)** | | **9,048** | 4,883 | **1,650** | 315 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 3rd Floor, Plaza Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is property and investment holding. The principal activities of the subsidiaries and associate are disclosed in Notes 6 and 7 respectively. There have been no significant changes in the nature of these activities in the current financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April 2013.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The financial statements of the Group and of the Company have also been prepared on the historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Significant accounting policies

During the current financial year, the Group and the Company have adopted the following new Financial Reporting Standards ("FRSs"), Issues Committee ("IC") Interpretations and amendments to FRSs and IC Interpretations which are effective and mandatory for the current financial year:

| | |
|---|---|
| Amendments to IC Interpretation 14 | Prepayment of a Minimum Funding Requirement |
| Amendments to FRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to FRS 7 | Disclosures – Transfers of Financial Assets |
| Amendments to FRS 112 | Deferred Tax: Recovery of Underlying Assets |
| FRS 124 | Related Party Disclosures (revised) |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |

Adoption of the above FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations did not have any significant impact on the financial statements of the Group and of the Company.

The Group and the Company have not early adopted the following FRSs, IC Interpretations and amendments to FRSs, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

| | | **Effective date for financial periods beginning on or after** |
|---|---|---|
| Amendments to FRS 101 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| Amendments to FRS 1 | Government Loans | 1 January 2013 |
| Amendments to FRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to FRS 10, FRS 11 and FRS 12 | Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 13 | Fair Value Measurement | 1 January 2013 |
| FRS 119 (2011) | Employee Benefits | 1 January 2013 |
| FRS 127 (2011) | Separate Financial Statements | 1 January 2013 |
| FRS 128 (2011) | Investments in Associates and Joint Ventures | 1 January 2013 |
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Improvements to FRSs (2012) | | 1 January 2013 |
| Amendments to FRS 132 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| FRS 9 (IFRS 9 (2009)) | Financial Instruments | 1 January 2015 |
| FRS 9 (IFRS 9 (2010)) | Financial Instruments | 1 January 2015 |

The above new FRSs, revised FRSs, IC Interpretations and amendments to FRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and the initial applications of these FRSs, amendments to FRSs and IC Interpretations will have no significant impact on the financial statements of the Group and of the Company.

On 19 November 2011, Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC Interpretation 15"), including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, on 30 June 2012, MASB decided to extend the aforementioned transitional period for another one year. Thus, the MFRS Framework will be mandatory for Transitioning Entities for application for annual periods beginning on or after 1 January 2014.

It was disclosed in the audited financial statements for the year ended 31 December 2011 that the Group and the Company will adopt the MFRS Framework for the financial year ending 31 December 2012. However, subsequent to the issuance of the last audited financial statements, the Group decided to venture into real estate development in the financial year ending 31 December 2012. In light of the new venture into real estate development, the Group is subject to the application of IC Interpretation 15 Agreements for the Construction of Real Estate and hence fall within the scope of "Transitioning Entities" and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company continue to apply the FRS framework for the current financial year.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting the Group and the Company's first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company are currently assessing the implications and financial impact of transition to the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

## 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except unrealised losses are not eliminated if there are indication of impairment.

Acquisition of subsidiaries are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.7. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

## 2.4 Foreign currency

### (a) Functional and presentation of 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.

### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

**(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

**2.5 Property, plant and equipment**

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual asset with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the period of the respective leases which ranges from 75 years to 90 years. Depreciation for other property, plant and equipment is computed on the straight line basis to write off the cost of each asset to its residual value over their estimated useful lives, at the following annual rates:

| | |
|---|---|
| Buildings | 1% to 5% |
| Plant and machinery and motor vehicles | 10% to 20% |
| Furniture, fittings and equipment | 10% to 33% |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 2.6 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties of the Group comprise freehold land. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.5 up to the date of change in use.

## 2.7 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash generating unit retained.

## 2.8 Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGU are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in subsequent period.

### 2.9 Subsidiairies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.10 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.11 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 the 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 financial assets at fair value through profit or loss and loans and receivables.

**(a) Financial assets at fair value through profit or loss**

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

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

**(b) 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. 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 twelve months after the reporting date which are classified as non-current.

**(c) Available-for-sale financial assets**

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

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

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

**2.12 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 catergories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

- Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

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

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, at banks, deposits at call (excluding deposits pledged for banking facilities granted to the Group and the Company) that are readily convertible to known amount of cash and which have an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.14 Construction contracts

Where 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 estimated reliably, contract revenue is recognised to the extent of contract costs incurred that 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.

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

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

### 2.15 Property development costs

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

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

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

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

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

### 2.16 Inventories

Inventories are stated at the lower of cost (determined on weighted average basis) and net realisable value. Cost includes direct materials and other direct costs. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### 2.18 Financial liabilities

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

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

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

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

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

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

### 2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalisation of borrowings costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowings costs are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### 2.20 Employee benefits

#### (a) Short term 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. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

### 2.21 Leases - as lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. 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. Contingent rentals are charged to profit or loss in the periods in which they are incurred.

### 2.22 Revenue

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

#### (a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.14.

#### (b) Dividend income

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

#### (c) Golf revenue

Income from green fees and golf related income are recognised as income upon delivery of services.

**(d) Management fee**

Management fee is recognised when services are rendered.

**(e) Rental income**

Rental income is recognised in profit or loss on a straight line basis over the term of the lease.

**(f) Revenue from hotel operations**

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised on an accrual basis.

**(g) Sale of goods**

Revenue is recognised net of sales taxes upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**2.23 Income taxes**

**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relate to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

**(b) Deferred tax**

Deferred tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary diferences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extend that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extend that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax laibilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.24 Segment reporting

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

### 2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 2.27 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.

Details of contingencies are disclosed in Note 29.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 9.

**(b) Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. 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 there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 11.

**(c) Income taxes**

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income taxes and deferred tax liabilities are as disclosed in Notes 26 and 17 respectively.

As disclosed in Note 11(b), the disposal of Lot 1845 in Mukim of Tebrau, Johor was completed during the year. At the reporting date, the Company has filed a Form CKHT 1A in accordance with the Real Property Gains Tax Act 1976 with the Inland Revenue Board. Subsequent to the reporting date, the Company has received a letter that no chargeable gain has arisen from this disposal pursuant to Real Property Gains Tax (Exemption) (No. 2) Order 2009 [P.U.(A) 486].

**(d) Depreciation of plant and equipment**

The cost of plant and equipment is depreciated on a straight line basis over the assets' useful life. Management estimates of the useful lives of plant and equipment are as disclosed in Note 2.5. Any changes in the residual value could impact the future depreciation charges. A 1% (2011: 1%) difference in the current year depreciation charge would result in approximately 0.1% (2011: 0.8%) variance in the profit or loss for the year of the Group.

**(e) Impairment on investment in subsidiaries**

The carrying values of investment in subsidiaries and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the subsidiaries at the reporting date is disclosed in Note 6.

**(f) Construction contracts**

The Group recognises contracts revenue and contracts costs in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contracts cost incurred for work performed to date as a percentage of the estimated contracts costs. Significant judgement is required in determining the stage of completion, the extent of the contracts costs incurred, the estimated total contracts revenue and costs, as well as the recoverability of the constructions contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of the Group's amount due from/(to) customers for contract works at the reporting date is disclosed in Note 13.

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Freehold buildings RM'000 | Long leasehold land RM'000 | Long leasehold building RM'000 | Short leasehold building RM'000 | Plant and machinery and motor vehicles RM'000 | Furniture, fittings and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **At 31 December 2012** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2012 | 20,940 | 72,828 | 21,119 | 109,793 | 308 | 8,202 | 17,366 | 250,556 |
| Reclassified from investment property | **13,240** | **-** | **-** | **-** | **-** | **-** | **-** | **13,240** |
| Reclassified from inventories | **-** | **78** | **-** | **-** | **-** | **-** | **-** | **78** |
| Transfer | **-** | **-** | **-** | **308** | **(308)** | **-** | **-** | **-** |
| Additions | **-** | **439** | **-** | **-** | **-** | **261** | **7,633** | **8,333** |
| Disposals | **(9,980)** | **-** | **-** | **-** | **-** | **(165)** | **-** | **(10,145)** |
| Write off | **-** | **(2,039)** | **-** | **-** | **-** | **(403)** | **(2,722)** | **(5,164)** |
| At 31 December 2012 | **24,200** | **71,306** | **21,119** | **110,101** | **-** | **7,895** | **22,277** | **256,898** |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| At 1 January 2012 | 1,702 | 21,818 | 4,207 | 23,967 | 199 | 4,955 | 6,608 | 63,456 |
| Reclassified from investment property | **6,644** | **-** | **-** | **-** | **-** | **-** | **-** | **6,644** |
| Charge for the year | **-** | **1,459** | **307** | **2,276** | **16** | **1,154** | **2,595** | **7,807** |
| Transfer | **-** | **-** | **-** | **215** | **(215)** | **-** | **-** | **-** |
| Disposals | **(1,702)** | **-** | **-** | **-** | **-** | **(156)** | **-** | **(1,858)** |
| Write off | **-** | **(289)** | **-** | **-** | **-** | **(360)** | **(1,484)** | **(2,133)** |
| At 31 December 2012 | **6,644** | **22,988** | **4,514** | **26,458** | **-** | **5,593** | **7,719** | **73,916** |
| Analysed as: | | | | | | | | |
| Accumulated depreciation | **-** | **22,417** | **4,514** | **26,458** | **-** | **5,593** | **7,719** | **66,701** |
| Accumulated impairment losses | **6,644** | **571** | **-** | **-** | **-** | **-** | **-** | **7,215** |
| | **6,644** | **22,988** | **4,514** | **26,458** | **-** | **5,593** | **7,719** | **73,916** |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2012 | **17,556** | **48,318** | **16,605** | **83,643** | **-** | **2,302** | **14,558** | **182,982** |

| | Freehold land RM'000 | Freehold buildings RM'000 | Long leasehold land RM'000 | Long leasehold building RM'000 | Short leasehold building RM'000 | Plant and machinery and motor vehicles RM'000 | Furniture, fittings and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **At 31 December 2011** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 January 2011 | 20,940 | 65,168 | 21,119 | 109,793 | 308 | 9,241 | 12,648 | 239,217 |
| Additions | - | 7,693 | - | - | - | 741 | 7,508 | 15,942 |
| Disposals | - | - | - | - | - | (1,760) | - | (1,760) |
| Write off | - | (33) | - | - | - | (15) | (2,790) | (2,838) |
| Disposal of a subsidiary | - | - | - | - | - | (5) | - | (5) |
| At 31 December 2011 | 20,940 | 72,828 | 21,119 | 109,793 | 308 | 8,202 | 17,366 | 250,556 |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| At 1 January 2011 | 1,702 | 20,238 | 3,901 | 22,231 | 184 | 4,006 | 7,694 | 59,956 |
| Charge for the year | - | 1,400 | 306 | 1,736 | 15 | 1,374 | 1,695 | 6,526 |
| Impairment loss for the year | - | 181 | - | - | - | - | - | 181 |
| Disposals | - | - | - | - | - | (411) | - | (411) |
| Write off | - | (1) | - | - | - | (9) | (2,781) | (2,791) |
| Disposal of a subsidiary | - | - | - | - | - | (5) | - | (5) |
| At 31 December 2011 | 1,702 | 21,818 | 4,207 | 23,967 | 199 | 4,955 | 6,608 | 63,456 |
| Analysed as: | | | | | | | | |
| Accumulated depreciation | - | 21,223 | 4,207 | 23,967 | 199 | 4,955 | 6,608 | 61,159 |
| Accumulated impairment losses | 1,702 | 595 | - | - | - | - | - | 2,297 |
| | 1,702 | 21,818 | 4,207 | 23,967 | 199 | 4,955 | 6,608 | 63,456 |
| **Net carrying amount** | | | | | | | | |
| At 31 December 2011 | 19,238 | 51,010 | 16,912 | 85,826 | 109 | 3,247 | 10,758 | 187,100 |

| | Freehold land RM'000 | Freehold buildings RM'000 | Plant and machinery and motor vehicles RM'000 | Furniture, fittings and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2012** | | | | | |
| **Cost** | | | | | |
| At 1 January 2012 | 9,980 | 1,180 | 3,769 | 286 | 15,215 |
| Additions | - | - | 7 | 1,364 | 1,371 |
| Disposals | (9,980) | - | (34) | - | (10,014) |
| Write off | - | - | - | (220) | (220) |
| At 31 December 2012 | - | 1,180 | 3,742 | 1,430 | 6,352 |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 January 2012 | 1,702 | 807 | 2,610 | 105 | 5,224 |
| Charge for the year | - | 59 | 500 | 163 | 722 |
| Disposals | (1,702) | - | (34) | - | (1,736) |
| Write off | - | - | - | (91) | (91) |
| At 31 December 2012 | - | 866 | 3,076 | 177 | 4,119 |
| Analysed as: | | | | | |
| Accumulated depreciation | - | 295 | 3,076 | 177 | 3,548 |
| Accumulated impairment losses | - | 571 | - | - | 571 |
| | - | 866 | 3,076 | 177 | 4,119 |
| **Net carrying amount** | | | | | |
| At 31 December 2012 | - | 314 | 666 | 1,253 | 2,233 |

| | Freehold land RM'000 | Freehold buildings RM'000 | Plant and machinery and motor vehicles RM'000 | Furniture, fittings and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2011** | | | | | |
| **Cost** | | | | | |
| At 1 January 2011 | 9,980 | 1,180 | 3,769 | 3,044 | 17,973 |
| Additions | - | - | - | 14 | 14 |
| Write off | - | - | - | (2,772) | (2,772) |
| At 31 December 2011 | 9,980 | 1,180 | 3,769 | 286 | 15,215 |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 January 2011 | 1,702 | 567 | 2,108 | 2,848 | 7,225 |
| Charge for the year | - | 59 | 502 | 29 | 590 |
| Impairment loss for the year | - | 181 | - | - | 181 |
| Write off | - | - | - | (2,772) | (2,772) |
| At 31 December 2011 | 1,702 | 807 | 2,610 | 105 | 5,224 |
| Analysed as: | | | | | |
| Accumulated depreciation | - | 236 | 2,610 | 105 | 2,951 |
| Accumulated impairment losses | 1,702 | 571 | - | - | 2,273 |
| | 1,702 | 807 | 2,610 | 105 | 5,224 |
| **Net carrying amount** | | | | | |
| At 31 December 2011 | 8,278 | 373 | 1,159 | 181 | 9,991 |

(a) In the current financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM8,333,000 (2011: RM15,942,000) and RM1,371,000 (2011: RM14,000) respectively, of which RM237,000 (2011: RM151,000) of the Group were acquired under hire purchase arrangements.

(b) Included in property, plant and equipment of the Group and of the Company are assets under hire purchase arrangements with a total carrying amount of RM1,581,000 (2011: RM2,184,000) and RM597,000 (2011: RM1,060,000) respectively.

(c) The freehold and long leasehold land and buildings of the Group with net carrying amount of RM155,984,000 (2011: RM158,492,000) are charged to a financial institution for facilities granted to the Group as disclosed in Note 18.

(d) The title deed for a office lot with net carrying amount of RM77,000 (2011: RM78,000) is in the process of being transferred to the Group.

(e) The remaining lease term of long leasehold land of the Group range from 59 to 85 years (2011: 60 to 86 years).

## 5. INVESTMENT PROPERTIES

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| **Freehold land** | | |
| At 1 January | | |
| Cost | **13,240** | 13,240 |
| Accumulated impairment losses | **(6,644)** | (6,644) |
| | **6,596** | 6,596 |
| Reclassified to property, plant and equipment | **(6,596)** | - |
| At 31 December | **-** | 6,596 |

## 6. SUBSIDIARIES

| | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|
| **Unquoted shares, at cost** | | |
| At 1 January/31 December | **254,607** | 254,607 |
| **Accumulated impairment losses** | | |
| At 1 January | **(173,561)** | (187,945) |
| Reversal of impairment loss | **-** | 14,384 |
| At 31 December | **(173,561)** | (173,561) |
| **Investment in subsidiaries, net of impairment** | **81,046** | 81,046 |
| **Amount owing by subsidiaries** | | |
| At 1 January | **108,611** | 121,097 |
| Advance/(Repayment) | **11,299** | (5,958) |
| Write off | **-** | (6,528) |
| At 31 December | **119,910** | 108,611 |
| **Amount owing to subsidiaries** | **(12,678)** | (4,451) |
| **Allowance for impairment** | | |
| At 1 January | **(42,948)** | (48,947) |
| Charge for the year | **(1,821)** | (529) |
| Write off | **-** | 6,528 |
| At 31 December | **(44,769)** | (42,948) |
| **Amount owing by subsidiaries, net of impairment** | **62,463** | 61,212 |

The amount owing by subsidiaries are unsecured, non-interest bearing and repayable on demand.

The amount owing to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Details of the subsidiaries are as follows:

| Name of company | Country of incorporation | Principal activities | Effective interest 2012 % | 2011 % |
|---|---|---|---|---|
| Armada Resorts Sdn Bhd | Malaysia | Investment holding | **100** | 100 |
| Beta Management Services Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Bondmark Construction Services Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Christine Resort Sdn Bhd^ (formerly known as Christine Resort Bhd) | Malaysia | Operation of golf resort | **100** | 100 |
| Dominion Bay Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Hasil Andalas Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Hotel Armada Group Sdn Bhd | Malaysia | Investment holding | **100** | 100 |
| Hotel Armada (PJ) Sdn Bhd | Malaysia | Property investment and operation of hotel | **100** | 100 |
| Irama Serangkai Sdn Bhd | Malaysia | Property investment | **100** | 100 |
| LH Bintang Development Sdn Bhd | Malaysia | Property development | **100** | 100 |
| LH Commercials Pte Ltd^ | Singapore | Investment holding | **100** | 100 |
| LH Indah Apartments Sdn Bhd | Malaysia | Property investment | **100** | 100 |
| LH Indah Apartments (First) Sdn Bhd | Malaysia | Property investment | **100** | 100 |
| LH Indah Apartments (Second) Sdn Bhd | Malaysia | Property investment | **100** | 100 |

| Name of company | Country of incorporation | Principal activities | Effective interest 2012 | 2011 |
|---|---|---|---|---|
| | | | % | % |
| Lien Hoe Property Management Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Lien Hoe Square Sdn Bhd | Malaysia | Property investment | **100** | 100 |
| Macro Resources Sdn Bhd | Malaysia | Building contractors | **100** | 100 |
| Macro Technology Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Menara Lien Hoe Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Pro-Meridian Sdn Bhd | Malaysia | Inactive | **100** | 100 |
| Taman Templer Sdn Bhd | Malaysia | Inactive | **100** | 100 |

^ Audited by a firm of chartered accountants other than UHY

**(a) Acquisition of a subsidiary**

In the previous financial year, the Company acquired the entire issued and paid-up capital of Pro-Meridian Sdn Bhd for a consideration of RM1.

The acquisition had the following impact on the financial results of the Group for the previous financial year from the date of acquisition:

| | 2011 |
|---|---|
| | RM'000 |
| Revenue | - |
| Loss net of tax, representing total comprehensive loss for the financial year | (10) |

The acquisition had the followng impact on the financial position of the Group as at the end of the previous financial year:

| | 2011 |
|---|---|
| | RM'000 |
| Bank balances | 6 |
| Payables | (2) |
| Group's share of net assets | 4 |

The fair value of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary were:

| | At date of acquisition RM'000 |
|---|---|
| Payables | (15) |
| Goodwill on acquisition (Note 9) | 15 |
| Total cost of acquisition, representing net cash outflow of the Group and of the Company | -* |

* Denotes RM1

**(b) Disposal of a subsidiary**

In the previous financial year, LH Commercials Pte Ltd, a wholly-owned subsidiary of the Company, disposed the entire issued and paid-up capital of Atria Properties Sdn Bhd for a consideration of RM1.

The disposal had the following impact on the financial position of the Group as at the end of the previous financial year.

| | 2011 RM'000 |
|---|---|
| Payables | (624) |
| Gain on disposal | 624 |
| Net disposal proceeds, representing net cash inflow to the Group and the Company | -* |

* Denotes RM1

## 7. INVESTMENT IN AN ASSOCIATE

| | Group | |
|---|---|---|
| | **2012 RM'000** | 2011 RM'000 |
| Unquoted shares, at cost | **251** | 251 |
| Share of post-acquisition results | **(232)** | (232) |
| | **19** | 19 |
| Less : Accumulated impairment losses | **(19)** | (19) |
| | **-** | - |

Details of the associate are as follows:

| Name of company | Country of incorporation | Principal activities | Effective interest 2012 % | 2011 % |
|---|---|---|---|---|
| PMR Builders Sdn Bhd | Malaysia | Building contractors | **30** | 30 |

The summarised financial information of the associate, not adjusted for the percentage of ownership held by the Group is as follow:

| | **2012 RM'000** | 2011 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets, representing total assets | **2,190** | 1,077 |
| Current liabilities, representing total liabilities | **3,062** | 1,727 |
| **Results** | | |
| Revenue | **22,740** | 8,679 |
| Loss for the financial year | **(221)** | (1,429) |

## 8. OTHER INVESTMENTS

| | **Group** | |
|---|---|---|
| | **2012 RM'000** | 2011 RM'000 |
| **Non-current** | | |
| **Available-for-sale** | | |
| **At cost** | | |
| Unquoted preference shares in Malaysia | | |
| 1,000,000 2.5% redeemable preference shares of RM1 each | | |
| At 1 January | **-** | - |
| Addition | **1,000** | - |
| At 31 December | **1,000** | **-** |

| | Group/Company | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| **Current** | | |
| **Held for trading investments** | | |
| **At fair value** | | |
| Quoted shares in Malaysia | | |
| At 1 January | **8,440** | 9,743 |
| Fair value adjustment | **-** | (1,303) |
| Disposal | **(8,440)** | - |
| At 31 December | **-** | 8,440 |

## 9. GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| At 1 January | **8,979** | 8,979 |
| Acquisition of a subsidiary | **-** | 15 |
| Write off | **-** | (15) |
| Net carrying amount at 31 December | **8,979** | 8,979 |

Goodwill has been allocated to the Group's cash generating units ("CGUs") identified according to business segments as follows:

| | Construction RM'000 | Property RM'000 | Hotel and leisure RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 31 December 2012/2011 | **52** | **4,276** | **4,651** | **8,979** |

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. As the directors are of the opinion that since all the CGUs are to be held on a long term basis, value in use would best reflect its recoverable amount. The value in use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each cash-generating unit.

There remains a risk that, due to unforeseen changes in the respective economies in which the cash-generating units operate and/or global economic conditions, the ability to achieve management's business plan will be adversely affected. In calculating the value in use for each cash-generating unit, management has applied a discount rate of 6.6% (2011: 8.0% -12.0%) and a growth rate of 1.0% - 3.0% (2011: 1.0% - 5.0%). The following describes each key assumptions on which management has based its cash flow projections for the purposes of impairment testing of goodwill:

(a) the discount rate used reflected the management's best estimate of return on capital employed required in the respective segments.

(b) growth rate used is based on historical trend of each segment taking into account industry outlook for that segment.

(c) the profit margin used in the projections are based on the historical profit margin trend for the individual cash generating unit or budgeted profit margin for predetermined projects obtained.

The management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying values of the CGUs to materially exceed their recoverable amounts other than those disclosed above.

## 10. DEVELOPMENT EXPENDITURE

This represents expenditures incurred for the proposed development projects to be undertaken by subsidiaries.

## 11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | **23,345** | 12,782 | **-** | - |
| Retention sums on contracts (Note 13) | **688** | 2,774 | **-** | - |
| Less: Allowance for impairment | | | | |
| - Third parties | **(18)** | (94) | **-** | - |
| | **24,015** | 15,462 | **-** | - |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Other receivables** | | | | |
| Prepayments | **561** | 3,002 | **-** | - |
| Cash collaterals | **1,305** | 739 | **-** | - |
| Performance bond | **-** | 854 | **-** | - |
| Third parties | **35,814** | 8,270 | **33,424** | 5,284 |
| Less: Allowance for impairment | | | | |
| - Third parties | **-** | (10) | **-** | (10) |
| | **37,680** | 12,855 | **33,424** | 5,274 |
| | **61,695** | 28,317 | **33,424** | 5,274 |
| **Non-current** | | | | |
| **Trade receivables** | | | | |
| Third parties | **-** | 903 | **-** | - |
| Retention sums on contracts (Note 13) | **10,564** | 4,515 | **-** | - |
| Less: Allowance for impairment | | | | |
| - Third parties | **-** | (257) | **-** | - |
| | **10,564** | 5,161 | **-** | - |
| **Other receivables** | | | | |
| Cash collaterals | **-** | 688 | **-** | - |
| Third parties | **69,834** | 763 | **69,834** | 763 |
| | **69,834** | 1,451 | **69,834** | 763 |
| Less: Allowance for impairment | | | | |
| - Third parties | **(110)** | (187) | **(110)** | (187) |
| | **69,724** | 1,264 | **69,724** | 576 |
| | **80,288** | 6,425 | **69,724** | 576 |
| Total trade and other receivables | **141,983** | 34,742 | **103,148** | 5,850 |
| Add: Cash and bank balances (Note 14) | **10,407** | 6,395 | **1,650** | 315 |
| Less: Prepayments | **(561)** | (3,002) | **-** | - |
| Total loans and receivables | **151,829** | 38,135 | **104,798** | 6,165 |

**Other receivables**

Included in other receivables are the following:

(a) RM2,358,000 paid for the proposed acquisition of a subsidiary, which is pending completion at reporting date.

(b) outstanding balance of RM99,122,000 (net of fair value adjustment of RM7,878,000) from the minimum guaranteed sum of RM117,000,000 pursuant to a development agreement entered in the previous financial year for the disposal of Lot 1845 in Mukim of Tebrau, Johor. This amount is receivable over four years based on the terms of the agreement.

**Trade receivables**

Trade receivables are non-interest bearing and are generally on 7 to 30 days (2011: 7 to 30 day) terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

**Ageing analysis of trade receivables**

The ageing analysis of the Group's trade receivables (including retention sums on contracts) is as follows:

| | **2012** | 2011 |
|---|---|---|
| | **RM'000** | RM'000 |
| Neither past due nor impaired | **24,045** | 16,356 |
| 1 to 30 days past due not impaired | **8,299** | 2,789 |
| 31 to 60 days past due not impaired | **209** | 226 |
| 61 to 90 days past due not impaired | **1,219** | 173 |
| 91 to 120 days past due not impaired | **120** | 340 |
| More than 120 days past due not impaired | **672** | - |
| | **10,519** | 3,528 |
| Impaired | **33** | 1,090 |
| | **34,597** | 20,974 |

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

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

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

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

The Group has trade receivables amounting to RM10,519,000 (2011: RM3,528,000) that are past due at the reporting date but not impaired and are unsecured in nature The management is confident that these receivables are recoverable as these accounts are still active.

**Receivables that are impaired**

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

| | Individually impaired | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| Trade receivables - gross | **33** | 1,090 |
| Less: Allowance for impairment | **(18)** | (351) |
| | **15** | 739 |

Movement in the allowance accounts:

| | | |
|---|---|---|
| At 1 January | **351** | 178 |
| Charge for the year | **15** | 310 |
| Write off | **(84)** | (77) |
| Reversal of impairment losses | **(264)** | (60) |
| At 31 December | **18** | 351 |

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

## 12. INVENTORIES

| | | Group | |
|---|---|---|---|
| | | **2012** | 2011 |
| | **Note** | **RM'000** | RM'000 |
| At cost: | | | |
| Consumables | | **603** | 836 |
| At net realisable value: | | | |
| Land, completed apartments and office lot | | **9,842** | 13,711 |
| | | **10,445** | 14,547 |
| Reclassified to property, plant and equipment | 4 | **(78)** | - |
| | | **10,367** | 14,547 |

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

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| Construction costs incurred to date | **116,844** | 87,153 |
| Attributable profit | **11,644** | 9,051 |
| | **128,488** | 96,204 |
| Progress billings | **(134,221)** | (96,222) |
| | **(5,733)** | (18) |
| Amount due from customers for contract works | **3,614** | 1,717 |
| Amount due to customers for contract works | **(9,347)** | (1,735) |
| | **(5,733)** | (18) |
| Retention sums on contracts, included within trade receivables (Note 11) | | |
| Current | **688** | 2,774 |
| Non-current | **10,564** | 4,515 |
| | **11,252** | 7,289 |
| Contract revenue recognised as an income (Note 21) | **92,014** | 62,496 |
| Construction costs recognised as an expense (Note 22) | **82,170** | 54,674 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Cash on hand and at banks | **6,499** | 5,343 | **1,571** | 142 |
| Short term deposits with: | | | | |
| Licensed banks | **3,829** | 879 | **-** | - |
| Other financial institution | **79** | 173 | **79** | 173 |
| Cash and bank balances | **10,407** | 6,395 | **1,650** | 315 |
| Less: Fixed deposit pledged | **(500)** | (500) | **-** | - |
| Bank overdraft | **(859)** | (1,012) | **-** | - |
| Cash and cash equivalents | **9,048** | 4,883 | **1,650** | 315 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods depending on the immediate cash requirements of the Group and of the Company, and earn interests at respective short-term deposit rates. The deposits earn interest of 2.7% to 3.1% (2011: 2.7% to 3.1%) per annum and have average maturities of 3 months (2011: 6 months).

Included in the deposits is a sum of RM500,000 (2011: RM500,000) pledged to a financial institution for banking facility granted to the Group.

## 15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares of RM1 each | | Amount | |
| | **2012** | 2011 | **2012** | 2011 |
| | **'000** | '000 | **RM'000** | RM'000 |
| **Authorised:** | | | | |
| At 1 January/31 December | **1,000,000** | 1,000,000 | **1,000,000** | 1,000,000 |

| | Number of ordinary shares of RM1 each | | Amount | | | |
|---|---|---|---|---|---|---|
| | **Share capital (Issued and fully paid)** | **Treasury shares** | **Share capital (Issued and fully paid)** | **Share premium** | **Total share capital and share premium** | **Treasury shares** |
| | **'000** | **'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 31 December 2011/ 31 December 2012 | **361,742** | **(18,796)** | **361,742** | **51,056** | **412,798** | **(5,568)** |

### Share capital

The holders of ordinary shares (except treasury 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

### Treasury shares

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 enhance 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.

There were no shares repurchased during the current financial year.

## 16. OTHER RESERVES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | **Note** | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Non-distributable** | | | | | |
| Exchange reserve | (a) | **-** | 2 | **-** | - |
| **Distributable** | | | | | |
| Capital reserve | (b) | **21,455** | 21,455 | **19,337** | 19,337 |
| | | **21,455** | 21,457 | **19,337** | 19,337 |

(a) The exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operation.

(b) The capital reserve relates to the asset revaluation reserve portion for land and buildings which have been disposed.

## 17. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| At 1 January | **11,265** | 11,265 |
| Recognised in profit or loss (Note 26) | **(419)** | - |
| At 31 December | **10,846** | 11,265 |

The components and movements of deferred tax liabilities and assets in the financial year prior to offsetting are as follows:

| | At 1 January 2011 RM'000 | Recognised in profit or loss RM'000 | At 31 December 2011 RM'000 | Recognised in profit or loss RM'000 | At 31 December 2012 RM'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Accelerated capital allowances | 5,795 | 88 | 5,883 | **(766)** | **5,117** |
| Fair value adjustment arising from business combination | 5,906 | (97) | 5,809 | **(80)** | **5,729** |
| | 11,701 | (9) | 11,692 | **(846)** | **10,846** |
| **Deferred tax assets** | | | | | |
| Unused tax losses and unabsorbed capital allowances | (436) | 9 | (427) | **427** | **-** |
| | 11,265 | - | 11,265 | **(419)** | **10,846** |

## 18. BORROWINGS (SECURED)

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM'000** | 2011 RM'000 | **2012 RM'000** | 2011 RM'000 |
| **Current** | | | | |
| Bankers' acceptances | **4,795** | 2,179 | **-** | - |
| Term loans | **1,500** | 12,000 | **-** | 3,000 |
| Hire purchase payables (Note 28) | **570** | 510 | **240** | 240 |
| | **6,865** | 14,689 | **240** | 3,240 |
| **Non-current** | | | | |
| Term loans | **47,615** | 24,918 | **-** | - |
| Hire purchase payables (Note 28) | **603** | 977 | **152** | 392 |
| | **48,218** | 25,895 | **152** | 392 |
| **Total borrowings** | | | | |
| Bankers' acceptances | **4,795** | 2,179 | **-** | - |
| Term loans | **49,115** | 36,918 | **-** | 3,000 |
| Hire purchase payables (Note 28) | **1,173** | 1,487 | **392** | 632 |
| | **55,083** | 40,584 | **392** | 3,632 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Maturity of borrowings (excluding hire purchase payables)** | | | | |
| Within 1 year | **6,295** | 14,179 | **-** | 3,000 |
| More than 1 year and less than 2 years | **25,885** | 9,918 | **-** | - |
| More than 2 years and less than 5 years | **18,000** | 15,000 | **-** | - |
| More than 5 years | **3,730** | - | **-** | - |
| | **53,910** | 39,097 | **-** | 3,000 |

The interest rates at the reporting date for borrowings, excluding hire purchase payables, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **%** | % | **%** | % |
| Bankers' acceptances | **4 .7** | 6.0 - 7.0 | **-** | - |
| Term loans | **10.0** | 7.8 - 10.0 | **-** | 10.0 |

The borrowings, other than hire purchase payables, are secured by the following:

(a) Freehold and long leasehold land and buildings of the Group as disclosed in Note 4; and

(b) Corporate guarantee of the Company.

## 19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Current** | | | | |
| Trade payables | **16,019** | 14,284 | **-** | - |
| Other payables: | | | | |
| - Accruals | **4,386** | 8,447 | **279** | 2,784 |
| - Others | **6,573** | 16,619 | **2,130** | 8,118 |
| | **26,978** | 39,350 | **2,409** | 10,902 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Non-current** | | | | |
| Other payables: | | | | |
| - Performance security fund | **-** | 4,087 | **-** | - |
| Total trade and other payables | **26,978** | 43,437 | **2,409** | 10,902 |
| Borrowings | **55,083** | 40,584 | **392** | 3,632 |
| Bank overdraft | **859** | 1,012 | **-** | - |
| Total financial liabilities carried at amortised cost | **82,920** | 85,033 | **2,801** | 14,534 |

Trade and other payables are non-interest bearing and are normally settled on an average term of 60 days (2011: 60 days).

In accordance with the membership agreement, the performance security fund shall only be refunded upon the member having fully complied with all the terms and conditions of the refund as stated in the membership agreement and, in addition, successfully securing a new member for the transfer of his membership. In the current financial year, the membership scheme was terminated in accordance to a resolution passed by the members.

## 20. BANK OVERDRAFT

The bank overdraft bears interest at a rate of 7.9% (2011: 7.9%) per annum and is secured by corporate guarantee of the Company.

## 21. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Construction revenue | **92,014** | 62,496 | **-** | - |
| Management fees from subsidiaries | **-** | - | **2,040** | 2,040 |
| Rental income | **3,277** | 3,375 | **-** | - |
| Revenue from golf resort | **3,996** | 5,170 | **-** | - |
| Revenue from hotel | **26,145** | 25,087 | **-** | - |
| | **125,432** | 96,128 | **2,040** | 2,040 |

## 22. COST OF SALES

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **RM'000** | RM'000 |
| Cost of inventories | **5,702** | 5,592 |
| Construction cost | **82,170** | 54,674 |
| | **87,872** | 60,266 |

## 23. PROFIT/(LOSS) FROM OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Profit/(loss) from operations is stated after charging/(crediting): | | | | |
| Auditors' remuneration: | | | | |
| - statutory audits | **185** | 222 | **65** | 69 |
| - other services | **5** | 83 | **5** | 18 |
| Depreciation of property, plant and equipment (Note 4) | **7,807** | 6,526 | **722** | 590 |
| Directors' emoluments (Note 24(a)) | **4,615** | 5,214 | **3,368** | 4,027 |
| Net impairment loss on trade receivables | **-** | 250 | **-** | - |
| Net reversal of impairment loss on trade receivables | **(249)** | - | **-** | - |
| Other expenses (Note 23(a)) | **11,011** | 4,620 | **9,828** | 4,096 |
| Other income (Note 23(b)) | **(113,468)** | (6,219) | **(112,296)** | (14,910) |
| Rental of premises | **108** | 734 | **-** | 588 |
| Staff costs (Note 23(c)) | **11,876** | 11,335 | **2,083** | 2,248 |

### (a) Other expenses

| | | | | |
|---|---|---|---|---|
| Accrual of interest on litigation claims | **-** | 1,886 | **-** | 1,886 |
| Goodwill written off | **-** | 15 | **-** | - |
| Impairment loss on: | | | | |
| - amount owing by subsidiaries | **-** | - | **1,821** | 529 |
| - other receivables (third parties) | **-** | 197 | **-** | 197 |
| - property, plant and equipment | **-** | 181 | **-** | 181 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Fair value adjustment on: | | | | |
| - other investments | **-** | 1,303 | **-** | 1,303 |
| - other receivables (cash collaterals and performance bond) | **-** | 237 | **-** | - |
| - other receivables (third parties) | **7,878** | - | **7,878** | - |
| - trade receivables (retention sum on contracts) | **102** | 532 | **-** | - |
| Loss from disposal of property, plant and equipment | **-** | 222 | **-** | - |
| Property, plant and equipment written off | **3,031** | 47 | **129** | - |
| | **11,011** | 4,620 | **9,828** | 4,096 |

**(b) Other income**

| | | | | |
|---|---|---|---|---|
| Additional land compensation from government | **-** | (1,804) | **-** | - |
| Gain from disposals of: | | | | |
| - other investment | **(2,850)** | - | **(2,850)** | - |
| - property, plant and equipment | **(105,757)** | - | **(105,727)** | - |
| - subsidiary | **-** | (624) | **-** | - |
| Fair value adjustment on other receivables (cash collaterals and performance bond) | **(237)** | - | **-** | - |
| Forfeiture of performance security fund | **(1,183)** | (2,082) | **-** | - |
| Interest income | **(107)** | (181) | **(10)** | (5) |
| Miscellaneous income | **(361)** | (323) | **(41)** | (13) |
| Reversal of impairment loss on: | | | | |
| - investment in subsidiaries | **-** | - | **-** | (14,384) |
| - other receivables (third parties) | **(87)** | - | **(87)** | - |
| Unrealised foreign exchange gain | **-** | - | **(695)** | (508) |
| Waiver of debt | **(2,886)** | (1,205) | **(2,886)** | - |
| | **(113,468)** | (6,219) | **(112,296)** | (14,910) |

**(c) Staff costs**

| | | | | |
|---|---|---|---|---|
| Wages and salaries | **10,408** | 9,964 | **1,918** | 2,083 |
| Social security costs | **126** | 139 | **16** | 16 |
| Defined contribution plans | **900** | 936 | **149** | 149 |
| Other staff related expenses | **442** | 296 | **-** | - |
| | **11,876** | 11,335 | **2,083** | 2,248 |

## 24. KEY MANAGEMENT PERSONNEL REMUNERATION

### (a) Directors

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Directors of the Company** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | **3,622** | 4,281 | **3,236** | 3,915 |
| Benefits-in-kind | **15** | 30 | **15** | 30 |
| | **3,637** | 4,311 | **3,251** | 3,945 |
| Non-executive: | | | | |
| Fees | **132** | 112 | **132** | 112 |
| **Directors of subsidiaries** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | **861** | 821 | **-** | - |
| Total | **4,630** | 5,244 | **3,383** | 4,057 |
| **Analysis excluding benefits-in-kind:** | | | | |
| Total executive directors' remuneration | **4,483** | 5,102 | **3,236** | 3,915 |
| Total non-executive directors' remuneration | **132** | 112 | **132** | 112 |
| Total directors' remuneration | **4,615** | 5,214 | **3,368** | 4,027 |

The number of directors of the Company whose total remuneration for the financial year ended 31 December fell within the following bands is analysed below:

| | Number of Directors | |
|---|---|---|
| | **2012** | 2011 |
| Executive directors: | | |
| RM350,001 to RM400,000 | **1** | 1 |
| RM650,001 to RM700,000 | **-** | 1 |
| RM3,200,001 to RM3,250,000 | **1** | 1 |
| Non-executive directors: | | |
| Below RM50,000 | **2** | 3 |
| RM50,001 to RM100,000 | **1** | 1 |

**(b) Other key management personnel**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Wages and salaries | **1,515** | 1,268 | **247** | 246 |
| Social security costs | **4** | 4 | **1** | 1 |
| Defined contribution plans | **174** | 139 | **30** | 29 |
| | **1,693** | 1,411 | **278** | 276 |

## 25. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Hire purchase | **80** | 174 | **37** | 37 |
| Bank overdraft and bankers' acceptances | **228** | 99 | **-** | - |
| Term loans | **4,416** | 3,282 | **256** | 394 |
| | **4,724** | 3,555 | **293** | 431 |

## 26. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Malaysian income tax: | | | | |
| Current year | **2,808** | 1,969 | **-** | - |
| (Over)/Under provision in prior years | **(242)** | (14) | **(20)** | 2,330 |
| | **2,566** | 1,955 | **(20)** | 2,330 |
| Deferred tax (Note 17): | | | | |
| Deferred tax relating to origination and reversal of temporary differences | **(419)** | - | **-** | - |
| Income tax expense recognised in profit or loss | **2,147** | 1,955 | **(20)** | 2,330 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| **Group** | | |
| Profit/(loss) before tax | **96,418** | (6,140) |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | **24,105** | (1,535) |
| Effect of expenses not deductible for tax purposes | **5,158** | 3,044 |
| Income not subject to tax | **(27,866)** | (159) |
| Deferred tax assets not recognised during the year | **1,492** | 1,236 |
| Over provision of income tax expense in prior years | **(242)** | (14) |
| Utilisation of group relief | **(500)** | (675) |
| Effect of share of result of an associate | **-** | 58 |
| Income tax expense recognised in profit or loss | **2,147** | 1,955 |
| **Company** | | |
| Profit before tax | **95,419** | 2,682 |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | **23,855** | 671 |
| Effect of expenses not deductible for tax purposes | **3,733** | 2,581 |
| Income not subject to tax | **(28,040)** | (3,727) |
| Deferred tax assets not recognised during the year | **452** | 475 |
| (Over)/Under provision of income tax expense in prior years | **(20)** | 2,330 |
| Income tax expense recognised in profit or loss | **(20)** | 2,330 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM'000** | 2011 RM'000 | **2012 RM'000** | 2011 RM'000 |
| Unused tax losses | **37,591** | 32,439 | **8,290** | 6,555 |
| Unabsorbed capital allowances | **2,490** | 1,675 | **613** | 541 |
| | **40,081** | 34,114 | **8,903** | 7,096 |

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the respective entities within the Group, subject to no substantial changes in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authorities. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which they can be utilised based on the current plan of the respective companies.

## 27. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The computation of diluted earnings per share is not affected by any other factors.

The followings reflect the profit or loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | **2012** | 2011 |
|---|---|---|
| | **RM'000** | RM'000 |
| **Group** | | |
| Profit/(loss) net of tax, attributable to owners of the parent used in the computation of basic and diluted earnings/(loss) per share | **94,271** | (8,095) |

| | **2012** | **2011** |
|---|---|---|
| | **'000** | **'000** |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | **342,946** | 342,946 |

| | **2012** | 2011 |
|---|---|---|
| | **sen** | **sen** |
| Basic and diluted earnings/(loss) per share | **27.49** | (2.36) |

## 28. HIRE PURCHASE PAYABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Minimum lease payments:** | | | | |
| Within 1 year | **650** | 583 | **276** | 276 |
| More than 1 year and less than 2 years | **453** | 579 | **121** | 276 |
| More than 2 years and less than 5 years | **231** | 537 | **55** | 176 |
| | **1,334** | 1,699 | **452** | 728 |
| Less: Future finance charges | **(161)** | (212) | **(60)** | (96) |
| Present value of hire purchase payables | **1,173** | 1,487 | **392** | 632 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Present value of finance lease liabilities:** | | | | |
| Within 1 year | **570** | 510 | **240** | 240 |
| More than 1 year and less than 2 years | **399** | 501 | **105** | 240 |
| More than 2 years and less than 5 years | **204** | 476 | **47** | 152 |
| | **1,173** | 1,487 | **392** | 632 |
| **Analysed as:** | | | | |
| Due within 12 months included as current liabilities (Note 18) | **570** | 510 | **240** | 240 |
| Due after 12 months included as non-current liabilities (Note 18) | **603** | 977 | **152** | 392 |
| | **1,173** | 1,487 | **392** | 632 |

The hire purchase payables bear interest at the reporting date of 2.6% to 6.8% (2011: 2.6% to 6.8%) per annum.

## 29. CONTINGENCIES

There are no contingent liabilities to be disclosed for the Group and the Company.

## 30. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiary companies of the Group.

The Company has related party relationships with its subsidiaries.

(b) The significant related party transactions of the Company are as follows:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Management fees charged to subsidiaries | **2,040** | 2,040 |

Information regarding outstanding balances arising from related party transactions are disclosed in Note 6.

(c) The remuneration of key management personnel is disclosed in Note 24.

## 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced liquidation or sale.

### (a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. prices) or indirectly (ie. derived from prices); and

(iii) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no material transfers between Level 1, Level 2 and Level 3 during the current financial year.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| **Group** | | |
| **Quoted price (Level 1)** | | |
| Financial asset: | | |
| Other investments (Note 8) | - | 8,440 |

Determination of fair value

Other investments (Note 8): Fair value is determined by direct reference to their published market bid price in an active market at the reporting date.

**(b) Fair value of financial instruments other than those carried at fair value**

***Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

***Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Group** | | | | |
| **Financial assets** | | | | |
| Other investments | **1,000** | * | - | - |
| **Financial liabilities** | | | | |
| Term loans | **47,615** | **39,412** | 14,972 | 12,373 |
| Hire purchase payables | **603** | **630** | 977 | 952 |
| **Company** | | | | |
| **Financial liability** | | | | |
| Hire purchase payables | **152** | **165** | 392 | 387 |

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

(i) Other investments

* It is not practicable to estimate the fair value of the unquoted investment due to lack of quoted market prices and without incurring excessive costs.

(ii) Term loans and hire purchase payables

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from receivables. For other financial assets (including other investments and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the status of major receivables are reported to the Board of Directors with the result that the Group's exposure to bad debts is not significant.

The Group's receivables relate to a large number of diversified customers and does not have any significant exposure to any individual customer or counterparty nor does it have any significant concentration of credit risk except as disclosed in Note 11.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Information regarding receivables that are neither past due nor impaired is disclosed in Note 11. Deposits with banks and other financial institutions and other investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding receivables that are either past due or impaired is disclosed in Note 11.

Financial guarantee

The Company provides unsecured financial guarantees to bank and other institutions in respect of facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

A nominal amount of RM8,602,000 (2011: RM5,646,000) relates to corporate guarantees provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from its payables, borrowings and bank overdraft.

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

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

| | On demand or within one year RM'000 | One to two years RM'000 | Two to five years RM'000 | More than five years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2012** | | | | | |
| **Group** | | | | | |
| Trade and other payables | **26,978** | **-** | **-** | **-** | **26,978** |
| Borrowings | **11,843** | **29,830** | **22,125** | **3,866** | **67,664** |
| Bank overdraft | **859** | **-** | **-** | **-** | **859** |
| | **39,680** | **29,830** | **22,125** | **3,866** | **95,501** |
| **Company** | | | | | |
| Trade and other payables | **2,409** | **-** | **-** | **-** | **2,409** |
| Borrowings | **276** | **121** | **55** | **-** | **452** |
| | **2,685** | **121** | **55** | **-** | **2,861** |
| **At 31 December 2011** | | | | | |
| **Group** | | | | | |
| Trade and other payables, excluding performance security fund* | 39,350 | - | - | - | 39,350 |
| Borrowings | 14,689 | 10,886 | 17,037 | - | 42,612 |
| Bank overdrafts | 1,012 | - | - | - | 1,012 |
| | 55,051 | 10,886 | 17,037 | - | 82,974 |
| **Company** | | | | | |
| Trade and other payables | 10,902 | - | - | - | 10,902 |
| Borrowings | 3,240 | 276 | 176 | - | 3,692 |
| | 14,142 | 276 | 176 | - | 14,594 |

* The counterparty to the performance security fund does not have a right to demand for cash as the terms and conditions as stipulated in the membership agreement have not been met. Accordingly, performance security fund under the scope of FRS 139 are not included in the above maturity profile analysis.

**(c) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group's and the Company's exposure to interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

The information on maturity and interest rates of financial liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 20 basis points lower/higher, with all other variables held constant, the Group's and the Company's results net of tax would have been higher/lower by RM11,000 and RMNil (2011: lower/higher by RM80,000 and higher/lower by RM6,000) respectively as a result of lower/higher interest expense on floating rates borrowings.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The foreign currency exposure of the Group is minimal as the Group has an insignificant level of international operations.

(e) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company does not have any significant exposure from the risk of changes in prices.

## 33. 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' values.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares.

Total capital managed at Group level comprises shareholders' equity, cash and cash equivalent and borrowings.

The gearing ratios are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **RM'000** | RM'000 |
| Total borrowings | **55,083** | 40,584 |
| Less: Cash and cash equivalents | **(9,048)** | (4,883) |
| Net debt | **46,035** | 35,701 |
| Total equity | **264,959** | 170,690 |
| Debt-to-equity ratio (%) | **17.4** | 20.9 |

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

## 34. SEGMENT INFORMATION

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

(a) Property - land and property investment.

(b) Construction - building contractors for residential and commercial properties.

(c) Hotel and leisure - operation of hotel and golf resort.

(d) Corporate - group-level corporate services and treasury functions.

The 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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Analysis by geographical segments are not presented as the Group principally operates in Malaysia.

Revenue from major customers amounted to RM43,996,000 (2011: RM31,211,000), arising from revenue of the construction segment.

| | Property | | Construction | | Hotel and leisure | | Corporate | | Adjustments and eliminations | | | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **Note** | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | | **RM'000** | RM'000 |
| **Revenue** | | | | | | | | | | | | | |
| External customers | **3,277** | 3,375 | **92,014** | 62,496 | **30,141** | 30,257 | **-** | - | **-** | - | | **125,432** | 96,128 |
| Inter-segment | **-** | - | **-** | - | **-** | - | **2,040** | 2,040 | **(2,040)** | (2,040) | (i) | **-** | - |
| Total revenue | **3,277** | 3,375 | **92,014** | 62,496 | **30,141** | 30,257 | **2,040** | 2,040 | **(2,040)** | (2,040) | | **125,432** | 96,128 |
| **Results** | | | | | | | | | | | | | |
| Depreciation of property, plant and equipment | **(1,161)** | (1,171) | **(323)** | (278) | **(5,584)** | (4,471) | **(739)** | (606) | **-** | - | | **(7,807)** | (6,526) |
| Share of result of an associate | **-** | - | **-** | (233) | **-** | - | **-** | - | **-** | - | | **-** | (233) |
| Other material non-cash (expense)/income | **(1,980)** | - | **139** | (769) | **273** | 3,032 | **103,719** | (3,207) | **-** | - | (ii) | **102,151** | (944) |
| Segment profit/(loss) | **(3,234)** | 2,391 | **6,367** | 3,517 | **3,014** | 4,641 | **96,928** | (11,042) | **(6,657)** | (5,647) | (iii) | **96,418** | (6,140) |
| **Assets** | | | | | | | | | | | | | |
| Additions to property, plant and equipment | **-** | - | **168** | 345 | **6,793** | 15,583 | **1,372** | 14 | **-** | - | | **8,333** | 15,942 |
| Segment assets | **71,143** | 82,863 | **41,464** | 26,950 | **139,110** | 141,938 | **148,171** | 42,621 | **(30,807)** | (24,595) | | **369,081** | 269,777 |
| **Segment liabilities** | **36,295** | 41,605 | **31,200** | 20,321 | **103,462** | 90,101 | **8,741** | 14,603 | **(75,576)** | (67,543) | | **104,122** | 99,087 |

**Notes**

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

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

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

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Accrual of interest on litigation claims | - | (1,886) |
| Forfeiture of performance security fund | 1,183 | 2,082 |
| Gain/(loss) from disposal of: | | |
| - other investment | 2,850 | - |
| - property, plant and equipment | 105,757 | (222) |
| - subsidiary | - | 624 |
| Fair value adjustment on: | | |
| - other investment | - | (1,303) |
| - other receivables (cash collaterals and performance bond) | 237 | (237) |
| - other receivables (third parties) | (7,878) | - |
| - trade receivables (retention sum on contracts) | (102) | (532) |
| Impairment loss on: | | |
| - property, plant and equipment | - | (181) |
| - other receivables (third parties) | - | (197) |
| - trade receivables | - | (250) |
| Net reversal of impairment loss on trade receivables | 249 | - |
| Property, plant and equipment written off | (3,031) | (47) |
| Waiver of debt | 2,886 | 1,205 |
| | 102,151 | (944) |

(iii) The following items are added to/(deducted from) segment profit/(loss) to arrive at "Profit/(loss) before tax" presented in the consolidated statement of comprehensive income:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Interest expenses | (4,724) | (3,555) |
| Interest income | 107 | 181 |
| Inter-segment management fee | (2,040) | (2,040) |
| Share of result of an associate | - | (233) |
| | (6,657) | (5,647) |

## 35. COMPARATIVE FIGURES

The following comparative figures have been reclassified to be consistent with current year's presentation:

| | As previously stated RM'000 | Adjustments RM'000 | As restated RM'000 |
|---|---|---|---|
| **Statements of comprehensive income** | | | |
| **Group** | | | |
| Operating and administration expenses | (39,860) | 47 | (39,813) |
| Other expenses | (4,573) | (47) | (4,620) |

## 36. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

The breakdown and components of accumulated losses are identified and disclosed in accordance with the listing requirements of Bursa Malaysia Securities Berhad as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Total accumulated losses | | | | |
| - Realised | **(379,818)** | (471,719) | **(180,477)** | (275,219) |
| - Unrealised | **(5,116)** | (5,438) | **2,458** | 1,761 |
| | **(384,934)** | (477,157) | **(178,019)** | (273,458) |
| Total share of result from an associate - realised | **(233)** | (233) | **-** | - |
| | **(385,167)** | (477,390) | **(178,019)** | (273,458) |
| Less: Consolidation adjustments | **221,441** | 219,393 | **-** | - |
| Accumulated losses as per financial statements | **(163,726)** | (257,997) | **(178,019)** | (273,458) |

# Schedule of Properties
## Held by the Company and its Subsidiaries as at 31 December 2012

| Location of Properties | Description | Date of Acquisition | Expiration of Lease | Land Area (Acres) | Lettable Area (Sq. Ft.) | Approximate Age of Building (Years) | Net Book Value (RM'000) |
|---|---|---|---|---|---|---|---|
| Lot 51, Section 27, Town of Petaling Jaya, Selangor | 25 storey hotel with 257 rooms and 4 storey podium with basement car park *Known as Armada Petaling Jaya* | June 1993 | 6 February 2071 | 2.44 | 104,430 | 16 | 99,133 |
| Lot PTD 90038, Mukim of Plentong, Bandar Seri Alam, Johor | An 18-holes golf course with clubhouse and recreational facilities *Known as Christine Resort* | April 2010 | Freehold | 182.00 | N/A | N/A | 55,828 |
| Lots 3824 to 3827 and Lots 5975 to 5979, Mukim of Senai-Kulai, Johor | Land | January 1992 | Freehold | 34.54 | N/A | N/A | 9,563 |
| Lot 290, Mukim of Tebrau, Johor | Land | June 1996 | Freehold | 4.84 | N/A | N/A | 6,596 |
| Lots 1589 and 1592, Mukim of Tebrau, Johor | Land | May 1994 | Freehold | 4.14 | N/A | N/A | 3,059 |
| 3-9-A and 7-2-B No. 2 Jalan Pelita, Wadihana, 80300 Johor Bahru, Johor | 2 units apartments *Known as Pelita Indah Condominium* | May 1995 | Freehold | Strata title | 3,370 | 18 | 201 |
| Lots PT 78700 and 78701, Mukim of Petaling, District of Petaling, Selangor | Land | July 2002 | 27 May 2097 | 2.37 | N/A | N/A | 1,023 |
| Lot No. PT 2906, Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan | 4 units apartments *Known as Palm Springs Apartments* | December 1994 | Freehold | Strata title | 6,372 | 11 | 314 |
| B13-1 Block B No. 1 Lorong Utara B off Jalan Utara 46200 Petaling Jaya | 1 unit apartment *Known as The Istara Condominium* | August 1996 | 9 March 2076 | Strata title | 1,313 | 15 | 92 |
| Lot B2F-19a, Megan Phoenix, Jalan 2/142A KM10 off Jalan Cheras 56000 Kuala Lumpur | 1 unit office lot | July 1997 | Freehold | Strata title | 1,479 | 13 | 77 |

# Statistics of Shareholdings
## As at 2 May 2013

### SHARE CAPITAL

| | |
|---|---|
| Authorised share capital | RM1,000,000,000 |
| Issued and fully paid-up share capital | RM361,742,241 |
| Adjusted issued and fully paid-up share capital | RM342,946,141* |
| Class of shares | Ordinary share of RM1 each |
| Voting rights | 1 vote per share |

* after deducting 18,796,100 treasury shares pursuant to section 67A of the Companies Act, 1965

### DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 743 | 5.62 | 32,910 | 0.01 |
| 100 - 1,000 | 3,857 | 29.21 | 2,706,164 | 0.79 |
| 1,001 - 10,000 | 6,974 | 52.81 | 25,879,854 | 7.55 |
| 10,001 - 100,000 | 1,433 | 10.85 | 43,762,254 | 12.76 |
| 100,001 - 17,147,306 (*) | 197 | 1.49 | 131,981,842 | 38.48 |
| 17,147,307 & above (**) | 2 | 0.02 | 138,583,117 | 40.41 |
| Total | 13,206 | 100.00 | 342,946,141 | 100.00 |

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2013
**(as shown in the Register of Substantial Shareholders)**

| Name | No. of Shares (Direct) | No. of Shares (Indirect) | % |
|---|---|---|---|
| 1. DATO' YAP SING HOCK | 108,131,117 | 3,821,250 | 32.64 |
| 2. LIM WAN SING | 31,936,400 | - | 9.31 |

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 2 MAY 2013

| | Name | No. of Shares | % |
|---|---|---|---|
| 1. | HDM NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Yap Sing Hock (M09) | 106,646,717 | 31.10 |
| 2. | HDM NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Lim Wan Sing (M09) | 31,936,400 | 9.31 |
| 3. | SIVASH HOLDINGS BERHAD | 12,324,700 | 3.59 |
| 4. | FELIX TAN SOON KIM | 8,463,000 | 2.47 |
| 5. | LIANG TEH HAI | 6,262,100 | 1.82 |
| 6. | CITIGROUP NOMINEES (ASING) SDN. BHD.<br>Exempt An for UBS AG Singapore (Foreign) | 5,700,000 | 1.66 |
| 7. | TA NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Chan Wah Long | 5,447,800 | 1.59 |
| 8. | LEE YEW CHEN | 5,000,000 | 1.46 |
| 9. | HSBC NOMINEES (ASING) SDN. BHD.<br>Exempt An for BSI SA (BSI BK SG-NR) | 4,500,000 | 1.31 |
| 10. | AFFIN NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Felix Tan Soon Kim | 3,075,600 | 0.90 |
| 11. | LIANG TEH HAI | 2,972,700 | 0.87 |
| 12. | ONN KOK PUAY (WENG GUOPEI) | 2,768,600 | 0.81 |
| 13. | YONG SOW LAN | 2,604,200 | 0.76 |
| 14. | LOW AH LIN | 2,500,000 | 0.73 |
| 15. | CITIGROUP NOMINEES (ASING) SDN. BHD.<br>Exempt An for OCBC Securities Private Limited (Client A/C-NR) | 2,358,337 | 0.69 |
| 16. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>Pledged Securities Account for Ong Yoong Nyock (8039533) | 2,331,000 | 0.68 |
| 17. | CIMSEC NOMINEES (TEMPATAN) SDN. BHD.<br>CIMB Bank for Felix Tan Soon Kim (MY1492) | 2,297,500 | 0.67 |

| | Name | No. of Shares | % |
|---|---|---|---|
| 18. | CIMSEC NOMINEES (ASING) SDN. BHD.<br>Exempt An for CIMB Securities (Singapore) Pte. Ltd.<br>(Retail Clients) | 2,239,937 | 0.65 |
| 19. | HSBC NOMINEES (TEMPATAN) SDN. BHD.<br>BSI SA for Ong Yoong Nyock | 2,000,000 | 0.58 |
| 20. | MERCSEC NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for TNTT Realty Sdn. Bhd. | 1,563,900 | 0.46 |
| 21. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Ong Yoong Nyock (100583) | 1,508,900 | 0.44 |
| 22. | YAP TSE YEENG CHRISTINE | 1,500,000 | 0.44 |
| 23. | YAP SING HOCK | 1,484,400 | 0.43 |
| 24. | CHUA BOON CHIEN | 1,400,000 | 0.41 |
| 25. | LEONG SOCK MOOI | 1,328,459 | 0.39 |
| 26. | AGNES YAP TSE EE | 1,321,250 | 0.38 |
| 27. | G-INSTITUTE OF REAL ESTATE SDN. BHD. | 1,200,000 | 0.35 |
| 28. | CIMSEC NOMINEES (TEMPATAN) SDN. BHD.<br>CIMB Bank for Ng Ee Chiat (M68041) | 1,095,000 | 0.32 |
| 29. | KENANGA NOMINEES (TEMPATAN) SDN. BHD.<br>Pledged Securities Account for Yong Kwee Lian | 1,000,000 | 0.29 |
| 30. | M CHAREON SAE TANG @ TAN WHYE AUN | 1,000,000 | 0.29 |
| | **Total** | **225,830,500** | **65.85** |

## LIEN HOE CORPORATION BERHAD

*(Company No: 8507-X)*

*(Incorporated in Malaysia under the Companies Act, 1965)*

| *No. of shares held:* | |
|---|---|
| *CDS account no.:* | |

## FORM OF PROXY

I/We.....................................................................................................................................................................

of.........................................................................................................................................................................

being a member(s) of LIEN HOE CORPORATION BERHAD hereby appoint *the Chairman of the meeting, or.........................................................................................................................................................................

of.........................................................................................................................................................................

or failing him/her ..............................................................................................................................................

of.........................................................................................................................................................................

as my/our Proxy to vote for me/us/ on my/our behalf at the 43rd Annual General Meeting of the Company to be held at Atlanta Ballroom, Level 3, Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya on Wednesday, 26 June 2013 at 11.00 a.m.

My / our proxy is to vote as indicated below :

| RESOLUTION NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Directors' fees in respect of the financial year ended 31 December 2012. | | |
| 2. | To re-elect Mr Yeoh Chong Keat as Director of the Company. | | |
| 3. | To re-elect Mr Cheong Marn Seng, Allen as Director of the Company. | | |
| 4. | To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to determine their remuneration. | | |
| 5. | To approve authority for Directors to issue shares. | | |
| 6. | To approve proposed renewal of shareholders' approval for share buy-back. | | |
| 7. | To approve the retention of Mr Yeoh Chong Keat as Independent Non-executive Director of the Company. | | |
| 8. | To approve the retention of Dr Teoh Kim Loon as Independent Non-executive Director of the Company. | | |

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Dated:-

_____________________________________

Signature /Common Seal of Shareholder(s)

*** STRIKE OUT IF INAPPLICABLE**

**NOTES:-**

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*

2. *In the case of a corporate member, the form of proxy appointing a corporate representative must be executed under seal or under the hand of an officer or attorney duly authorised.*

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

   *An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

4. *The form of proxy must be deposited at the registered office of the Company at 3rd Floor, Plaza Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan, not later than 48 hours before the time stipulated for holding of the meeting or any adjournment thereof.*

5. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositor as at 18 June 2013 ("Record of Depositor") and only a depositor whose name appears on the Record of Depositor shall be entitled to attend this meeting.*

**Lien Hoe Corporation Berhad**

3rd Floor, Plaza Armada
Lot 6, Lorong Utara C, Section 52
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7955 8808
Fax: 03-7955 5808

**Website: www.lienhoe.com.my**