

# LIEN HOE CORPORATION BERHAD (Company No. 8507-X)

# annual report 2007







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Form of Proxy

# **Corporate Information**

#### **DIRECTORS**

Tun Dato' Seri Abdul Hamid bin Omar Chairman

(Independent and Non Executive Director)

Mr. Chan Wah Long

Vice Chairman (Executive Director)

Dr. Teoh Kim Loon

Independent and Non Executive Director

**SECRETARY** 

Lee Sook Peng (MAICSA 0810465)

**REGISTERED OFFICE** 

18th Floor, Menara Lien Hoe No. 8, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan

Tel: 03-7805 1331 Fax: 03-7805 3112

**AUDITORS** 

**Ernst & Young Chartered Accountants** Level 23A, Menara Milenium, Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur

Tel: 03-7495 8000 Fax: 03-7495 9076

Dato' Yap Sing Hock Managing Director

(Executive Director)

Mr. Cheong Marn Seng, Allen

**Executive Director** 

Mr. Yeoh Chong Keat

Independent and Non Executive Director

PRINCIPAL FINANCIAL INSTITUTION

United Overseas Bank (Malaysia) Berhad

**REGISTRAR** 

Tenaga Koperat Sdn. Bhd. 20th Floor, Plaza Permata Jalan Kampar, Off Jalan Tun Razak 50400 Kuala Lumpur

Tel: 03-4041 6522 Fax: 03-4042 6352

**STOCK EXCHANGE LISTING** 

The Main Board of Bursa Malaysia **Securities Berhad** 

# **Notice of Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the 38th Annual General Meeting of the members of Lien Hoe Corporation Berhad will be held at 4th floor, Menara Lien Hoe, 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 25 June 2008 at 2.30 p.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 2007 together with the Directors' and Auditors' Reports thereon. (Resolution 1)
- 2. To approve the payment of Directors' Fees. (Resolution 2)
- 3. To re-elect Mr Yeoh Chong Keat who retires in accordance with Article 84 of the Company's Articles of Association. (Resolution 3)
- 4. To re-elect Dr Teoh Kim Loon who retires in accordance with Article 84 of the Company's Articles of Association. (Resolution 4)
- 5. To re-appoint Tun Dato' Seri Abdul Hamid bin Omar as Director of the Company pursuant to Section 129 (6) of the Companies Act, 1965. (Resolution 5)
- 6. To re-appoint Messrs Ernst & Young as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors. (Resolution 6)

#### **AS SPECIAL BUSINESS**

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

7. ORDINARY RESOLUTION - SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to the provision of Section 132D of the Companies Act, 1965 and approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such approvals shall be necessary, 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 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 7)

8. ORDINARY RESOLUTION - PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF RUSSELLA TEGUH SDN BHD, A WHOLLY OWNED SUBSIDIARY, TO THE ATMOSPHERE SDN BHD (FORMERLY KNOWN AS STELLAR VIEW DEVELOPMENT SDN BHD) FOR A CASH CONSIDERATION OF RM61,000,000.

"THAT subject to the approvals from the relevant authorities, approval be and is hereby given for the Company to dispose of the entire issued and paid-up share capital of Russella Teguh Sdn Bhd to The Atmosphere Sdn Bhd (formerly known as Stellar View Development Sdn Bhd) with all rights, title and benefits attaching thereto and free from all encumbrances for a cash consideration of RM61,000,000 and upon all such other terms and conditions as contained in the sale and purchase agreement.

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 to complete the aforesaid disposal with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities." (Resolution 8)

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

### BY ORDER OF THE BOARD

LEE SOOK PENG MAICSA 0810465 Secretary

Petaling Jaya, Selangor Darul Ehsan 3 June 2008

#### **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.
- 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 is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account the authorised nominee holds with ordinary shares of the Company standing to the credit of the securities account.

4. The form of proxy must be completed and deposited at the registered office of the Company at 18th floor, Menara Lien Hoe, 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, not later than 48 hours before the time stipulated for holding of the meeting or any adjournment thereof.

#### **EXPLANATORY NOTES ON SPECIAL BUSINESS**

- 1. Resolution 7, if passed will empower the Directors of the Company to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.
- 2. Resolution 8, if passed will empower the Directors of the Company to dispose of the entire issued and paid-up share capital of Russella Teguh Sdn Bhd to The Atmosphere Sdn Bhd (formerly known as Stellar View Development Sdn Bhd) for a cash consideration of RM61,000,000. Details of the proposed disposal are as contained in the Circular to Shareholders dated 3 June 2008 and despatched together with the 2007 Annual Report.

#### **2007 ANNUAL REPORT**

The 2007 Annual Report is in the CD-ROM format. Printed copy of the Annual Report shall be provided to the members upon request. Members who wish to receive the printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Ms Lee Sook Peng or Ms Wong Ngoke Meng at Tel. No. 03-7805 1331, Fax No. 03-7803 5133 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 6 and 8 of the 2007 Annual Report.

# **Profile of Directors**

Tun Dato' Seri Abdul Hamid bin Omar (79 years of age – Malaysian) **Chairman, Independent and Non Executive Director** 

He was appointed the Chairman of the Company on 26 February 2003. He also serves as the Chairman of the Board's Audit Committee.

He studied law in England, was called to the English Bar on 22 November 1955 and is a member of the Honourable Society of Lincoln's Inn, London. He had served the Judicial and Legal Service of the Government of Malaysia from 1956 and carved out an illustrious career which culminated with his appointment as Lord President of the Supreme Court on 10 November 1988 until he retired in September 1994. He was then re-appointed for a further term of six months in accordance with the provisions of the Constitution as his services were still required by the nation. His wealth of knowledge and contributions to the legal profession earned him several State and Federal awards since 1966, the highest being the Federal award of Seri Setia Mahkota (SSM) which carries the title TUN.

He is also a non independent non executive director of Olympia Industries Bhd, an investment company listed on Bursa Malaysia Securities Berhad with principal businesses in property development, building construction, stockbroking and gaming.

**Dato' Yap Sing Hock** (59 years of age – Malaysian) **Managing Director (Executive Director)** 

He was appointed the Managing Director of the Company on 30 January 2002. He also serves as a member of the Board's Nomination, Remuneration, Risk Management and Director Executive Committees.

He started his career as a property developer and has since then been involved in the property industry.

Mr Chan Wah Long (54 years of age – Malaysian) **Vice Chairman (Executive Director)** 

He was appointed the Vice Chairman of the Company on 7 July 2004. He also serves as a member of the Board's Audit and Director Executive Committees.

He graduated from the London School of Economics with Bachelor of Science in economics in 1977 and began his career in the property industry by joining Rahim & Co. in 1979. He was the Managing Director of the Company from 1988 and resigned on 18 January 2002. He remained the Advisor of the Company until his re-appointment as the Vice Chairman of the Company.

Mr Cheong Marn Seng, Allen (43 years of age - Malaysian) **Executive Director** 

He was appointed a Director of the Company on 28 December 2001. He also serves as a member of the Board's Director Executive Committee.

He joined the Company in the year 2001 as the General Manager in charge of corporate finance. He has nearly 8 years of experience in investment banking, having served in senior position in the corporate finance department of a local merchant bank. He has had extensive exposure to corporate finance techniques such as corporate restructuring, equity and debt issue, business valuation and acquisition. Prior to his stint with the investment banking industry, he worked for two international accounting firms for over 4 years during which he was involved in several aspects of auditing, financial management and consultancy. He holds a Bachelor of Commerce in economic and finance from the University of Melbourne, Australia and is presently a member of the Malaysian Institute of Accountants.

He is also a non executive director of Gefung Holdings Bhd, a marble and granite manufacturer listed on Bursa Malaysia Securities Berhad.

**Dr Teoh Kim Loon** (54 years of age – Malaysian) **Independent and Non Executive Director** 

He was appointed a Director of the Company on 7 July 2004. He was redesignated as the Independent and Non Executive Director of the Company on 14 April 2008. He also serves as a member of the Board's Audit, Risk Management, Remuneration and Nomination Committees.

He graduated in medicine with the 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 Berhad. 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 is also the founder member of Korporatif Doctor Malaysia, a life member of Malaysian Medical Association and a member of the American Board of Independent Medical Examiner.

Mr Yeoh Chong Keat (49 years of age – Malaysian) Independent and Non Executive Director

He was appointed a Director of the Company on 6 December 2001. He also serves as a member of the Board's Audit Committee and Chairs the Remuneration, Nomination and Risk Management 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, Chartered Accountant (M) and member of the Malaysian Institute of Certified Public Accountants.

He is currently a practising accountant and has been in practice upon his return from the United Kingdom in 1982 where he trained and later qualified as a chartered accountant with the firm of Deloitte Haskins & Sells, now part of PricewaterhouseCoopers, United Kingdom. He was also formerly the Head of the Corporate Services Division of a "Big 4" accounting firm in Kuala Lumpur for over 10 years.

Currently he is the external company secretary of a number of public companies listed on Bursa Malaysia Securities Berhad. He is also an independent non executive director of Hiap Teck Venture Bhd, a steel manufacturing and trading company listed on Bursa Malaysia Securities Berhad.

## 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.

None of the Directors has any interest in the securities of the Company except for:-

| Name                       | Direct H   | Holdings | Indirect I | Holdings |
|----------------------------|------------|----------|------------|----------|
|                            | No.        | %        | No.        | %        |
| Dato' Yap Sing Hock        | 97,326,517 | 26.90    | 821,250    | 0.23     |
| Mr Chan Wah Long           | 445,249    | 0.12     | 14,077,037 | 3.89     |
| Mr Cheong Marn Seng, Allen | 325,000    | 0.09     | -          | -        |
| Dr Teoh Kim Loon           | 900,550    | 0.25     | -          | -        |

## Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report for the financial year ended 31 December 2007.

Last year has been a testing year for the Group. The Group managed to generate total revenue of RM70.16 million, representing a decrease of RM29.55 million from the previous financial year owing to lower value of construction contracts executed and loss of revenue from an investment property which was sold last year.

Overall, the Group registered a loss of RM34.85 million for the financial year 2007. Despite all our business operations remaining profitable last year, the bottom-line was weighed down by loss arising from the sale of investment property and impairment losses related to investment in an associate and development land.

Moving on to the balance sheets, we began last year with a total borrowings of RM276.28 million and ended the year with total borrowings of RM52.54 million. The retirement of a massive RM223.74 million of debts last year was the end result of the assets divestment plan which we started back in year 2004. Consequently, the gearing of the Group at the end of the financial year 2007 stood at a healthy level of 14.52%. The restoration of the financial health of the Group will come to a thorough completion if the remaining debts are turned into long term borrowings. We are confident that this will be achieved in the financial year 2008.

Following the improvement of the Group's balance sheets and financial capacity, we can now look forward to a better performance in the financial year 2008. Our positive outlook is premised on the fact that most of the losses we incurred last year are one-off and there will be substantial cut in our finance costs.

Finally, on behalf of the Board, I would like to take this opportunity to express our gratitude to all our investors, bankers, business associates and valued customers for maintaining their support and faith in the Group, and we invite their continuing support in the financial year 2008. Lastly we would also like to thank our management and employees for their dedication and commitment over the past year.

**Chan Wah Long** Vice Chairman 6 May 2008

# **Review by Managing Director**

Last year the Group made total revenue of RM70.16 million from property rental, building construction works and hotel operations. There was a drop in revenue compared to the previous year due largely to lower value of construction contracts completed during the year coupled with loss of rental income from property sold in the middle of last year.

Despite operating with lower revenue, we managed to raise the overall gross profit considerably from RM28.89 million previously to RM32.39 million which was driven by higher profitability in our construction and hotel businesses. More importantly, this improved profitability was attained against inflationary pressure on price of construction materials and food and beverages, which are the key cost components of our businesses.

The investment properties of the Group generated income of RM8.79 million from rental and car park. Compared to RM13.68 million in the preceding year, the decline in revenue is attributed to the completion of the sale of "The Atria Shopping Centre" in July last year. Generally, demand for our properties held up well last year.

The revenue from the construction business of RM36.18 million was primarily recognised from five major projects carried out last year. These projects were undertaken by us as the main contractor involving the construction of office complexes, semi-detached and terrace houses for developers with established reputation and sound financial standing such as Petaling Garden Berhad and Sunrise Berhad. The drop in last year's revenue for the construction business was due to the entering of a new contract cycle in the second half of last year. Operating profit earned on revenue for year 2007 amounted to RM0.43 million, representing a higher profit margin than previous year as a result of the management's focus on pricing and cost consciousness.

The Group's hotel business continues to expand every year, growing by RM0.82 million to register a higher turnover of RM24.12 million last year as compared to previous year. Our Hotel Armada, notwithstanding being a stand-alone local hotel, continues to earn good reviews and enjoy strong patronage from discerning customers throughout the year. The hotel's occupancy level in year 2007 rose to 84.44% from 83.14% recorded in year 2006 while the average room rate increased by 5%. The hotel's food and beverage business also performed well last year, spurred by strong banqueting sales which benefited from higher activities in corporate functions, meetings and seminars. We believe our initiatives to raise the standard of services and our promotional activities have had led to a healthy gain of market share and allowed our hotel to maintain its strong competitive position. The hotel's operating profit also improved by RM0.92 million or 15.15% from RM6.07 million to RM6.99 million which was achieved through disciplined cost management and greater operational efficiency.

Last year saw the completion of the Group's assets divestment plan which led to the retirement of a total of RM223.74 million of bank borrowings. This is a very significant development as it not only restores the financial health of our Company, we also stand to benefit from a net saving of RM12.84 million per year in interest cost arising from these debts. We used the balance of the sale proceeds to invest in a 20.56% equity stake in Perduren (M) Berhad which owns Holiday Plaza and Kompleks Lien Hoe, both are commercial properties located in Johor Baru. The rationale for our investment in the shares of Perduren (M) Berhad is backed by the promising outlook of the property market in Johor Baru under the Iskandar Regional Development.

For the year ahead, we are aware that all our businesses will be facing mounting pressure of cost inflation for which we have had strategies ready to mitigate its impact on our financial result. Our construction business, boosted by an order book of more than RM100 million, is expected to increase its contribution to our bottom-line. In order to create greater competitive advantage for our hotel, we have targeted a full refurbishment for all the guestrooms and a revitalisation programme for all the food and beverage outlets in this and next financial year. These are efforts and resources we will commit to ensure continued earnings growth from the hotel in the long run. Barring any unforeseen circumstances, I am optimistic that we will perform better in the coming year.

**Dato' Yap Sing Hock** Managing Director 6 May 2008

# **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. The following statement outlines the corporate governance practices that were in place throughout the year ended 31 December 2007.

#### 1. BOARD OF DIRECTORS

## 1.1 Board Composition and Balance

The Board presently consists of 6 members; comprising 3 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 profile of each of the members of the Board can be found on pages 6 to 8 of this Annual Report.

There is balance in the Board represented by the presence of 3 Independent Non Executive Directors who ensure that strategies proposed by the Executive Management are fully examined and the long term interests of minority shareholders are well taken into consideration.

## 1.2 Board Responsibilities

The Board is overall responsible for the strategic direction and business performance of the Group by specifically focusing on issues relating to strategic plan, business conduct, risk management and internal control.

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 budgets, major capital expenditures, material acquisition and disposal of assets.

#### 1.3 Board Meetings

5 board meetings were held in the financial year ended 31 December 2007 and the attendance record of each director is as follows:

| Board of Directors                 | Meeting    |
|------------------------------------|------------|
|                                    | Attendance |
| Tun Dato'Seri Abdul Hamid Bin Omar | 5/5        |
| Mr Chan Wah Long                   | 5/5        |
| Dato' Yap Sing Hock                | 4/5        |
| Mr Cheong Marn Seng, Allen         | 5/5        |
| Mr Kenneth Vun @ Vun Yun Liun      |            |
| (Resigned on 23 October 2007)      | 3/4        |
| Mr Yeoh Chong Keat                 | 5/5        |
| Dr Teoh Kim Loon                   | 4/5        |

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

#### 1.4 **Supply of Information**

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 Board has access to advice and services of the Company Secretary.

#### 1.5 **Board Appointment and Re-election**

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.

#### 1.6 **Board Committee**

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

#### 1.6.1 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 17 to 20 of this Annual Report.

## 1.6.2 Executive Committee

The Executive Committee which comprises Dato' Yap Sing Hock, Mr Chan Wah Long and Mr Cheong Marn Seng, Allen was established to be responsible for, inter-alia, the following duties and responsibilities:

- To review and monitor the performance of all operating units and subsidiaries of the Company;
- As approving authority for all capital expenditures and contractual commitments exceeding RM1,000,000 undertaken by the Group; and
- To review and prescribe policies in relation to the day to day operations of the Group.

#### 1.6.3 Nomination Committee

The Nomination Committee consist of the following members:-

Mr Yeoh Chong Keat

Chairman, Independent and Non Executive Director

Dr Teoh Kim Loon

Independent and Non Executive Director

Dato' Yap Sing Hock

**Executive Director** 

The Nomination Committee serves to facilitate appointment of new directors as and when necessary and will give due consideration to the mix of experience and skills required for an effective Board.

#### 1.6.4 Remuneration Committee

The Remuneration Committee consists of the following members:-

Mr Yeoh Chong Keat

Chairman, Independent and Non Executive Director

Dr Teoh Kim Loon

Independent and Non Executive Director

Dato' Yap Sing Hock

**Executive Director** 

The Remuneration Committee reviews and recommends to the Board the remuneration of the Executive Directors of the Company. The Directors do not participate in decisions on their own remuneration.

## 1.6.5 Risk Management Committee

The Risk Management Committee consists of the following members: -

Mr Yeoh Chong Keat

Independent and Non Executive Director

Dr Teoh Kim Loon

Independent and Non Executive Director

Dato' Yap Sing Hock

**Executive Director** 

The Risk Management Committee assists the Board to oversee the management of risk issues and review the efficacy of the internal controls of the Group.

#### 2. **DIRECTORS' REMUNERATION**

Analysis of the Directors' remuneration are set out on pages 78 to 79 of this Annual Report.

#### **ACCOUNTABILITY AND AUDIT** 3.

#### 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 Listing Requirements. The Audit Committee assists the Board by reviewing the disclosure information to ensure accuracy and adequacy.

#### 3.2 **Internal Control**

The Statement on Internal Control appended on page 21 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the 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.

The role of the Audit Committee in relation to the auditors is detailed in the Audit Committee Report set out on pages 17 to 20 of the Annual Report.

#### 4. **DIRECTORS' TRAINING**

All the Directors have attended training except for Dato' Yap Sing Hock due to business commitments. The Directors will continue to undergo other relevant training programmes and seminars to further enhance their skills and knowledge.

#### **RELATIONS WITH SHAREHOLDERS AND INVESTORS** 5.

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company. Announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations.

The annual general meeting is the principal forum for dialogue with individual shareholders and investors. 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.

#### CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES 6.

During the year 2007, staff members from Hotel Armada (PJ) Sdn Bhd, a wholly-owned subsidiary company carried out the following activities as part of its contributions to the community namely, visits to Paediatric Ward, Universiti Malaya Medical Centre and participated in Charity Musicfest "Saving lives together" whereby all proceeds go to MAA Medicare Kidney Charity Fund.

#### 7. **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.

# **Audit Committee**

#### THE AUDIT COMMITTEE COMPRISES THE FOLLOWING DIRECTORS: -

#### TUN DATO' SERI ABDUL HAMID BIN OMAR

(Chairman, Independent and Non Executive Director)

#### MR YEOH CHONG KEAT

(Independent and Non Executive Director)

#### DR TEOH KIM LOON

(Independent and Non Executive Director)

#### MR CHAN WAH LONG

(Executive Director)

#### **TERMS OF REFERENCE**

#### **COMPOSITION**

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

- the Audit Committee must be composed of no fewer than 3 members; (a)
- (b) a majority of the audit committee must be independent directors; and
- (c) at least one member of the Audit Committee: -
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - 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.
  - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- no alternate director is appointed as a member of the audit committee. (d)

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 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: -

- have authority to investigate any matter within its terms of reference; (a)
- (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 or other advice; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding (f) the attendance of other 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 these Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

#### **FUNCTIONS**

The functions of the Audit Committee shall be: -

- (a) To review
  - (i) with the external auditors, the audit plan;
  - (ii) with the external auditors, his evaluation of the system of internal accounting controls;
  - with the external auditors, his audit report;

- (iv) the assistance given by the Company's officers to the auditors;
- the adequacy of the scope, functions, competency and resources of the internal audit (v) functions and that it has the necessary authority to carry out its work;
- the internal audit programme, processes, the results of the internal audit programme, (vi) processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function:
- (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;
- any letter of resignation from the external auditors of the Company; and (ix)
- whether there is reason (supported by grounds) to believe that the Company's external (x) auditor is not suitable for re-appointment.
- To consider the nomination of a person or persons as external auditors together with such (b) other functions as may be agreed to by the Audit Committee and the Board.

#### **MEETINGS**

A representative of external auditors shall normally attend meetings. Meetings 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.

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.

## NUMBER OF AUDIT COMMITTEE MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 AND ATTENDANCE OF EACH MEMBER

The Audit Committee met 5 times during the financial year ended 31 December 2007 and the attendance of each member of the Audit Committee is as follows:-

| Composition of the Audit Committee            | Meeting<br>Attendance |
|---|-----------------------|
| Tun Dato' Seri Abdul Hamid bin Omar           | 5/5                   |
| Mr Yeoh Chong Keat                            | 5/5                   |
| Mr Chan Wah Long                              | 5/5                   |
| Dr Teoh Kim Loon (Appointed on 14 April 2008) | Not Applicable        |

#### **SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE**

During the financial year ended 31 December 2007, 5 Audit Committee meetings were held. The Audit Committee met once with the external auditors without the presence of the executive committee members.

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2007:-

- 1. Reviewed the quarterly and annual financial results and recommending for the approval by the Board, 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 issues, reviewed the management letter and management's response; and
- Reviewed the scope of internal audit plan and the results of the audit work carried out by the 3. internal audit function.

#### **INTERNAL AUDIT FUNCTION**

The Company's internal audit function reports directly to the Audit Committee and is performed in-house at a cost of RM82,000 for the financial year ended 31 December 2007. The internal auditor is independent of the activities or operations of other operating units. The internal auditor undertakes regular and systematic review of the systems of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

## Statement on Internal Control

Effective internal control and risk management practices are important in safeguarding the Group's assets and the shareholders' investment in the Company. Set out below is a statement outlining the state of the system of internal control of the Group during the financial year ended 31 December 2007.

#### **BOARD'S RESPONSIBILITIES**

It is the primary duty of the Board of Directors ("the Board") to maintain a sound system of internal control and to review its adequacy and integrity. The system of internal controls, covering risk management and the financial, operational and compliance controls, involves all key operating units within the Group and is designed to meet the Group's business objectives and to manage the risks to which it is exposed. This system, by virtue of its limitations, can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud.

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

#### 2.1 **Control Environment and Control Activities**

- An organization structure with defined lines of responsibility and a process of hierarchical reporting is in place.
- Experienced and competent staff 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 in an authority matrix for controlling and approving capital expenditure and expenses.
- Clearly documented Internal Policies, Standard Operating Procedures and Personnel Manual set to provide a clear framework for good internal control practices. These policies manuals are the subject of regular reviews to meet new business requirements.

#### 2.2 **Monitoring and Communication**

- Regular Board and Management meetings to assess performance and controls.
- Regular visits to operating units by members of the Board and senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls by the independent internal audit unit. Reports on findings of the internal audit are presented to the Audit Committee of the Board for consideration.

#### 2.3 **Risk Management**

The Group adopts an ongoing process to identify, manage and respond to internal and external factors that may affect the achievement of the Group's business objectives and performance. During the year under review, the Group's operating units, with the support of the Control & Development department, carried out risk assessment exercise to affirm the Corporate Risk Profile.

#### 3. **REVIEW OF EFFECTIVENESS**

During the year under review, the Board is of the opinion that the internal control system currently in place is adequate and effective to safeguard the Group's interest 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.

# Other Information

#### **SHARE BUY-BACK**

The Company did not buy any of its own shares during the financial year ended 31 December 2007.

## **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

Pursuant to a Trust Deed dated 11 July 2002, the Company issued RM107,490,084 nominal value of 5-year 2% Irredeemable Convertible Unsecured Loan Stocks ('ICULS') at 100% of its nominal value in satisfaction of the purchase consideration for the acquisition of two subsidiary companies, Billiontex Industries Sdn Bhd and Russella Teguh Sdn Bhd. As at 31 December 2007, all the ICULS were converted into new ordinary shares of RM1 each in the capital of the Company. Other than the above, there was no exercise of options or warrants.

#### AMERICAN DEPOSITORY RECEIPT ('ADR') OR GLOBAL DEPOSITORY RECEIPT ('GDR')

The Company did not sponsor any ADR or GDR programme.

#### **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**

There was no payment of non-audit fees to the external auditors in the financial year ended 31 December 2007.

#### **VARIATION IN RESULTS**

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2007 and the unaudited results previously announced by the Company.

#### **PROFIT GUARANTEE**

For the financial year ended 31 December 2007, there were no profit guarantees given by the Company.

#### **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 and substantial shareholders of the Company.

#### **REVALUATION POLICY**

The Group did not adopt any revaluation policy on the landed properties.

# **Directors' Report**

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

#### **PRINCIPAL ACTIVITIES**

The Company is a property and investment holding company.

The principal activities of its subsidiaries consist mainly of:

- (i) property and investment holding;
- (ii) property development;
- (iii) building and civil engineering works; and
- (iv) operation of hotels.

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

| RESULTS  | Group<br>RM'000   | Company<br>RM'000 |
|--|-------------------|-------------------|
| Loss for the year from continuing operations   | (37,715)<br>2,864 | (181,538)         |
| Profit for the year from discontinued operations  Loss for the year, attributable to equity holders of the Company | (34,851)          | (181,538)         |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 24(b) to the financial statements.

## **DIVIDENDS**

No dividend has been paid or declared since the end of the previous 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:

Tun Dato' Seri Abdul Hamid bin Omar Dato' Yap Sing Hock **Cheong Marn Seng** Chan Wah Long Yeoh Chong Keat Dr. Teoh Kim Loon Kenneth Vun @ Vun Yun Liun

(Resigned on 23 October 2007)

#### **DIRECTORS' BENEFITS**

Neither at the end of the current financial year, nor at any time during that 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 as shown in Note 25 (a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with 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                             |            | 31 Decem    |            |  |  |  |
|                     | 2007                                  | Bought     | Sold        | 2007       |  |  |  |
| The Company         |                                       |            |             |            |  |  |  |
|                     |                                       |            |             |            |  |  |  |
| Direct Interest     |                                       |            |             |            |  |  |  |
| Dato' Yap Sing Hock | 81,414,150                            | 17,890,767 | (1,978,400) | 97,326,517 |  |  |  |
| Chan Wah Long       | 445,249                               | -          | -           | 445,249    |  |  |  |
| Dr. Teoh Kim Loon   | 675,550                               | 225,000    | -           | 900,550    |  |  |  |
| Cheong Marn Seng    | 325,000                               | -          | -           | 325,000    |  |  |  |

|                     | Number of Ordinary Shares of RM1 each |        |             |             |  |  |
|---------------------|---------------------------------------|--------|-------------|-------------|--|--|
|                     | 1 January                             |        |             | 31 December |  |  |
|                     | 2007                                  | Bought | Sold        | 2007        |  |  |
| Indirect Interest   |                                       |        |             |             |  |  |
| Dato' Yap Sing Hock | 821,250                               | -      | -           | 821,250     |  |  |
| Chan Wah Long       | 15.489.037                            | _      | (1.412.000) | 14.077.037  |  |  |

Dato' Yap Sing Hock, Chan Wah Long, Dr. Teoh Kim Loon and Cheong Marn Seng by virtue of their interests in shares in the Company are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

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

#### **ISSUE OF SHARES**

During the current financial year, the Company's issued and paid-up share capital was increased from RM334,132,241 to RM361,742,241 arising from the conversion of RM27,610,000 nominal value of 5-years 2% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") into 27,610,000 new ordinary shares of RM1 each.

The new ordinary shares rank pari passu in all respects with existing ordinary shares except that they shall not be entitled to any dividend, rights and other distributions declared in respect of a financial period prior to the financial period in which the ICULS are converted.

#### OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements 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 all known bad debts had been written off and that 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) the amount written off for bad debts or the amount of the 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) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the 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 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 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.

#### **SIGNIFICANT EVENTS**

Significant events during the current financial year are as disclosed in Note 34 to the financial statements.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2008.

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 31 to 93 are drawn up in accordance with the provisions of the Companies Act 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

| Signed on behalf of the | Board in accordance w  | ith a resolution of the   | directors dated 25 April 2008   |
|-------------------------|------------------------|---------------------------|---------------------------------|
| signica on benan or the | board in accordance vi | vicii a resolation or the | an eccors dated 25 / tprin 2000 |

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 31 to 93 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 25 April 2008.

**Cheong Marn Seng** 

Before me,

Soh Ah Kau, AMN Pesuruhjaya Sumpah Kuala Lumpur, Malaysia

# Report of the Auditors

## REPORT OF THE AUDITORS TO THE MEMBERS OF LIEN HOE CORPORATION BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 31 to 93. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In the previous financial year, investment property ["The Atria Shopping Centre"] with a carrying amount of RM91,666,000 was classified as held for sale. An impairment loss of RM16,666,000 being the difference between the carrying amount and the fair value less costs to sell of the investment property was not recognised in the income statement in the prior year of the Group. This treatment by the management was not in accordance with the requirements of applicable Financial Reporting Standards in Malaysia and caused us to qualify our audit opinion on the financial statements relating to that year. A loss of RM16,666,000 arising from the disposal, which was completed during the current year, was recognised in the current year. Had the impairment loss of RM16,666,000 been recognised in the prior year, the Group's loss for the prior year and the Group's opening accumulated losses for the year would have increased by RM16,666,000 whilst the Group's loss for the current year would have decreased by the same amount.

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraph:

- the financial statements have been properly drawn up in accordance with the provisions of (a) the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended;
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

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

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act except for the qualification as detailed above for Atria Properties Sdn. Bhd.

**Ernst & Young** AF: 0039 **Chartered Accountants**  Lee Seng Huat No. 2518/12/09 (J) **Partner** 

Kuala Lumpur Malaysia 25 April 2008

# **Balance Sheets**

## **BALANCE SHEETS AS AT 31 DECEMBER 2007**

|                                  |      | Gro     | oup     | Company |         |  |
|----------------------------------|------|---------|---------|---------|---------|--|
|                                  | Note | 2007    | 2006    | 2007    | 2006    |  |
|                                  |      | RM'000  | RM'000  | RM'000  | RM'000  |  |
|                                  |      |         |         |         |         |  |
|                                  |      |         |         |         |         |  |
| ASSETS                           |      |         |         |         |         |  |
| Non-current assets               |      |         |         |         |         |  |
| Property, plant and equipment    | 3    | 110,436 | 115,590 | 10,316  | 10,296  |  |
| Land held for development        | 4(a) | 77,000  | 164,818 | -       | -       |  |
| Prepaid land lease payments      | 5    | 21,521  | 17,346  | 585     | -       |  |
| Investment properties            | 6    | 7,788   | 7,788   | -       | -       |  |
| Subsidiaries                     | 7    | -       | -       | 185,442 | 435,709 |  |
| Investment in an associate       | 8    | 17,368  | -       | 17,220  | -       |  |
| Goodwill on consolidation        | 9    | 4,328   | 5,561   | -       | -       |  |
|                                  |      | 238,441 | 311,103 | 213,563 | 446,005 |  |
| Current assets                   |      |         |         |         |         |  |
| Property development costs       | 4(b) | 11,257  | 12,034  | _       | _       |  |
| Amount due from customers        | .(2) | ,,      | 12/03 1 |         |         |  |
| for contract work                | 10   | 2,280   | 48      | _       | _       |  |
| Inventories                      | 11   | 5,459   | 10,784  | _       | _       |  |
| Receivables                      | 12   | 22,386  | 20,395  | 3,055   | 5,489   |  |
| Tax recoverable                  | 12   | 1,793   | 1,507   | 3,060   | 1,329   |  |
| Fixed deposits                   |      | 1,755   | 1,507   | 3,000   | 1,323   |  |
| with licensed banks              | 13   | 354     | 354     |         | _       |  |
| Cash and bank balances           | 13   | 6,454   | 7,620   | 1,283   | 2,665   |  |
| Cash and Dank Dalances           |      | 49,983  | 52,742  | 7,398   | 9,483   |  |
| Assets of disposal group and     |      | 49,963  | 32,742  | 7,596   | 9,463   |  |
| non-current assets classified as |      |         |         |         |         |  |
|                                  | 4.4  | 4.400   | 220.640 |         | E0 10E  |  |
| held for sale                    | 14   | 1,100   | 238,610 |         | 59,185  |  |
|                                  |      | 51,083  | 291,352 | 7,398   | 68,668  |  |
| TOTAL ASSETS                     |      | 289,524 | 602,455 | 220,961 | 514,673 |  |

|  |      | Group     |           | Company   |          |  |
|--|------|-----------|-----------|-----------|----------|--|
|  | Note | 2007      | 2006      | 2007      | 2006     |  |
|  |      | RM'000    | RM'000    | RM'000    | RM'000   |  |
| <b>EQUITY AND LIABILITIES</b>                  |      |           |           |           |          |  |
| Equity attributable to equity                  |      |           |           |           |          |  |
| holders of the Company                         |      |           |           |           |          |  |
| Share capital                                  | 15   | 361,742   | 334,132   | 361,742   | 334,132  |  |
| Reserves                                       | 16   | 72,531    | 72,451    | 70,393    | 70,393   |  |
| Accumulated losses                             |      | (254,227) | (219,376) | (267,558) | (86,020) |  |
| Total equity                                   |      | 180,046   | 187,207   | 164,577   | 318,505  |  |
| Non-current liabilities                        |      |           |           |           |          |  |
| Deferred tax liabilities                       | 17   | 23,072    | 38,883    | _         | _        |  |
| Borrowings (Secured)                           | 18   | 412       | 405       | 373       | 305      |  |
| -  |      | 23,484    | 39,288    | 373       | 305      |  |
|  |      |           |           |           |          |  |
| Current liabilities                            | 40   | 40.405    | 00.040    | 25.422    | 00.000   |  |
| Borrowings (Secured)                           | 18   | 40,406    | 88,810    | 35,132    | 80,930   |  |
| Bank overdrafts (Secured)                      | 19   | 11,719    | 13,422    | 9,537     | 11,464   |  |
| Irredeemable Convertible Unsecured Loan Stocks |      |           |           |           |          |  |
| ("ICULS")                                      | 20   |           | 27,610    |           | 27.610   |  |
| Amount due to customers for                    | 20   | -         | 27,010    | -         | 27,610   |  |
| contract work                                  | 10   | 3,417     | 33        | _         | _        |  |
| Payables                                       | 21   | 30,403    | 45,059    | 11,342    | 19,843   |  |
| Tax payable                                    | 21   | 49        | 1,485     | -         | -        |  |
| · an payares                                   |      | 85,994    | 176,419   | 56,011    | 139,847  |  |
| Liabilities directly associated with           |      | 03,334    | 170,413   | 30,011    | 133,047  |  |
| assets classified as held for sale             | 14   | _         | 199,541   | _         | 56,016   |  |
|  |      | 85,994    | 375,960   | 56,011    | 195,863  |  |
| Total Deletitates                              |      |           | <u> </u>  |           | ·        |  |
| Total liabilities                              |      | 109,478   | 415,248   | 56,384    | 196,168  |  |
| TOTAL EQUITY AND LIABILITIES                   |      | 289,524   | 602,455   | 220,961   | 514,673  |  |

# **Income Statements**

## **INCOME STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2007

|  |      | Grou     | р        | Company   |             |  |
|--|------|----------|----------|-----------|-------------|--|
|  | Note | 2007     | 2006     | 2007      | 2006        |  |
|  |      | RM'000   | RM'000   | RM'000    | RM'000      |  |
| Continuing operations  |      |          |          |           |             |  |
| Revenue  | 22   | 70,162   | 99,715   | 322       | 228         |  |
| Cost of sales  | 23   | (37,774) | (70,824) | -         | -           |  |
| Gross profit   |      | 32,388   | 28,891   | 322       | 228         |  |
| Other income   |      | 7,116    | 306      | 11,366    | 6,461       |  |
| Operating and administration   |      |          |          |           |             |  |
| expenses   |      | (35,594) | (40,824) | (8,806)   | (7,889)     |  |
| Selling expenses   |      | (205)    | (395)    | -         | - (0. =0.0) |  |
| Other expenses   |      | (22,048) | -        | (180,165) | (9,522)     |  |
| Loss from continuing operations  | 24   | (18,343) | (12,022) | (177,283) | (10,722)    |  |
| Finance costs  | 26   | (24,876) | (43,108) | (4,255)   | (8,886)     |  |
| Share of profit of an associate  |      | 148      | -        | -         |             |  |
| Loss before taxation   |      | (43,071) | (55,130) | (181,538) | (19,608)    |  |
| Taxation   | 27   | 5,356    | (785)    | -         |             |  |
| Loss for the year from continuing operations                             |      | (37,715) | (EE 01E) | (101 E20) | (10 609)    |  |
| Discontinued operations  |      | (37,713) | (55,915) | (181,538) | (19,608)    |  |
| Profit for the year from   |      |          |          |           |             |  |
| discontinued operations  | 14   | 2,864    | 2,182    | _         | _           |  |
| Loss for the year  |      | (34,851) | (53,733) | (181,538) | (19,608)    |  |
| Attributable to:   |      |          |          |           |             |  |
| Equity holders of the Company  |      | (34,851) | (53,733) | (181,538) | (19,608)    |  |
| (Loss)/profit per ordinary   |      |          |          |           |             |  |
| share of RM1 each (sen)  |      |          |          |           |             |  |
| - Basic, for loss from continuing  |      |          |          |           |             |  |
| operations   |      | (10.70)  | (18.15)  |           |             |  |
| - Basic, for profit from   |      |          |          |           |             |  |
| discontinued operations  |      | 0.81     | 0.71     |           |             |  |
|  | 28   | (9.89)   | (17.44)  |           |             |  |
| - Diluted, for loss from   |      | (40.70)  | (10.15)  |           |             |  |
| continuing operations  |      | (10.70)  | (18.15)  |           |             |  |
| <ul> <li>Diluted, for profit from<br/>discontinued operations</li> </ul> |      | 0.81     | 0.71     |           |             |  |
| discontinued operations  | 20   |          |          |           |             |  |
|  | 28   | (9.89)   | (17.44)  |           |             |  |

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

# **Statements of Changes in Equity**

## **STATEMENTS OF CHANGES IN EQUITY** FOR THE YEAR ENDED 31 DECEMBER 2007

|  |                            | <b>←</b> 1                 | Non-distributak                  | ole D                            | istributable                 |                            |                           |                 |
|--|----------------------------|----------------------------|----------------------------------|----------------------------------|------------------------------|----------------------------|---------------------------|-----------------|
|  | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Revaluation<br>reserve<br>RM'000 | Exchange<br>reserve<br>RM'000    | Capital reserve RM'000       | Total reserve RM'000       | Accumulated losses RM'000 | Total<br>RM'000 |
| Group  |                            |                            |                                  |                                  |                              |                            |                           |                 |
| At 1 January 2006  | 303,156<br>30,976          | 51,056                     | 3,616                            | 1,637                            | 17,839                       | 74,148                     | (165,643)                 | 211,661         |
| Conversion of 5-years 2% ICULS Currency translation differences - Arising during the year      | 30,976                     | -                          | -                                | -                                | -                            | -                          | -                         | 30,976          |
| recognised directly in equity  | -                          | -                          | -                                | (1,697)                          | -                            | (1,697)                    | -                         | (1,697)         |
| Net loss for the year  | -                          | -                          | -                                | -                                | -                            | -                          | (53,733)                  | (53,733)        |
| Total recognised income and expense for the year   | -                          | -                          | -                                | (1,697)                          | -                            | (1,697)                    | (53,733)                  | (55,430)        |
| At 31 December 2006  | 334,132                    | 51,056                     | 3,616                            | (60)                             | 17,839                       | 72,451                     | (219,376)                 | 187,207         |
| Conversion of 5-years 2% ICULS Currency translation differences                                | 27,610                     | -                          | -                                | -                                | -                            | •                          | -                         | 27,610          |
| - Arising during the year  | -                          | -                          | -                                | 663                              | -                            | 663                        | -                         | 663             |
| - Disposal of a subsidiary Net income recognised directly                                      | -                          | -                          | -                                | (583)                            | -                            | (583)                      | -                         | (583)           |
| in equity  | _                          | _                          | _                                | 80                               |                              | 80                         |                           | 80              |
| Net loss for the year  | _                          | _                          | _                                | -                                |                              | -                          | (34,851)                  | (34,851)        |
| Total recognised income and expense for the year   | -                          | -                          | -                                | 80                               | -                            | 80                         | (34,851)                  | (34,771)        |
| At 31 December 2007  | 361,742                    | 51,056                     | 3,616                            | 20                               | 17,839                       | 72,531                     | (254,227)                 | 180,046         |
|  |                            |                            | <b>←</b> Non-dist                | ributable <del>-&gt;-</del> D    | istributable                 |                            |                           |                 |
| Company  |                            | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000       | Revaluation<br>reserve<br>RM'000 | Capital<br>reserve<br>RM'000 | Total<br>reserve<br>RM'000 | Accumulated losses RM'000 | Total<br>RM'000 |
| Company At 1 January 2006  |                            | 303,156                    | 51,056                           | 2,596                            | 16,741                       | 70,393                     | (66,412)                  | 307,137         |
| Conversion of 5-years 2% ICULS Net loss for the year, representing total recognised income and |                            | 30,976                     | -                                | -                                | -                            | -                          | -                         | 30,976          |
| expense for the year   |                            |                            | -                                | -                                | -                            | -                          | (19,608)                  | (19,608)        |
| At 31 December 2006  |                            | 334,132                    | 51,056                           | 2,596                            | 16,741                       | 70,393                     | (86,020)                  | 318,505         |
| Conversion of 5-year 2% ICULS  Net loss for the year, representing total recognised income and |                            | 27,610                     | -                                | -                                | -                            | •                          | -                         | 27,610          |
| expense for the year   |                            | -                          | -                                | -                                | -                            | -                          | (181,538)                 | (181,538)       |
| At 31 December 2007  |                            | 361,742                    | 51,056                           | 2,596                            | 16,741                       | 70,393                     | (267,558)                 | 164,577         |

# **Cash Flow Statements**

## **CASH FLOW STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2007

|   | Group    |          | Company   |          |
|---|----------|----------|-----------|----------|
|   | 2007     | 2006     | 2007      | 2006     |
|   | RM'000   | RM'000   | RM'000    | RM'000   |
| CASH FLOW FROM OPERATING                |          |          |           |          |
| ACTIVITIES                              |          |          |           |          |
| (Loss)/profit before taxation           |          |          |           |          |
| Continuing operations                   | (43,071) | (55,130) | (181,538) | (19,608) |
| Discontinued operations                 | 2,864    | 2,424    | -         | -        |
| Adjustments for:                        |          |          |           |          |
| Bad debts written off                   | -        | 109      | -         | 101      |
| Impairment losses of:                   |          |          |           |          |
| - investment in subsidiaries            | -        | -        | 101,777   | 9,522    |
| - investment in an associate            | 9,398    | _        | 9,398     | -        |
| - land held for development             | 5,491    | _        | -         | -        |
| - investment property                   | -        | 2,162    | -         | -        |
| - goodwill                              | 802      | 865      | -         | -        |
| Depreciation of property, plant         |          |          |           |          |
| and equipment                           | 3,165    | 3,519    | 667       | 634      |
| Depreciation of investment              |          |          |           |          |
| properties                              | 1,880    | 3,823    | -         | -        |
| Amortisation of prepaid land lease      |          |          |           |          |
| payments                                | 621      | 621      | 45        | 45       |
| Property, plant and equipment           |          |          |           |          |
| written off                             | 113      | 395      | 111       | -        |
| (Gain)/loss on disposal of property,    |          |          |           |          |
| plant and equipment                     | (96)     | 1,421    | (248)     | -        |
| Loss on disposal of investment          |          |          |           |          |
| property                                | 17,135   | _        | -         | -        |
| (Gain)/loss on disposal of subsidiaries | (9,976)  | _        | 12,402    | _        |
| Interest income                         | (221)    | (137)    | (4,663)   | (6,433)  |
| Allowance for doubtful debts            |          |          |           |          |
| - trade                                 | 45       | 198      | -         | -        |
| - subsidiaries                          | -        | _        | 56,588    | _        |
| Writeback of allowance for              |          |          |           |          |
| doubtful debts - other receivables      | (1,152)  | -        | (1,152)   | _        |
| Write-down of inventories               | 5,397    | 2,568    | -         | _        |
|   |          |          |           |          |

|  | Group    |         | Company  |         |
|--|----------|---------|----------|---------|
|  | 2007     | 2006    | 2007     | 2006    |
|  | RM'000   | RM'000  | RM'000   | RM'000  |
| Interest expense                                       | 24,921   | 43,118  | 4,255    | 8,886   |
| Interest waived  | (5,258)  | -       | (5,258)  | -       |
| Share of profit of an associate                        | (148)    | -       | -        | -       |
| Operating profit/(loss) before                         |          |         |          |         |
| working capital changes                                | 11,910   | 5,956   | (7,616)  | (6,853) |
| Working capital changes:                               |          |         |          |         |
| Development properties                                 | (907)    | 12,044  | -        | -       |
| Inventories  | (72)     | 8,483   | -        | -       |
| Receivables  | (3,260)  | 20,728  | 3,587    | 1,295   |
| Payables   | (4,785)  | (7,430) | (2,027)  | 2,050   |
| Subsidiaries   | -        | -       | 21,832   | 17,095  |
| Cash generated from operations                         | 2,886    | 39,781  | 15,776   | 13,587  |
| Taxes paid   | (1,777)  | (102)   | (1,731)  | _       |
| Net cash generated from                                |          |         |          |         |
| operating activities                                   | 1,109    | 39,679  | 14,045   | 13,587  |
| CASH FLOW FROM INVESTING ACTIVITIES                    |          |         |          |         |
| Purchase of property, plant and                        |          |         |          |         |
| equipment  | (692)    | (263)   | (410)    | (83)    |
| Purchase of investment property                        | -        | (2,620) | -        | -       |
| Proceeds from disposal of property,                    |          |         |          |         |
| plant and equipment                                    | 3,400    | 3,257   | 248      | -       |
| Proceeds from disposal of investment                   | 74.244   |         |          |         |
| property   | 74,311   | -       | -        | -       |
| Net cash inflow from disposal of                       | 405.043  |         | 406 724  |         |
| subsidiaries (Note 7)                                  | 196,943  | -       | 106,731  | -       |
| Investment in an associate                             | (26,618) | 427     | (26,618) | -       |
| Interest received                                      | 221      | 137     | 195      | 66      |
| Net cash generated from/(used in) investing activities | 247,565  | 511     | 80,146   | (17)    |

|  | Gro                         | up                           | Company                   |                              |  |
|--|-----------------------------|------------------------------|---------------------------|------------------------------|--|
|  | 2007                        | 2006                         | 2007                      | 2006                         |  |
|  | RM'000                      | RM'000                       | RM'000                    | RM'000                       |  |
| CASH FLOW FROM FINANCING ACTIVITIES  |                             |                              |                           |                              |  |
| Repayment of revolving credits   | (11,433)                    | (3,567)                      | (11,433)                  | (3,567)                      |  |
| Repayment of hire purchase payables  | (551)                       | (535)                        | (233)                     | (237)                        |  |
| Net repayment of term loans Net drawdown/(repayment) of bankers'   | (79,253)                    | (10,335)                     | (75,848)                  | (3,555)                      |  |
| acceptances  | 1,057                       | (2,463)                      | -                         | -                            |  |
| Repayment of Secured Notes  Net movement of fixed deposits   | (132,210)                   | -                            | -                         | -                            |  |
| pledged for banking facilities   | _                           | (20)                         | _                         | _                            |  |
| Interest paid  | (27,005)                    | (16,689)                     | (6,132)                   | (3,315)                      |  |
| Net cash used in financing activities  | (249,395)                   | (33,609)                     | (93,646)                  | (10,674)                     |  |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR CASH AND CASH EQUIVALENTS AT END OF YEAR | (721)<br>(4,544)<br>(5,265) | 6,581<br>(11,125)<br>(4,544) | 545<br>(8,799)<br>(8,254) | 2,896<br>(11,695)<br>(8,799) |  |
| Cash and cash equivalents comprise:  |                             |                              |                           |                              |  |
| Cash and bank balances   | 6,454                       | 7,620                        | 1,283                     | 2,665                        |  |
| Bank overdrafts  | (11,719)                    | (13,422)                     | (9,537)                   | (11,464)                     |  |
|  | (5,265)                     | (5,802)                      | (8,254)                   | (8,799)                      |  |
| Cash and bank balances classified as   |                             |                              |                           |                              |  |
| held for sale (Note 14)  |                             | 1,258                        | -                         |                              |  |
| Total cash and cash equivalents  | (5,265)                     | (4,544)                      | (8,254)                   | (8,799)                      |  |

# **Notes to the Financial Statements**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007**

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 18th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is property and investment holding. The principal activities of the subsidiaries are property and investment holding, property development, building and civil works and operation of hotels. There have been no significant changes in the nature of these activities during 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 25 April 2008.

### 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new/revised and amendment to Financial Reporting Standards ("FRSs") as described in Note 2(b).

The financial statements of the Group and of the Company have also been prepared on a historical cost basis and are presented in Ringgit Malaysia ("RM").

# (b) Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following new/revised and amendment to FRSs mandatory for their financial periods:

FRS 6 Exploration for and Evaluation of Mineral Resources

Amendment to Employee Benefits – Actuarial Gains and Losses, Group Plans

FRS 119<sub>2004</sub> and Disclosures

FRS 124 Related Party Disclosures

FRS 6 Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119<sub>2004</sub> Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures do not apply to the activities of the Group and of the Company.

The adoption of FRS 124 Related Party Disclosures, did not have any significant impact on the financial statements of the Group and of the Company except for additional disclosure requirements.

The Group and the Company have early adopted FRS 117 Leases, which is mandatory for annual financial periods beginning on or after 1 October 2006, in the previous financial year.

At the date of authorisation of these financial statements, the following new/revised and amendment to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

|                          |   | Effective for financial |
|--------------------------|---|-------------------------|
|                          |   | periods                 |
|                          |   | beginning on            |
| FRSs and Interpretations |   | or after                |
| FRS 107                  | Cash Flow Statements                        | 1 July 2007             |
| FRS 111                  | Construction Contracts                      | 1 July 2007             |
| FRS 112                  | Income Taxes                                | 1 July 2007             |
| FRS 118                  | Revenue                                     | 1 July 2007             |
| FRS 120                  | Accounting for Government Grants and        |                         |
|                          | Disclosure of Government Assistance         | 1 July 2007             |
| Amendment to             | The Effects of Changes in Foreign           |                         |
| FRS 121                  | Exchange Rates                              | 1 July 2007             |
| FRS 134                  | Interim Financial Reporting                 | 1 July 2007             |
| FRS 137                  | Provisions, Contingent Liabilities and      |                         |
|                          | Contingent Assets                           | 1 July 2007             |
| FRS 139                  | Financial Instruments: Recognition          |                         |
|                          | and Measurement                             | Deferred                |
| IC Interpretation 1      | Changes in Existing Decommissioning,        |                         |
|                          | <b>Restoration and Similar Liabilities</b>  | 1 July 2007             |
| IC Interpretation 2      | Members' Shares in Co-operative Entities    |                         |
|                          | and Similar Instruments                     | 1 July 2007             |
| IC Interpretation 5      | Rights to Interests Arising from            |                         |
|                          | Decommissioning, Restoration and            |                         |
|                          | <b>Environmental Rehabilitation Funds</b>   | 1 July 2007             |
| IC Interpretation 6      | Liabilities Arising from Participating in a |                         |
|                          | Specific Market - Waste Electrical and      |                         |
|                          | Electronic Equipment                        | 1 July 2007             |
| IC Interpretation 7      | Applying the Restatement Approach           |                         |
|                          | under FRS 1292004 - Financial Reporting     |                         |
|                          | in Hyperinflationary Economies              | 1 July 2007             |
| IC Interpretation 8      | Scope of FRS 2 - Share Based Payment        | 1 July 2007             |
|                          |   |                         |

FRS 120 and the Interpretations do not apply to the activities of the Group and of the Company.

The other new/revised and amendment to FRSs are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

# (c) Significant Accounting Judgements and Estimates

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

# - Key sources of estimation uncertainty

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

# (i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2007 was RM4,328,000 (2006: RM5,561,000). Further details are disclosed in Note 9.

# (ii) 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 Note 27 and Note 17 respectively.

#### (d) **Subsidiaries and Basis of Consolidation**

### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involved allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition 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 acquisition.

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

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

### (ii) Associates

An associate is defined as a company, not being a subsidiary, in which the Group has a long term equity interest of not less than 20% and in which the Group exercises significant influence over the financial and operating policy decisions.

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 balance sheet at cost adjusted for postacquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in 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 net investment in the associate. The 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.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. 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.

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.

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

#### (e) 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 any 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 amount of goodwill might be impaired. The policy for the recognition and the measurement of impairment losses is in accordance with Note 2(r).

#### (f) **Investments in Subsidiaries and Associates**

Investment in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and the measurement of impairment losses is in accordance with Note 2(r). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### (q) **Property, Plant and Equipment and Depreciation**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for certain short leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and the measurement of impairment losses is in accordance with Note 2(r).

Certain short leasehold buildings have not been revalued since they were first revalued in 1988. The directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1988 valuation less accumulated depreciation and impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Other property, plant and equipment are depreciated on the straight line basis so as 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 residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

### (h) 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. The policy for the recognition and the measurement of impairment losses is in accordance with Note 2(r).

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 or use. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

# (i) Land Held for Development and Property Development Costs

### (i) Land held for development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. Cost includes cost of land and attributable development expenditure. The policy for the recognition and the measurement of impairment losses is in accordance with Note 2(r).

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

### (ii) 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 the income statement 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.

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

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

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

#### (j) **Construction Contracts**

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. 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.

When 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.

### (k) 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. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction and appropriate development overheads.

### (I) Leases

### (i) Classification

A lease is recognised as a financial lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

# (ii) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as

borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(g).

# (iii) Operating leases

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

In the case of a lease of land and buildings, the minimum lease payments or the upfront payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

Certain short leasehold land have not been revalued since they were first revalued in 1988. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1988 valuation. The deemed costs is recognised as an expense on a straight line basis over the term of the relevant lease.

### (m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that

taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

# (n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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.

# (o) Employee Benefits

### (i) 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 of the Group. 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.

# (ii) Defined contribution plans

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

#### (p) **Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably.

# (i) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

### (ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(j).

### (iii) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discount upon the transfer of risks and rewards.

# (iv) 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.

# (v) Revenue from letting of properties and car parks

Revenue from letting of properties and car parks is recognised on an accrual basis.

# (vi) Dividend income

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

#### **Foreign Currencies** (q)

### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

# (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items is included in profit or loss for the period.

# (r) Impairment of Assets

The carrying amounts of the Group's assets, other than construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. CGU have been defined in Note 2(c)(i). Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs 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.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### **(s) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

# (i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand, at banks, deposits at call (excluding deposits pledged for banking facilities granted to the Group and the Company), net of outstanding bank overdrafts.

### (ii) Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

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

### (iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

## (iv) Payables

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

# (v) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less direct attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

### (vi) Irredeemable convertible unsecured loan stocks ("ICULS")

The Company has applied the transitional provisions of FRS 1322004: Financial Instruments: Disclosure and Presentation which became effective for financial statements covering periods beginning on or after 1 January 2002.

Under the transitional provisions of FRS 1322004, the classification of the component parts of the ICULS as required under FRS 1322004 need not be complied with for financial instruments that are issued before 1 January 2003. For the purpose of preparation of the financial statements, the ICULS are classified as a liability.

# (vii)Equity instruments

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

#### 3. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold<br>land<br>RM'000 | Freehold<br>buildings<br>RM'000 | Long<br>leasehold<br>buildings<br>RM'000 | Short<br>leasehold<br>buildings<br>RM'000 | Plant and<br>machinery and<br>motor vehicles<br>RM'000 | Furniture,<br>fittings and<br>equipment<br>RM'000 | Total<br>RM'000         |
|--|----------------------------|---------------------------------|--|---|--|---|-------------------------|
| Group  |                            |                                 |  |   |  |   |                         |
| At 31 December 2007                            |                            |                                 |  |   |  |   |                         |
| Cost/Valuation                                 |                            |                                 |  |   |  |   |                         |
| At 1 January 2007 - at cost<br>Additions       | 13,039                     | 6,899                           | 109,793                                  | 308                                       | 5,928<br><b>771</b>                                    | 10,753<br><b>271</b>                              | 146,720<br><b>1,042</b> |
| Disposals                                      | -                          | (3,680)                         | -  | -   | (2,184)  | (1)   | (5,865)                 |
| Write off                                      | -                          | -                               | -  | -   | (20)   | (798)   | (818)                   |
| Reclassified from held for sale                |                            | •                               | •  | 1,798                                     | •  | •   | 1,798                   |
| At 31 December 2007                            | 13,039                     | 3,219                           | 109,793                                  | 2,106                                     | 4,495  | 10,225  | 142,877                 |
| Representing:                                  | 42,020                     | 2 240                           | 400 702                                  | 4.003                                     | 4.405  | 40.225  | 444 774                 |
| At cost<br>At valuation                        | 13,039                     | 3,219                           | 109,793                                  | 1,003<br>1,103                            | 4,495  | 10,225  | 141,774<br>1,103        |
| At 31 December 2007                            | 13,039                     | 3,219                           | 109,793                                  | 2,106                                     | 4,495  | 10,225  | 142,877                 |
| Accumulated Depreciation and Impairment Losses |                            |                                 |  |   |  |   |                         |
| At 1 January 2007                              |                            |                                 |  |   |  |   |                         |
| Accumulated depreciation                       | 1,702                      | 164<br>592                      | 15,360                                   | 122                                       | 4,777  | 8,413   | 28,836                  |
| Accumulated impairment losses                  |                            |                                 | 15 200                                   | - 122                                     |  | - 0.412   | 2,294                   |
| Charge for the year                            | 1,702                      | 756<br><b>20</b>                | 15,360<br><b>1,718</b>                   | 122<br><b>88</b>                          | 4,777<br><b>572</b>                                    | 8,413<br><b>767</b>                               | 31,130<br><b>3,165</b>  |
| Disposals                                      |                            | (406)                           | -  | -   | (2,154)  | (1)   | (2,561)                 |
| Write off                                      | -                          | -                               | -  | -   | (20)   | (685)   | (705)                   |
| Reclassified from held for sale                |                            | -                               | -  | 1,412                                     | •  | -   | 1,412                   |
| At 31 December 2007                            | 1,702                      | 370                             | 17,078                                   | 1,622                                     | 3,175  | 8,494   | 32,441                  |
| Analysed as:                                   |                            |                                 |  |   |  |   |                         |
| Accumulated depreciation                       | -                          | 184                             | 17,078                                   | 1,622                                     | 3,175  | 8,494   | 30,553                  |
| Accumulated impairment losses                  | 1,702                      | 186                             | -  | -   | -  | -   | 1,888                   |
|  | 1,702                      | 370                             | 17,078                                   | 1,622                                     | 3,175  | 8,494   | 32,441                  |
| <b>Net Carrying Amount</b>                     |                            |                                 |  |   |  |   |                         |
| At 31 December 2007 - at cost                  | 11,337                     | 2,849                           | 92,715                                   | 484                                       | 1,320  | 1,731   | 110,436                 |

| Group  | Freehold<br>land<br>RM'000 | Freehold<br>buildings<br>RM'000 | Long<br>leasehold<br>buildings<br>RM'000 | Short<br>leasehold<br>buildings<br>RM'000 | Plant and<br>machinery and<br>motor vehicles<br>RM'000 | Furniture,<br>fittings and<br>equipment<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|---------------------------------|--|---|--|---|---|-----------------|
| At 31 December 2006                                    |                            |                                 |  |   |  |   |   |                 |
| Cost/Valuation   |                            |                                 |  |   |  |   |   |                 |
| At 1 January 2006                                      |                            |                                 |  |   |  |   |   |                 |
| At cost  | 20,484                     | 5,719                           | 109,793                                  | 1,003                                     | 6,025  | 10,767  | 1,516                                     | 155,307         |
| At valuation   | -                          | -                               | -  | 1,103                                     | -  | -   | -   | 1,103           |
|  | 20,484                     | 5,719                           | 109,793                                  | 2,106                                     | 6,025  | 10,767  | 1,516                                     | 156,410         |
| Additions  | -                          | -                               | -  | -   | 362  | 161   | -   | 523             |
| Disposals  | (7,445)                    | _                               | _  | _   | (450)  | (114)   | _   | (8,009)         |
| Write off  | -                          | _                               | -  | _   | (9)  | (61)  | (336)                                     | (406)           |
| Transfer   | -                          | 1,180                           | -  | -   | -  | -   | (1,180)                                   | -               |
| Reclassified as held for sale                          | -                          | -                               | -  | (1,798)                                   | -  | -   | -   | (1,798)         |
| At 31 December 2006                                    | 13,039                     | 6,899                           | 109,793                                  | 308                                       | 5,928  | 10,753  | -   | 146,720         |
| Representing: At 31 December 2006 - at cost            | 13,039                     | 6,899                           | 109,793                                  | 308                                       | 5,928  | 10,753  | -   | 146,720         |
| Accumulated Depreciation and Impairment Losses         |                            |                                 |  |   |  |   |   |                 |
| At 1 January 2006 Accumulated depreciation Accumulated | -                          | 143                             | 13,642                                   | 1,443                                     | 4,506  | 7,392   | -   | 27,126          |
| impairment losses                                      | 4,647                      | 406                             | -  | -   | -  | -   | 186                                       | 5,239           |
|  | 4,647                      | 549                             | 13,642                                   | 1,443                                     | 4,506  | 7,392   | 186                                       | 32,365          |
| Charge for the year                                    | -                          | 21                              | 1,718                                    | 91  | 580  | 1,109   | -   | 3,519           |
| Disposals  | (2,945)                    | -                               | -  | -   | (304)  | (82)  | -   | (3,331)         |
| Write off  | -                          | -                               | -  | -   | (5)  | (6)   | -   | (11)            |
| Transfer   | -                          | 186                             | -  | -   | -  | -   | (186)                                     | -               |
| Reclassified as held for sale                          | -                          | -                               | -  | (1,412)                                   | -  | -   | -   | (1,412)         |
| At 31 December 2006                                    | 1,702                      | 756                             | 15,360                                   | 122                                       | 4,777  | 8,413   | -   | 31,130          |
| Analysed as:   |                            |                                 |  |   |  |   |   |                 |
| Accumulated depreciation Accumulated                   | -                          | 164                             | 15,360                                   | 122                                       | 4,777  | 8,413   | -   | 28,836          |
| impairment losses                                      | 1,702                      | 592                             | -  | -   | -  | -   | -   | 2,294           |
|  | 1,702                      | 756                             | 15,360                                   | 122                                       | 4,777  | 8,413   | -   | 31,130          |
| Net Carrying Amount At 31 December 2006                |                            |                                 |  |   |  |   |   |                 |
| - at cost  | 11,337                     | 6,143                           | 94,433                                   | 186                                       | 1,151  | 2,340   | -   | 115,590         |
|  |                            |                                 |  |   |  |   |   |                 |

|   | Freehold<br>land<br>RM'000 | Freehold<br>buildings<br>RM'000 | Short<br>leasehold<br>building<br>RM'000 | Plant and<br>machinery and<br>motor vehicles<br>RM'000 | Furniture,<br>fittings and<br>equipment<br>RM'000 | Total<br>RM'000 |
|---|----------------------------|---------------------------------|--|--|---|-----------------|
| Company   |                            |                                 |  |  |   |                 |
| At 31 December 2007                               |                            |                                 |  |  |   |                 |
| Cost/Valuation                                    |                            |                                 |  |  |   |                 |
| At 1 January 2007 - at cost                       | 9,980                      | 1,180                           | -  | 3,354  | 4,245   | 18,759          |
| Additions   | -                          | -                               | -  | 632  | 128   | 760             |
| Disposals   | -                          | -                               | -  | (1,146)  | (1)   | (1,147)         |
| Write off   | -                          | -                               | -  | (20)   | (795)   | (815)           |
| Reclassified from held for sale                   | -                          | -                               | 755                                      | -  | -   | 755             |
| At 31 December 2007                               | 9,980                      | 1,180                           | 755                                      | 2,820  | 3,577   | 18,312          |
| Representing:                                     |                            |                                 |  |  |   |                 |
| At cost   | 9,980                      | 1,180                           | -  | 2,820  | 3,577   | 17,557          |
| At valuation                                      | -                          | -                               | 755                                      | -  | -   | 755             |
| At 31 December 2007                               | 9,980                      | 1,180                           | 755                                      | 2,820  | 3,577   | 18,312          |
| Accumulated Depreciation and Impairment Losses    |                            |                                 |  |  |   |                 |
| At 1 January 2007                                 |                            |                                 |  |  |   |                 |
| Accumulated depreciation                          | _                          | _                               | _  | 2,685  | 3,890   | 6,575           |
| Accumulated impairment losses                     | 1,702                      | 186                             | -  | -  | -   | 1,888           |
|   | 1,702                      | 186                             | -  | 2,685  | 3,890   | 8,463           |
| Charge for the year                               | -                          | -                               | 38                                       | 394  | 235   | 667             |
| Disposals   | -                          | -                               |  | (1,146)  | (1)   | (1,147)         |
| Write off   | -                          | -                               |  | (20)   | (684)   | (704)           |
| Reclassified from held for sale                   | -                          | -                               | 717                                      | -  | -   | 717             |
| At 31 December 2007                               | 1,702                      | 186                             | 755                                      | 1,913  | 3,440   | 7,996           |
| Analysed as:                                      |                            |                                 |  |  |   |                 |
| Accumulated depreciation                          | -                          | -                               | 755                                      | 1,913  | 3,440   | 6,108           |
| Accumulated impairment losses                     | 1,702                      | 186                             | -  | -  | -   | 1,888           |
|   | 1,702                      | 186                             | 755                                      | 1,913  | 3,440   | 7,996           |
| Net Carrying Amount At 31 December 2007 - at cost | 8,278                      | 994                             |  | 907  | 137   | 10,316          |
| ACOT December 2007 - at Cost                      | 0,270                      |                                 |  | 307  | 13/   | 10,510          |

|  | Freehold<br>land<br>RM'000 | Freehold<br>buildings<br>RM'000 | Short<br>leasehold<br>building<br>RM'000 | Plant and<br>machinery and<br>motor vehicles<br>RM'000 | Furniture,<br>fittings and<br>equipment<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|---------------------------------|--|--|---|---|-----------------|
| Company At 31 December 2006 Cost/Valuation     |                            |                                 |  |  |   |   |                 |
| At 1 January 2006                              |                            |                                 |  |  |   |   |                 |
| At cost  | 9,980                      | -                               | _  | 3,021  | 4,235   | 1,180                                     | 18,416          |
| At valuation                                   | -                          | -                               | 755                                      | -  | -   | -   | 755             |
|  | 9,980                      | -                               | 755                                      | 3,021  | 4,235   | 1,180                                     | 19,171          |
| Additions                                      | _                          | -                               | -  | 333  | 10  | -   | 343             |
| Transfer                                       | -                          | 1,180                           | -  | -  | -   | (1,180)                                   | -               |
| Reclassified as held for sale                  | -                          | -                               | (755)                                    | -  | -   | -   | (755)           |
| At 31 December 2006                            | 9,980                      | 1,180                           | -  | 3,354  | 4,245   | -   | 18,759          |
| Representing:                                  |                            |                                 |  |  |   |   |                 |
| At 31 December 2006 - at cost                  | 9,980                      | 1,180                           | -  | 3,354  | 4,245   | -   | 18,759          |
| Accumulated Depreciation and Impairment Losses |                            |                                 |  |  |   |   |                 |
| At 1 January 2006                              |                            |                                 |  |  |   |   |                 |
| Accumulated depreciation                       | -                          | -                               | 679                                      | 2,328  | 3,651   | -   | 6,658           |
| Accumulated impairment losses                  | 1,702                      | -                               | -  | -  | -   | 186                                       | 1,888           |
|  | 1,702                      | -                               | 679                                      | 2,328  | 3,651   | 186                                       | 8,546           |
| Charge for the year                            | -                          | -                               | 38                                       | 357  | 239   | -   | 634             |
| Transfer                                       | -                          | 186                             | -  | -  | -   | (186)                                     | -               |
| Reclassified as held for sale                  | -                          | -                               | (717)                                    | -  | -   | -   | (717)           |
| At 31 December 2006                            | 1,702                      | 186                             | -  | 2,685  | 3,890   | -   | 8,463           |
| Analysed as:                                   |                            |                                 |  |  |   |   |                 |
| Accumulated depreciation                       | -                          | -                               | -  | 2,685  | 3,890   | -   | 6,575           |
| Accumulated impairment losses                  | 1,702                      | 186                             | -  | -  | -   | -   | 1,888           |
|  | 1,702                      | 186                             | -  | 2,685  | 3,890   | -   | 8,463           |
| <b>Net Carrying Amount</b>                     |                            |                                 |  |  |   |   |                 |
| At 31 December 2006 - at cost                  | 8,278                      | 994                             | -  | 669  | 355   | -   | 10,296          |

- (a) The property, plant and equipment of the Group and of the Company are stated at cost except for certain short leasehold buildings which were revalued in 1988 at RM1,103,000 and RM755,000 respectively by the directors based on valuations carried out by independent valuers on an open market basis. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment, these assets continued to be stated at their 1988 valuations. The cost of these revalued short leasehold buildings had been fully depreciated.
- During the year, the Group and the Company acquired property, plant and equipment (b) with an aggregate cost of RM1,042,000 (2006: RM523,000) and RM760,000 (2006: RM343,000) respectively, of which RM350,000 (2006: RM260,000) and RM350,000 (2006: RM260,000) respectively were acquired under hire purchase arrangements.
- (c) Included in property, plant and equipment of the Group and of the Company are assets under hire purchase arrangements with a total net book value of RM1,001,000 (2006: RM883,000) and RM895,000 (2006: RM662,000) respectively.
- (d) The long leasehold building of the Group is charged to a financial institution for facilities granted to the Company as disclosed in Notes 18 and 19.
- (e) As at 31 December 2007, the title deeds of freehold land at cost of the Company of RM9,980,000 (2006: RM9,980,000) is in the process of being transferred to the Company.

#### LAND HELD FOR DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS 4.

# (a) Land held for development

|                                       | Group  |          |  |
|---------------------------------------|--------|----------|--|
|                                       | 2007   | 2006     |  |
|                                       | RM'000 | RM'000   |  |
| Freehold land, at cost                |        |          |  |
| At 1 January                          | -      | 22,561   |  |
| Disposal during the year              | -      | (8,236)  |  |
| Transfer to property development cost | _      | (14,325) |  |
| At 31 December                        | -      | _        |  |
| Accumulated impairment losses         |        |          |  |
| At 1 January                          | -      | (4,235)  |  |
| Disposal during the year              | -      | 4,235    |  |
| At 31 December                        | -      | -        |  |
| Carrying amount for freehold land     | _      | -        |  |

|     |  | Group    |         |  |
|-----|--|----------|---------|--|
|     |  | 2007     | 2006    |  |
|     |  | RM'000   | RM'000  |  |
|     | Leasehold land, at valuation                     |          |         |  |
|     | At 1 January                                     | 156,500  | 156,500 |  |
|     | Disposal during the year                         | (78,000) | -       |  |
|     | Impairment loss                                  | (1,500)  | -       |  |
|     | At 31 December                                   | 77,000   | 156,500 |  |
|     | Development expenditure                          |          |         |  |
|     | At 1 January                                     | 8,318    | 8,131   |  |
|     | Cost incurred during the year                    | 1,684    | 1,747   |  |
|     | Disposal during the year                         | (6,011)  | -       |  |
|     | Impairment loss                                  | (3,991)  | -       |  |
|     | Transfer to property development cost            |          | (1,560) |  |
|     | At 31 December                                   |          | 8,318   |  |
|     | Net carrying amount of land held for development | 77,000   | 164,818 |  |
| (b) | Property development costs                       |          |         |  |
|     | At 1 January                                     | 12,034   | 5,939   |  |
|     | Cost incurred during the year                    | 183      | 139     |  |
|     | Disposal during the year                         | (960)    | (9,929) |  |
|     | Transfer from land held for development          |          | 15,885  |  |
|     | At 31 December                                   | 11,257   | 12,034  |  |
|     |  |          |         |  |

#### 5. **PREPAID LAND LEASE PAYMENTS**

|                                    | G      | roup    | Company |        |  |
|------------------------------------|--------|---------|---------|--------|--|
|                                    | 2007   | 2006    | 2007    | 2006   |  |
|                                    | RM'000 | RM'000  | RM'000  | RM'000 |  |
| At 1 January                       | 17,346 | 23,863  | _       | 675    |  |
| Reclassified from/(to) non-current |        |         |         |        |  |
| assets held for sale (Note 14)     | 4,796  | (5,896) | 630     | (630)  |  |
| Amortisation for the year          | (621)  | (621)   | (45)    | (45)   |  |
| At 31 December                     | 21,521 | 17,346  | 585     | -      |  |
| Analysed as:                       |        |         |         |        |  |
| Long term leasehold land           | 17,051 | 17,346  | -       | -      |  |
| Short term leasehold land          | 4,470  | -       | 585     | -      |  |
|                                    | 21,521 | 17,346  | 585     | _      |  |

The long leasehold land of the Group is charged to a financial institution for facilities granted to the Company as disclosed in Notes 18 and 19.

#### 6. **INVESTMENT PROPERTIES**

|  | Group  |           |  |
|--|--------|-----------|--|
|  | 2007   | 2006      |  |
|  | RM'000 | RM'000    |  |
| Cost   |        |           |  |
| At 1 January                                     | 17,814 | 284,784   |  |
| Addition   | -      | 2,620     |  |
| Reclassified to non-current assets held for sale | -      | (269,590) |  |
| At 31 December                                   | 17,814 | 17,814    |  |
| Accumulated depreciation and impairment losses   |        |           |  |
| At 1 January                                     | 10,026 | 43,446    |  |
| Depreciation charge for the year                 | -      | 3,823     |  |
| Impairment loss recognised in income statement   | -      | 2,162     |  |
| Reclassified to non-current assets held for sale | -      | (39,405)  |  |
| At 31 December                                   | 10,026 | 10,026    |  |
| Net carrying amount                              |        |           |  |
| At 31 December                                   | 7,788  | 7,788     |  |

#### **7**. **SUBSIDIARIES**

|   | Company   |          |
|---|-----------|----------|
|   | 2007      | 2006     |
|   | RM′000    | RM'000   |
| Unquoted shares, at cost                        | 198,372   | 252,559  |
| Accumulated impairment losses                   | (126,502) | (24,726) |
|   | 71,870    | 227,833  |
| Amount owing by subsidiaries                    | 247,316   | 347,888  |
| Amount owing to subsidiaries                    | (5,524)   | (9,863)  |
|   | 313,662   | 565,858  |
| Reclassified to non-current asset held for sale | -         | (58,517) |
|   | 313,662   | 507,341  |
| Allowance for doubtful debts                    | (128,220) | (71,632) |
|   | 185,442   | 435,709  |
|   |           |          |

The amounts owing by subsidiaries are in respect of advances to and payments made on behalf of the subsidiaries. These amounts are unsecured, have no fixed terms of repayment and bear interest at 0.5% to 5.5% (2006: 0.5% to 8.6%) per annum.

The amounts owing to subsidiaries are interest free, unsecured and have no fixed terms of repayment.

Details of the subsidiaries are as follows:

| Name of<br>Company                            | Country of Incorporation | Principal Activities                       | Effective<br>2007<br>% | Interest<br>2006<br>% |
|---|--------------------------|--|------------------------|-----------------------|
| Advantage Equity Sdn. Bhd.                    | Malaysia                 | Property investment                        | -                      | 100                   |
| Atria Properties Sdn. Bhd.                    | Malaysia                 | Property investment                        | 100                    | 100                   |
| Beta Management<br>Services Sdn. Bhd.         | Malaysia                 | Property investment                        | 100                    | 100                   |
| Billiontex Industries Sdn. Bhd.               | Malaysia                 | Property development                       | -                      | 100                   |
| Bondmark Construction<br>Services Sdn. Bhd.   | Malaysia                 | Inactive                                   | 100                    | 100                   |
| Broadland Food Industries Sdn. Bhd.           | Malaysia                 | Inactive                                   | 100                    | 100                   |
| Christine Inn & Recreation Sdn. Bhd.          | Malaysia                 | Operation of hotel                         | 100                    | 100                   |
| Dominion Bay Sdn. Bhd.                        | Malaysia                 | Inactive                                   | 100                    | 100                   |
| Hasil Andalas Sdn. Bhd.                       | Malaysia                 | Car park operator                          | 100                    | 100                   |
| Holiday Plaza Complex<br>Management Sdn. Bhd. | Malaysia                 | Inactive                                   | 100                    | 100                   |
| Hotel Armada (PJ) Sdn. Bhd.                   | Malaysia                 | Property investment and operation of hotel | 100                    | 100                   |
| Hotel Armada Group<br>Sdn. Bhd.               | Malaysia                 | Investment holding                         | 100                    | 100                   |
| Irama Serangkai Sdn. Bhd.                     | Malaysia                 | Inactive                                   | 100                    | 100                   |

| Name of<br>Company                        | Country of Incorporation | Principal Activities                 | Effective<br>2007<br>% | e Interest<br>2006<br>% |
|---|--------------------------|--------------------------------------|------------------------|-------------------------|
| Leboh Ampang Plaza<br>Sdn. Bhd.           | Malaysia                 | Inactive                             | 100                    | 100                     |
| LH Bintang Development Sdn. Bhd.          | Malaysia                 | Land and housing development         | 100                    | 100                     |
| LH Commercials Pte. Ltd.                  | Singapore                | Investment holding                   | 100                    | 100                     |
| LH Indah Apartments<br>Sdn. Bhd.          | Malaysia                 | Property investment                  | 100                    | 100                     |
| LH Indah Apartments<br>(First) Sdn. Bhd.  | Malaysia                 | Property investment                  | 100                    | 100                     |
| LH Indah Apartments<br>(Second) Sdn. Bhd. | Malaysia                 | Property investment                  | 100                    | 100                     |
| Lien Hoe Property  Management Sdn. Bhd.   | Malaysia                 | Inactive                             | 100                    | 100                     |
| Lien Hoe Resorts<br>Sdn. Bhd.             | Malaysia                 | Inactive                             | 100                    | 100                     |
| Lien Hoe Square Sdn. Bhd.                 | Malaysia                 | Property investment                  | 100                    | 100                     |
| Lien Hoe Tower Sdn. Bhd.                  | Malaysia                 | Property investment                  | -                      | 100                     |
| Macro Resources Sdn. Bhd.                 | Malaysia                 | Building and civil engineering works | 100                    | 100                     |
| Menara Lien Hoe Sdn. Bhd.                 | Malaysia                 | Inactive                             | 100                    | 100                     |
| Pembinaan Macro<br>Resources Sdn. Bhd.    | Malaysia                 | Building and civil engineering works | 100                    | 100                     |
| Macro Technology<br>Sdn. Bhd.             | Malaysia                 | Inactive                             | 100                    | 100                     |
| Russella Teguh Sdn. Bhd.                  | Malaysia                 | Property development                 | 100                    | 100                     |
| Taman Templer Sdn. Bhd.                   | Malaysia                 | Inactive                             | 100                    | 100                     |

# **Disposal of subsidiaries**

# During the current financial year:

- (a) The Company completed the disposal of the entire issued and paid-up capital of Lien Hoe Tower Sdn. Bhd. for a consideration equivalent to the outstanding credit facilities amounting to RM56,920,000 owing by the Company at the date of completion and the disposal of the entire issued and paid-up capital of Billiontex Industries Sdn. Bhd. for a cash consideration of RM65,000,000. Details are disclosed in Note 34.
- (b) LH Commercials Pte Ltd, a wholly owned subsidiary, completed the disposal of the entire issued and paid-up capital of Advantage Equity Sdn. Bhd. for a cash consideration of RM94,709,627. Details are disclosed in Note 34.

The disposals had the following effects on the financial position of the Group as at the end of the current financial year:

|                                       | 2007<br>RM′000 |
|---------------------------------------|----------------|
| Property, plant and equipment         | 136,857        |
| Land held for development Receivables | 84,011<br>820  |
| Fixed deposit                         | 210            |
| Cash and bank balances                | 1,597          |
|                                       | 223,495        |
|                                       |                |
| Payables                              | (6,200)        |
| Tax payable                           | (196)          |
| Deferred tax liabilities              | (14,463)       |
|                                       | (20,859)       |
|                                       |                |
| Net assets disposed                   | 202,636        |
| Goodwill (Note 9)                     | 431            |
| Exchange reserve                      | (583)          |
|                                       | 202,484        |
| Gain on disposal of subsidiaries      | 9,976          |
|                                       | 212,460        |
|                                       |                |

Included in the above are RM139,484,000 and RM6,396,000 classified as asset of disposal group and liabilities associated with disposal group respectively in the previous financial year.

|   | Group<br>2007<br>RM'000 | Company<br>2007<br>RM'000 |
|---|-------------------------|---------------------------|
| Disposal proceeds settled by :                        |                         |                           |
| Cash  | 202,710                 | 108,000                   |
| Less: Expenses directly attributable to the disposals | (4,170)                 | (1,269)                   |
| Other than cash                                       | 13,920                  | 13,920                    |
|   | 212,460                 | 120,651                   |
| Cash inflow arising on disposals:                     |                         |                           |
| Cash consideration                                    | 198,540                 | 106,731                   |
| Cash and cash equivalents of subsidiaries disposed    | (1,597)                 | -                         |
| Net cash inflow                                       | 196,943                 | 106,731                   |

#### 8. **INVESTMENT IN AN ASSOCIATE**

|                                     | Group   |        | Company |        |
|-------------------------------------|---------|--------|---------|--------|
|                                     | 2007    | 2006   | 2007    | 2006   |
|                                     | RM'000  | RM'000 | RM'000  | RM'000 |
| Quoted shares, at cost              | 26,618  | _      | 26,618  | _      |
| Less: Accumulated impairment losses | (9,398) | -      | (9,398) | -      |
|                                     | 17,220  | -      | 17,220  | -      |
| Share of post-acquisition results   | 148     | -      | -       | -      |
|                                     | 17,368  | -      | 17,220  | -      |
| Market value of quoted shares       | 17,220  | -      | 17,220  | -      |

The quoted shares are charged to a financial institution for facility granted to the Company as disclosed in Note 18.

During the current financial year, the Company acquired 20.56% equity interest in Perduren (M) Berhad for a cash consideration of RM26,618,000.

The summarised financial information of the associate from the date of acquisition are as follows:

# **Assets and Liabilities**

| 7133Ct3 dild EldSilities | 2007         |
|--------------------------|--------------|
|                          |              |
|                          | RM'000       |
|                          |              |
| Current assets           | 31,461       |
| Non-current assets       | 288,647      |
| Total assets             | 320,108      |
| Current liabilities      | 4E 067       |
|                          | 45,067       |
| Non-current liabilities  | 76,668       |
| Total liabilities        | 121,735      |
|                          |              |
| Results                  |              |
| Revenue                  | 6,312        |
| Profit for the period    | 718          |
|                          | <del>-</del> |

# Details of the associate are as follows:

| Name of             | <b>Country of</b> | <b>Effective Interest</b> |      |                             |
|---------------------|-------------------|---------------------------|------|-----------------------------|
| Company             | Incorporation     | 2007                      | 2006 | <b>Principal Activities</b> |
|                     |                   | %                         | %    |                             |
| Perduren (M) Berhad | Malaysia          | 20.56                     | _    | Investment holding          |

#### 9. **GOODWILL ON CONSOLIDATION**

|  | Group  |        |
|--|--------|--------|
|  | 2007   | 2006   |
|  | RM'000 | RM'000 |
| At 1 January                                   | 5,561  | 6,426  |
| Impairment loss recognised in income statement | (802)  | (865)  |
| Disposal of a subsidiary (Note 7)              | (431)  | -      |
| Net carrying amount                            | 4,328  | 5,561  |

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

|                  | Construction<br>RM'000 | Hotel<br>Operations<br>RM'000 | Property<br>Investment<br>RM'000 | Property<br>Development<br>RM'000 | Total<br>RM'000 |
|------------------|------------------------|-------------------------------|----------------------------------|-----------------------------------|-----------------|
| 31 December 2007 | 52                     | 4,276                         | -                                | -                                 | 4,328           |
| 31 December 2006 | 52                     | 4,276                         | 381                              | 852                               | 5,561           |

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 CGU 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 ten-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 10% and a growth rate of 5%. 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.
- The profit margin used in the projections are based on the historical profit margin trend (c) for the individual cash generating unit or budgeted profit margin for predetermined projects obtained.

Impairment losses on goodwill totaling RM802,000 is recognised for the property investment and property development segment during the current financial year.

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

# 10. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

|   | Group     |           |
|---|-----------|-----------|
|   | 2007      | 2006      |
|   | RM'000    | RM'000    |
| Construction costs incurred to date                   | 130,192   | 99,018    |
| Attributable profit                                   | 8,788     | 4,673     |
|   | 138,980   | 103,691   |
| Progress billings                                     | (140,117) | (103,676) |
|   | (1,137)   | 15        |
| Amount due from customers for contract work           | 2,280     | 48        |
| Amount due to customers for contract work             | (3,417)   | (33)      |
|   | (1,137)   | 15        |
| Retention sums on contracts, included within          |           |           |
| trade receivables (Note 12)                           | 7,549     | 6,597     |
| Contract revenue recognised as an income (Note 22)    | 36,183    | 55,064    |
| Construction costs recognised as an expense (Note 23) | 32,158    | 52,357    |

# 11. INVENTORIES

|  | Group  |        |
|--|--------|--------|
|  | 2007   | 2006   |
|  | RM'000 | RM'000 |
| At cost:                                   |        |        |
| Consumables                                | 679    | 607    |
|  |        |        |
| At net realisable value:                   |        |        |
| Land, completed apartments and office lots | 4,780  | 10,177 |
|  | 5,459  | 10,784 |

The title deeds for office lots with book value of RM150,000 (2006: RM283,000) are in the process of being transferred to the Group.

During the current financial year, inventories were written down by RM5,397,000 (2006: RM2,568,000) to their net realisable value.

#### 12. **RECEIVABLES**

|                                       | Group    |          | Company  |          |
|---------------------------------------|----------|----------|----------|----------|
|                                       | 2007     | 2006     | 2007     | 2006     |
|                                       | RM'000   | RM'000   | RM'000   | RM'000   |
| Trade receivables                     | 10,066   | 7,758    | 23       | 23       |
| Retention sums on contracts (Note 10) | 7,549    | 6,597    | -        | -        |
| Allowance for doubtful debts          | (1,139)  | (1,842)  | -        | -        |
|                                       | 16,476   | 12,513   | 23       | 23       |
| Other receivables                     | 25,767   | 41,652   | 22,889   | 38,462   |
| Allowance for doubtful debts          | (19,857) | (33,770) | (19,857) | (32,996) |
|                                       | 22,386   | 20,395   | 3,055    | 5,489    |

Included in other receivables is an unsecured interest free advance of RM10,655,000 (2006: RM10,655,000) given to a third party by a subsidiary, prior to the acquisition of this subsidiary by the Group. In year 2003, this said amount was assigned to the Company by the subsidiary and a provision of RM7,512,000 has been made. In year 2005, the third party entered into a settlement agreement with the Company for an amount of RM4,262,000 as full settlement. As at 31 December 2007, an amount of RM2,557,000 remained outstanding.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than the amount due from the debtor as stated above.

The Group's normal trade credit term ranges from 7 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

#### **FIXED DEPOSITS WITH LICENSED BANKS** 13

The fixed deposits are pledged to financial institutions for banking facilities granted to the Group. The deposits earn interest of 3% (2006: 3%) per annum and have average maturities of 1 year (2006: 1 year).

#### 14. ASSETS OF DISPOSAL GROUP AND NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the current financial year, the disposals of Lien Hoe Tower Sdn. Bhd., Billiontex Industries Sdn. Bhd., Advantage Equity Sdn. Bhd and commercial property known as "The Atria Shopping Centre" were completed as disclosed in Note 34.

Details of the disposal of the discontinued operations are as disclosed in Note 7.

An analysis of the result of the discontinued operations is as follows:

|  | Group   |          |
|--|---------|----------|
|  | 2007    | 2006     |
|  | RM'000  | RM'000   |
| Revenue  | 8,209   | 14,450   |
| Expenses                                       | (5,300) | (12,016) |
| Finance costs                                  | (45)    | (10)     |
| Profit before tax of discontinued operations   | 2,864   | 2,424    |
| Taxation                                       | -       | (242)    |
| Profit for the year of discontinued operations | 2,864   | 2,182    |

The following amounts have been included in arriving at profit for the year of discontinued

| operations:   | G      | Froup  |
|---|--------|--------|
|   | 2007   | 2006   |
|   | RM'000 | RM'000 |
| Auditors' remuneration  | -      | 22     |
| Staff costs:  |        |        |
| Wages and salaries  | 912    | 1,604  |
| Social security costs   | 13     | 23     |
| Pension costs - defined contribution plans                                | 89     | 145    |
| Depreciation of investment properties                                     | 1,880  | 3,823  |
| Impairment loss of investment property                                    | -      | 2,162  |
| Allowance for doubtful debts  | -      | 66     |
| Bad debt written off  | -      | 4      |
| Direct operating expenses of investment properties with                   |        |        |
| income generated during the year  | 2,488  | 4,122  |
|   |        | _      |
|   |        | Group  |
|   |        | 2006   |
|   |        | RM'000 |
| Current year income tax   |        | 79     |
| Underprovision of income tax expense in prior years                       |        | 12     |
|   |        | 91     |
| Deferred tax:   |        |        |
| Deferred tax relating to origination and reversal of temporary difference | es     | 36     |
| Deferred tax recognised at different tax rates                            |        | (9)    |
| Underprovision of deferred tax in prior years                             |        | 124    |
|   |        | 151    |
| Total in some tay average of discontinued arountinue                      |        | 242    |
| Total income tax expense of discontinued operations                       |        | 242    |

The cash flows attributable to the discontinued operations are as follows:

|                      | Group   |
|----------------------|---------|
|                      | 2006    |
|                      | RM'000  |
| Operating cash flows | 10,992  |
| Investing cash flows | (4,629) |
| Financing cash flows | (5,494) |
| Total cash flows     | 869     |

The major classes of assets and liabilities and other assets classified as disposal group and noncurrent assets held for sale in the consolidated balance sheet are as follows:-

|   | <b>Carrying Amount</b> |         |
|---|------------------------|---------|
|   | 2007                   | 2006    |
|   | RM'000                 | RM'000  |
|   |                        |         |
| Assets  |                        |         |
| Property, plant and equipment   | 386                    | 386     |
| Prepaid land lease payments   | 5,896                  | 5,896   |
| Investment properties   | -                      | 230,185 |
| Receivables   | -                      | 675     |
| Fixed deposit with a licensed bank  | -                      | 210     |
| Cash and bank balances  | -                      | 1,258   |
| Reclassification *  | (5,182)                | -       |
| Assets of disposal group and non-current assets classified as held for sale | 1,100                  | 238,610 |

| Carr  | ying Amount<br>2006<br>RM'000 |
|---|-------------------------------|
| Liabilities   |                               |
| Borrowings (secured)  | 173,643                       |
| Payables  | 21,637                        |
| Tax payable   | 196                           |
| Deferred tax liabilities  | 4,065                         |
| Liabilities directly associated with assets classified as held for sale | 199,541                       |

The non-current assets classified as held for sale in the Company's balance sheet is as follows:

|   | <b>Carrying amount</b> |        |
|---|------------------------|--------|
|   | 2007                   | 2006   |
|   | RM'000                 | RM'000 |
| Assets  |                        |        |
| Property, plant and equipment   | 38                     | 38     |
| Prepaid land lease payments   | 630                    | 630    |
| Reclassification *  | (668)                  | -      |
| Subsidiaries  | _                      | 58,517 |
| Non-current assets classified as held for sale                          | -                      | 59,185 |
| Liabilities   |                        |        |
| Borrowings (secured)  | -                      | 41,433 |
| Payables  | -                      | 14,583 |
| Liabilities directly associated with assets classified as held for sale | -                      | 56,016 |

<sup>\*</sup> Property, plant and equipment of the Group and of the Company amounting to RM386,000 and RM38,000 respectively and prepaid land lease payment of RM4,796,000 and RM630,000 of the Group and of the Company respectively that was previously classified as non-current assets held for sale have been reclassified to the respective balance sheet item as the sale and purchase agreement was aborted.

On 23 August 2007, Hasil Andalas Sdn. Bhd., a wholly owned subsidiary entered into a sale and purchase agreement to dispose leasehold land with a carrying amount of RM1,100,000 to Villa Hartamas Sdn. Bhd. for a cash consideration of RM1,500,000. Accordingly, the asset is classified as non current assets held for sale.

### 15. SHARE CAPITAL

|                               | Group and Company  |           |           |           |
|-------------------------------|--------------------|-----------|-----------|-----------|
|                               | Number of Ordinary |           |           |           |
|                               | Shares of RM1 Each |           | Amount    |           |
|                               | 2007               | 2006      | 2007      | 2006      |
|                               | <b>'000</b>        | ′000      | RM'000    | RM'000    |
| Authorised:                   |                    |           |           |           |
| 1 January/31 December         | 1,000,000          | 1,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid:        |                    |           |           |           |
| At 1 January                  | 334,132            | 303,156   | 334,132   | 303,156   |
| Conversion of ICULS (Note 20) | 27,610             | 30,976    | 27,610    | 30,976    |
| At 31 December                | 361,742            | 334,132   | 361,742   | 334,132   |

During the current financial year, the Company's issued and paid-up share capital was increased from RM334,132,241 to RM361,742,241 arising from the conversion of RM27,610,000 nominal value of 5-years 2% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") into 27,610,000 new ordinary shares of the Company of RM1 each.

The new ordinary shares rank pari passu in all respects with existing ordinary shares except that they shall not be entitled to any dividend, rights and other distributions declared in respect of a financial period prior to the financial period in which the ICULS are converted.

#### 16. **RESERVES**

|                                     |      | Group  |        | Cor    | mpany  |  |
|-------------------------------------|------|--------|--------|--------|--------|--|
|                                     |      | 2007   | 2006   | 2007   | 2006   |  |
|                                     | Note | RM'000 | RM'000 | RM'000 | RM'000 |  |
| Share premium                       |      |        |        |        |        |  |
| - non distributable                 | _    | 51,056 | 51,056 | 51,056 | 51,056 |  |
| Reserves                            |      |        |        |        |        |  |
| (i) Non-distributable:              |      |        |        |        |        |  |
| - Revaluation reserve               |      | 3,616  | 3,616  | 2,596  | 2,596  |  |
| - Exchange reserve                  | (a)  | 20     | (60)   | -      |        |  |
|                                     | -    | 3,636  | 3,556  | 2,596  | 2,596  |  |
| (ii) Distributable:                 |      |        |        |        |        |  |
| <ul> <li>Capital reserve</li> </ul> | (b)  | 17,839 | 17,839 | 16,741 | 16,741 |  |
|                                     | _    | 72,531 | 72,451 | 70,393 | 70,393 |  |

- Movement in exchange reserve is disclosed in the statements of changes in equity. (a)
- The capital reserve relates to the revaluation reserve portion for land and buildings (b) which have been previously disposed.

#### **DEFERRED TAX LIABILITIES** 17.

|                                      | Group    |         |
|--------------------------------------|----------|---------|
|                                      | 2007     | 2006    |
|                                      | RM'000   | RM'000  |
| At 1 January                         | 38,883   | 41,985  |
| Recognised in income statement       |          |         |
| - Continuing operations              | (5,413)  | 812     |
| - Discontinued operations            | -        | 151     |
| Disposal of subsidiaries             | (14,463) | -       |
| Reclassified from/(to) held for sale | 4,065    | (4,065) |
| At 31 December                       | 23,072   | 38,883  |

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

## **Deferred tax liabilities of the Group**

|                                 | Accelerated<br>capital<br>allowances<br>RM'000 | Fair value<br>adjustment<br>arising from<br>business<br>combination<br>RM'000 | Revaluation<br>of properties<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--|---|--|-----------------|
| At 1 January 2007               | 5,766  | 8,627   | 28,660                                 | 43,053          |
| Recognised in income statement  | -  | (1,487)   | (5,329)                                | (6,816)         |
| Disposal of subsidiaries        | (163)  | -   | (14,312)                               | (14,475)        |
| Reclassified from held for sale | 163  | 68  | 3,846                                  | 4,077           |
| At 31 December 2007             | 5,766  | 7,208   | 12,865                                 | 25,839          |
| At 1 January 2006               | 5,988  | 8,799   | 32,564                                 | 47,351          |
| Recognised in income statement  | (59)   | (104)   | (58)                                   | (221)           |
| Reclassified to held for sale   | (163)  | (68)  | (3,846)                                | (4,077)         |
| At 31 December 2006             | 5,766  | 8,627   | 28,660                                 | 43,053          |

## **Deferred tax assets of the Group**

|                                 | Tax losses<br>and<br>unabsorbed<br>capital<br>allowances<br>RM'000 | Provisions<br>RM'000 | Others<br>RM'000 | Total<br>RM′000 |
|---------------------------------|--|----------------------|------------------|-----------------|
| At 1 January 2007               | (4,138)  | (10)                 | (22)             | (4,170)         |
| Recognised in income statement  | 1,403  | -                    | -                | 1,403           |
| Disposal of subsidiaries        | -  | 12                   | -                | 12              |
| Reclassified from held for sale | -  | (12)                 | -                | (12)            |
| At 31 December 2007             | (2,735)  | (10)                 | (22)             | (2,767)         |
| At 1 January 2006               | (5,258)  | (86)                 | (22)             | (5,366)         |
| Recognised in income statement  | 1,120  | 64                   | _                | 1,184           |
| Reclassified to held for sale   | -  | 12                   | -                | 12              |
| At 31 December 2006             | (4,138)  | (10)                 | (22)             | (4,170)         |

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

|                               | Group  |        |  |
|-------------------------------|--------|--------|--|
|                               | 2007   | 2006   |  |
|                               | RM'000 | RM'000 |  |
| Unused tax losses             | 22,751 | 22,348 |  |
| Unabsorbed capital allowances | 1,016  | 704    |  |
|                               | 23,767 | 23,052 |  |

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose subject to no substantial changes in shareholdings of those subsidiaries under Section 44(5A) and (5B) of 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 they may not be used to offset against taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

#### 18. **BORROWINGS (SECURED)**

|                                  | Group  |           | Cor    | ompany   |  |
|----------------------------------|--------|-----------|--------|----------|--|
|                                  | 2007   | 2006      | 2007   | 2006     |  |
|                                  | RM'000 | RM'000    | RM'000 | RM'000   |  |
|                                  |        |           |        |          |  |
| Short term borrowings:           |        |           |        |          |  |
| Revolving credits                | 10,900 | 22,333    | 10,900 | 22,333   |  |
| Bankers' acceptances             | 4,309  | 3,252     | -      | -        |  |
| Term loans                       | 24,882 | 104,135   | 23,977 | 99,825   |  |
| Hire purchase payables (Note 29) | 315    | 523       | 255    | 205      |  |
| Secured notes                    | -      | 132,210   | -      | -        |  |
|                                  | 40,406 | 262,453   | 35,132 | 122,363  |  |
| Reclassified as held for sale    | -      | (173,643) | -      | (41,433) |  |
|                                  | 40,406 | 88,810    | 35,132 | 80,930   |  |
| Long term borrowings:            |        |           |        |          |  |
| Hire purchase payables (Note 29) | 412    | 405       | 373    | 305      |  |

|  | Group  |        | Cor    | Company |  |
|--|--------|--------|--------|---------|--|
|  | 2007   | 2006   | 2007   | 2006    |  |
|  | RM'000 | RM'000 | RM'000 | RM'000  |  |
| Total borrowings:  |        |        |        |         |  |
| Revolving credits  | 10,900 | 22,333 | 10,900 | 22,333  |  |
| Bankers' acceptances                                       | 4,309  | 3,252  | -      | -       |  |
| Term loans   | 24,882 | 62,702 | 23,977 | 58,392  |  |
| Hire purchase payables (Note 29)                           | 727    | 928    | 628    | 510     |  |
|  | 40,818 | 89,215 | 35,505 | 81,235  |  |
| Maturity of borrowings (excluding hire purchase payables): |        |        |        |         |  |
| Within 1 year  | 40,091 | 88,287 | 34,877 | 80,725  |  |

The range of effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, was as follows:

|                      | Group      |            | Company    |            |
|----------------------|------------|------------|------------|------------|
|                      | 2007       | 2006       | 2007       | 2006       |
|                      | %          | %          | %          | %          |
| Revolving credits    | 6.6        | 6.6 - 8.0  | 6.6        | 6.6 - 8.0  |
| Bankers' acceptances | 5.5 - 6.4  | 5.5 - 6.4  | -          | -          |
| Term loans           | 9.8 - 13.0 | 7.6 - 11.7 | 9.8 - 13.0 | 7.6 - 11.7 |
| Secured notes        | -          | 24.0       | _          | _          |

The revolving credits and term loans of the Group and of the Company are secured on the long leasehold property of a subsidiary and quoted shares in an associate as disclosed in Notes 3, 5 and 8 and other fixed and floating assets and liabilities of the subsidiary.

In 2005, a wholly owned subsidiary company, LH Commercials Pte. Ltd., a company incorporated in Singapore, issued SGD46,500,000 17.777778 per cent Secured Notes due 2007 ("Secured Notes"). The Secured Notes were secured by:

- (a) legal charges over the landed properties of two subsidiaries, constituting (i) a land held in Mukim of Sungei Buloh, District of Petaling, Selangor with a commercial building erected thereon known as "The Atria Shopping Centre" and (ii) a land held in Mukim of Plentong, Daerah Johor Bahru, Johor with a commercial building erected thereon known as "Kompleks Lien Hoe";
- (b) first fixed and floating charges over all the properties, undertaking and assets of LH Commercials Pte. Ltd., and its subsidiaries of (i) Advantage Equity Sdn. Bhd. and (ii) Atria Properties Sdn. Bhd.; and
- (c) a charge over all moneys in the Cash Reserve Account.

The Secured Notes were fully repaid in the current financial year upon the completion of the sale of the commercial property known as "The Atria Shopping Centre" and Advantage Equity Sdn. Bhd.

#### **BANK OVERDRAFTS (SECURED)** 19.

The bank overdrafts bear interest at rates ranging from 5.1% to 10.2% (2006: 5.1% to 10.2%) per annum. The bank overdrafts are secured on the long leasehold property of a subsidiary as disclosed in Notes 3 and 5 and other fixed and floating assets and liabilities of the subsidiary.

#### 20. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**

|   | <b>Group and Company</b> |          |
|---|--------------------------|----------|
|   | 2007                     | 2006     |
|   | RM'000                   | RM'000   |
| At 1 January  | 27,610                   | 58,586   |
| Converted to new ordinary shares of the Company (Note 15) | (27,610)                 | (30,976) |
| At 31 December  | -                        | 27,610   |

On 13 July 2002, the Company issued RM107,490,084 5-years 2% ICULS at 100% of its nominal value towards full settlement of the consideration for the acquisition of 100% equity interest in Billiontex Industries Sdn. Bhd. and Russella Teguh Sdn. Bhd.

The terms of the ICULS were as follows:

- maturity date 5 years ending from and including the date of issue of the ICULS; (a)
- conversion rate on the basis of RM1 nominal value of ICULS for 1 new fully paid ordinary (b) share of RM1 in the Company;
- conversion rights the ICULS shall be convertible into new ordinary shares in the Company (c) at any time throughout the tenure of the ICULS during which they are outstanding;
- the remaining ICULS outstanding on the maturity date will be mandatorily converted by the Company into new ordinary shares in the Company;
- the ICULS bear interest at 2% per annum, payable annually in arrears from the date of issue during the 5-years period that they remain outstanding, except that the last coupon payment shall be made on the maturity date of the ICULS; and
- (f) upon conversion of the ICULS into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company except that they shall not be entitled to any dividend, rights and other distribution declared in respect of a financial period prior to the financial period in which the ICULS are converted.

## 21. PAYABLES

|                                | 0      | Group  |        | Company |  |
|--------------------------------|--------|--------|--------|---------|--|
|                                | 2007   | 2006   | 2007   | 2006    |  |
|                                | RM′000 | RM'000 | RM'000 | RM'000  |  |
| Trade payables Other payables: | 14,194 | 15,728 | -      | 650     |  |
| - accruals                     | 4,256  | 16,732 | 1,425  | 8,072   |  |
| - others                       | 11,953 | 12,599 | 9,917  | 11,121  |  |
|                                | 30,403 | 45,059 | 11,342 | 19,843  |  |

The normal trade credit terms granted to the Group range from 7 to 90 days.

## 22. REVENUE

|                                    | Group  |        | Company |        |
|------------------------------------|--------|--------|---------|--------|
|                                    | 2007   | 2006   | 2007    | 2006   |
|                                    | RM'000 | RM'000 | RM'000  | RM'000 |
| Rental income                      | 8,789  | 13,685 | 322     | 228    |
| Contract revenue from construction |        |        |         |        |
| contracts (Note 10)                | 36,183 | 55,064 | -       | -      |
| Revenue from operation of hotels   | 24,120 | 23,302 | -       | -      |
| Revenue from property development  | 1,000  | 7,392  | -       | -      |
| Others                             | 70     | 272    | -       | -      |
|                                    | 70,162 | 99,715 | 322     | 228    |

## 23. COST OF SALES

|   | Group         |                  |  |
|---|---------------|------------------|--|
|   | 2007          | 2006             |  |
|   | RM'000        | RM'000           |  |
| Cost of inventories and others                      | 4,656         | 4,524            |  |
| Contract cost from construction contracts (Note 10) | 32,158        | 52,357           |  |
| Property development cost                           | 960           | 13,943           |  |
|   | 37,774        | 70,824           |  |
| Contract cost from construction contracts (Note 10) | 32,158<br>960 | 52,357<br>13,943 |  |

## 24. LOSS FROM CONTINUING OPERATIONS

|   | Group          |                | Cor            | Company        |  |
|---|----------------|----------------|----------------|----------------|--|
|   | 2007<br>RM'000 | 2006<br>RM'000 | 2007<br>RM'000 | 2006<br>RM'000 |  |
| Loss from continuing operations is stated after charging/(crediting): |                |                |                |                |  |
| Auditors' remuneration  | 181            | 199            | 55             | 55             |  |
| Impairment loss of goodwill (Note 9)                                  | 802            | 865            | -              | -              |  |
| Staff costs (Note (a))  | 8,768          | 9,770          | 1,903          | 1,781          |  |
| Directors' emoluments (Note 25 (a))                                   | 3,508          | 2,693          | 2,800          | 1,938          |  |
| Depreciation of property, plant                                       |                |                |                |                |  |
| and equipment (Note 3)  | 3,165          | 3,519          | 667            | 634            |  |
| Amortisation of prepaid land lease                                    |                |                |                |                |  |
| payment (Note 5)  | 621            | 621            | 45             | 45             |  |
| Property, plant and equipment written of                              | f <b>113</b>   | 395            | 111            | -              |  |
| (Gain)/loss on disposal of property,                                  |                |                |                |                |  |
| plant and equipment   | (96)           | 1,421          | (248)          | -              |  |
| Interest income from:   |                |                |                |                |  |
| - subsidiaries  | -              | -              | (4,468)        | (6,367)        |  |
| - others  | (221)          | (137)          | (195)          | (66)           |  |
| Interest waived   | (5,258)        | -              | (5,258)        | -              |  |
| Allowance for doubtful debts  |                |                |                |                |  |
| - trade receivables   | 45             | 132            | -              | -              |  |
| Write-back of allowance for   |                |                |                |                |  |
| doubtful debts - other receivables                                    | (1,152)        | -              | (1,152)        | -              |  |
| Other expenses (Note (b))   | 22,048         | -              | 180,165        | 9,522          |  |
| Write-down of inventories   | 5,397          | 2,568          | -              | -              |  |
| Bad debts written off   | -              | 105            | -              | 101            |  |
| Rental expense of buildings   |                |                |                |                |  |
| - subsidiaries  | -              | -              | 562            | 749            |  |
| - others  | 210            | 11             | 169            | -              |  |

|  | Group          |                | Cor            | Company        |  |
|--|----------------|----------------|----------------|----------------|--|
|  | 2007<br>RM'000 | 2006<br>RM'000 | 2007<br>RM'000 | 2006<br>RM'000 |  |
| Note (a) - Staff costs comprise:   |                |                |                |                |  |
| Wages and salaries Social security costs Pension costs - defined                     | 7,540<br>94    | 8,640<br>94    | 1,726<br>18    | 1,612<br>16    |  |
| contribution plans Other staff related expenses                                      | 721<br>413     | 779<br>257     | <b>159</b>     | 153<br>-       |  |
|  | 8,768          | 9,770          | 1,903          | 1,781          |  |
| Note (b) - Other expenses comprise:  |                |                |                |                |  |
| Impairment losses of:  |                |                |                |                |  |
| <ul> <li>investment in subsidiaries</li> </ul>                                       | -              | -              | 101,777        | 9,522          |  |
| - investment in an associate   | 9,398          | -              | 9,398          | -              |  |
| <ul> <li>land held for development</li> <li>Allowance for doubtful debts:</li> </ul> | 5,491          | -              | -              | -              |  |
| - subsidiaries   | -              | -              | 56,588         | -              |  |
| (Gain)/loss on disposal of subsidiaries  | (9,976)        | -              | 12,402         | -              |  |
| Loss on disposal of investment property  | 17,135         | -              | -              | -              |  |
|  | 22,048         | -              | 180,165        | 9,522          |  |

## 25. KEY MANAGEMENT PERSONNEL REMUNERATION

## (a) Directors

|                               | Group  |        | Cor    | Company |  |
|-------------------------------|--------|--------|--------|---------|--|
|                               | 2007   | 2006   | 2007   | 2006    |  |
|                               | RM'000 | RM'000 | RM'000 | RM'000  |  |
| Directors of the Company:     |        |        |        |         |  |
| Executive:                    |        |        |        |         |  |
| Salaries and other emoluments | 3,120  | 2,258  | 2,724  | 1,862   |  |
| Benefits-in-kind              | 37     | 37     | 30     | 37      |  |
| _                             | 3,157  | 2,295  | 2,754  | 1,899   |  |
| Non-executive:                |        |        |        |         |  |
| Fees                          | 76     | 76     | 76     | 76      |  |
| _                             | 3,233  | 2,371  | 2,830  | 1,975   |  |
| -                             |        |        |        |         |  |

|     |                                      | Group  |        | Cor    | Company |  |
|-----|--------------------------------------|--------|--------|--------|---------|--|
|     |                                      | 2007   | 2006   | 2007   | 2006    |  |
|     |                                      | RM'000 | RM'000 | RM'000 | RM'000  |  |
|     | Directors of subsidiaries:           |        |        |        |         |  |
|     | Executive:                           |        |        |        |         |  |
|     | Salaries and other emoluments        | 312    | 359    | -      | -       |  |
|     | Benefits-in-kind                     | -      | 6      | -      | _       |  |
|     | -                                    | 312    | 365    | -      |         |  |
|     | Total                                | 3,545  | 2,736  | 2,830  | 1,975   |  |
|     | Analysis excluding benefits-in-kind: |        |        |        |         |  |
|     | Total executive directors'           |        |        |        |         |  |
|     | remuneration                         | 3,432  | 2,617  | 2,724  | 1,862   |  |
|     | Total non-executive directors'       |        |        |        |         |  |
|     | remuneration                         | 76     | 76     | 76     | 76      |  |
|     | Total directors' remuneration        | 3,508  | 2,693  | 2,800  | 1,938   |  |
| (b) | Other key management personnel       |        |        |        |         |  |
|     | Wages and salaries                   | 990    | 1,119  | 379    | 474     |  |
|     | Social security costs                | 2      | 2      | 1      | 1       |  |
|     | Pension costs - defined              |        |        |        |         |  |
|     | contribution plans                   | 115    | 128    | 45     | 55      |  |
|     | _                                    | 1,107  | 1,249  | 425    | 530     |  |
|     |                                      |        |        |        |         |  |

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

|                            | Number of Direct |      |
|----------------------------|------------------|------|
|                            | 2007             | 2006 |
| Executive directors:       |                  |      |
| RM350,001 to RM400,000     | 1                | 1    |
| RM800,001 to RM850,000     | 1                | 1    |
| RM1,000,001 to RM1,050,000 | -                | 1    |
| RM1,900,001 to RM1,950,000 | 1                | -    |
| Non-executive directors:   |                  |      |
| Below RM50,000             | 4                | 4    |

## **26. FINANCE COSTS**

|                                    | Group  |        | Company |        |
|------------------------------------|--------|--------|---------|--------|
|                                    | 2007   | 2006   | 2007    | 2006   |
|                                    | RM'000 | RM'000 | RM'000  | RM'000 |
| Hire purchase and lease interest   | 82     | 92     | 32      | 39     |
| Revolving credit, bank overdrafts, |        |        |         |        |
| bankers' acceptances and trust     |        |        |         |        |
| receipts                           | 2,857  | 3,536  | 2,423   | 3,072  |
| ICULS *                            | (291)  | 766    | (291)   | 766    |
| Secured notes                      | 15,593 | 28,314 | -       | -      |
| Term loans                         | 6,635  | 10,400 | 2,091   | 5,009  |
|                                    | 24,876 | 43,108 | 4,255   | 8,886  |

<sup>\*</sup> Reversal of over-recognised interest on ICULS in prior year.

## 27. TAXATION

|  | Group          |                |
|--|----------------|----------------|
|  | 2007<br>RM'000 | 2006<br>RM'000 |
| Current year income tax                        | 57             | 38             |
| Overprovision of income tax                    |                |                |
| expense in prior years                         | -              | (65)           |
|  | 57             | (27)           |
| Deferred tax (Note 17):                        |                |                |
| Deferred tax relating to origination and       |                |                |
| reversal of temporary differences              | (5,665)        | 824            |
| Deferred tax recognised at different tax rates | (66)           | (62)           |
| Underprovision of deferred tax in prior years  | 318            | 50             |
|  | (5,413)        | 812            |
| Total income tax expense from                  |                |                |
| continuing operations                          | (5,356)        | 785            |

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% effective for year of assessment 2008 and to 25% effective for year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to loss for the year at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

|   | 2007      | 2006     |
|---|-----------|----------|
|   | RM'000    | RM'000   |
| Group   |           |          |
| (Loss)/profit before taxation                               |           |          |
| - Continuing operations                                     | (43,071)  | (55,130) |
| - Discontinued operations (Note 14)                         | 2,864     | 2,424    |
|   | (40,207)  | (52,706) |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | (10,856)  | (14,759) |
| Deferred tax recognised at different tax rates              | (66)      | (71)     |
| Effect of expenses not deductible for tax purposes          | 8,902     | 12,182   |
| Income not subject to tax                                   | (3,847)   | -        |
| Utilisation of previously unrecognised tax losses and       |           |          |
| unabsorbed capital allowances                               | -         | (52)     |
| Deferred tax assets not recognised during the year          | 193       | 3,606    |
| Underprovision of deferred tax in prior years               | 318       | 174      |
| Overprovision of income tax expense in prior years          |           | (53)     |
| Tax expense for the year                                    | (5,356)   | 1,027    |
|   |           |          |
| Company   |           |          |
| Loss before taxation  | (181,538) | (19,608) |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | ( 49,015) | (5,490)  |
| Effect of expenses not deductible for tax purposes          | 49,006    | 4,582    |
| Deferred tax assets not recognised during the year          | 9         | 908      |
|   |           |          |

Tax expense for the year

#### 28. (LOSS)/PROFIT PER ORDINARY SHARE

#### (a) **Basic**

The basic (loss)/profit per ordinary share is calculated by dividing the net (loss)/profit for the year by the weighted average number of ordinary shares in issue during the financial year.

|  | Gr       | oup      |
|--|----------|----------|
|  | 2007     | 2006     |
|  | RM'000   | RM'000   |
| Loss from continuing operations attributable to ordinary     |          |          |
| equity holders of the Company                                | (37,715) | (55,915) |
| Profit from discontinued operations attributable to ordinary |          |          |
| equity holders of the Company                                | 2,864    | 2,182    |
| Loss attributable to ordinary equity holders of the Company  | (34,851) | (53,733) |
|  |          |          |
|  | 2007     | 2006     |
|  | '000     | '000     |
| Weighted average number of ordinary shares in issue          | 352,490  | 308,154  |
|  | 2007     | 2006     |
|  | Sen      | Sen      |
| Basic (loss)/profit per ordinary share for:                  |          |          |
| - Continuing operations                                      | (10.70)  | (18.15)  |
| - Discontinued operations                                    | 0.81     | 0.71     |
|  | (9.89)   | (17.44)  |
|  |          |          |

#### (b) **Diluted**

In the previous financial year, the outstanding ICULS have been excluded from the computation of fully diluted loss per share as their conversion to ordinary shares would be anti-dilutive in nature. Accordingly, the basic and fully diluted loss per share are the same. No dilution of basic loss per ordinary shares for the current financial year.

#### 29. HIRE PURCHASE PAYABLES

|  | G      | roup   | Con    | Company |  |
|--|--------|--------|--------|---------|--|
|  | 2007   | 2006   | 2007   | 2006    |  |
|  | RM'000 | RM'000 | RM'000 | RM'000  |  |
| Minimum lease payments:  |        |        |        |         |  |
| Not later than 1 year Later than 1 year and not later than     | 362    | 604    | 290    | 235     |  |
| 2 years  Later than 2 year and not later than                  | 241    | 295    | 219    | 223     |  |
| 5 years  | 223    | 170    | 204    | 130     |  |
| _  | 826    | 1,069  | 713    | 588     |  |
| Less: Future finance charges                                   | (99)   | (141)  | (85)   | (78)    |  |
| Present value of hire purchase payables                        | 727    | 928    | 628    | 510     |  |
| Present value of finance lease liabilities:                    |        |        |        |         |  |
| Not later than 1 year Later than 1 year and not later than     | 315    | 523    | 255    | 205     |  |
| 2 years  Later than 2 year and not later than                  | 211    | 257    | 191    | 196     |  |
| 5 years  | 201    | 148    | 182    | 109     |  |
| -  | 727    | 928    | 628    | 510     |  |
| Analysed as:   |        |        |        |         |  |
| Due within 12 months included as current liabilities (Note 18) | 315    | 523    | 255    | 205     |  |
| Due after 12 months included as                                |        | 323    |        | 200     |  |
| non-current liabilities (Note 18)                              | 412    | 405    | 373    | 305     |  |
| _  | 727    | 928    | 628    | 510     |  |

The hire purchase payables bear interest at the balance sheet date of 4.0% to 13.0% (2006: 6.0% to 13.0%) per annum.

#### 30. **CONTINGENT LIABILITIES**

|                                    | Group  |        | Company |        |
|------------------------------------|--------|--------|---------|--------|
|                                    | 2007   | 2006   | 2007    | 2006   |
|                                    | RM'000 | RM'000 | RM'000  | RM'000 |
| Unsecured:                         |        |        |         |        |
| Corporate guarantees issued in     |        |        |         |        |
| respect of banking/credit          |        |        |         |        |
| facilities granted to subsidiaries | -      | -      | 7,998   | 10,293 |
| Corporate guarantees issued in     |        |        |         |        |
| respect of banking facilities      |        |        |         |        |
| granted to third parties           | 3,335  | 4,313  | 3,335   | 4,313  |
| Claims by third parties for the    |        |        |         |        |
| supply of goods and other charges  | 920    | 1,166  | -       | -      |
|                                    | 4,255  | 5,479  | 11,333  | 14,606 |

The Company has agreed to provide continued financial support to certain subsidiaries for a period of twelve months from 1 January 2008 to enable them to meet their obligations as and when they fall due during this period.

## 31. COMMITMENTS

|   | Group  |                  | Company |        |
|---|--------|------------------|---------|--------|
|   | 2007   | <b>2006 2007</b> | 2007    | 2006   |
|   | RM'000 | RM'000           | RM'000  | RM'000 |
| Commitment under non-cancellable operating leases on property, plant and equipment is as follows: |        |                  |         |        |
| Amount payable within one year  | _      | 6                | -       | 6      |

#### 32. **LITIGATION**

(a) The Company had on 20 March 1989, taken legal action against various parties to recover RM53,000,000 excluding interest and expenses of RM35,000,000 arising from certain transactions entered into by the Company and its subsidiaries. These transactions were:

- The aborted acquisition of 10,125,000 shares in Oriental Bank Berhad for a cash consideration of RM45,675,000 in 1983 and the full payment to the vendors notwithstanding that the conditions in the Sale and Purchase Agreement have not been fulfilled.
- (ii) The acquisition of the entire share capital of Taman Templer Sdn. Bhd. and a piece of land situated in Likas Bay, Kota Kinabalu from Sapan Development Sdn. Bhd. in 1985 for a total consideration of RM16,000,000 and RM22,750,000 respectively by a Deed of Mutual Arrangement with the vendors of the Oriental Bank Berhad shares and the assumption of a loan due by a third party to a financial institution of RM6,000,000 and interest thereon. This loan was secured on the development land belonging to a subsidiary, Taman Templer Sdn. Bhd.

The above case was struck off in the current financial year.

- (b) On 19 November 2002, the Company was served with a writ of summons by two third parties claiming the refund of a sum of RM5,000,000 which was paid in relation to the sale and purchase agreement between them and the Company on 3 March 1997. The said sale and purchase agreement had since lapsed due to non-fulfilment of the terms therein by the third parties.
  - The Board of Directors of the Company is of the opinion that there is no valid basis for this claim and has filed a defence and counterclaim against these parties.
- (c) On 26 May 2005 and 31 May 2005, the Company was served with writ of summons by two financial institutions for sums of RM3,335,000 and RM2,528,000 respectively pursuant to corporate guarantees issued in respect of banking facilities granted to former subsidiaries.

These cases are pending trial.

#### 33. **RELATED PARTY TRANSACTIONS**

|   | Group  |        | Company |        |
|---|--------|--------|---------|--------|
|   | 2007   | 2006   | 2007    | 2006   |
|   | RM'000 | RM'000 | RM'000  | RM'000 |
|   |        |        |         |        |
| Interest income charged to subsidiaries | -      | -      | 4,468   | 6,367  |
| Rental paid to a subsidiary             | -      | -      | 562     | 749    |
|   |        |        |         |        |

The directors are of the opinion that the transactions are entered into based on terms mutually agreed between both parties.

## 34. SIGNIFICANT EVENTS

- (a) On 13 April 2006, a wholly owned subsidiary, Russella Teguh Sdn. Bhd. entered into a Joint Venture Development Agreement with Stellar View Development Sdn. Bhd. for the purpose of carrying out a joint venture commercial development on the land measuring approximately 50 acres forming part of the piece of land held under H.S. (D) 118696, PT 45265, in the Mukim and Daerah of Petaling, State of Selangor. The gross development value for the intended development is estimated at RM280,000,000.
- (b) On 7 July 2006, the Company entered into a sale and purchase agreement for the disposal of the entire issued and paid-up capital of Lien Hoe Tower Sdn. Bhd. This transaction was completed in the current financial year for a consideration equivalent to the outstanding credit facilities amounting to RM56,920,000 owing by the Company at the date of completion.
- (c) On 9 January 2007, a wholly owned subsidiary, LH Commercials Pte Ltd entered into a sale and purchase agreement for the disposal of the entire issued and paid-up capital of Advantage Equity Sdn. Bhd. This transaction was completed in the current financial year for a consideration of RM94,709,627.
- (d) On 7 March 2007, a wholly owned subsidiary, Atria Properties Sdn. Bhd. entered into a sale and purchase agreement for the disposal of commercial property known as "The Atria Shopping Centre". This transaction was completed in the current financial year for a consideration of RM75,000,000.
- (e) On 25 April 2007, the Company entered into a sale and purchase agreement for the disposal of the entire issued and paid-up capital of Billiontex Industries Sdn. Bhd. This transaction was completed in the current financial year for a consideration of RM65,000,000.
- (f) On 22 October 2007, the Company completed the acquisition of 20.56% equity interest in Perduren (M) Bhd for a consideration of RM26,618,000.

## 35. FINANCIAL INSTRUMENTS

## (a) Financial Risk Management Objectives and Policies

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

#### (b) **Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debts. 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 dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (c) **Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all 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.

#### (d) **Credit Risk**

Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

At balance sheet date, there were no significant concentrations of credit risk other than as disclose in Note 12 to the financial statements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

#### (e) **Foreign Exchange Risk**

The foreign exchange exposure of the Group is minimal as the international operations of the Group have been scaled down to an insignificant level.

## (f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their net fair values except for the following:-

|                              |     |          | Group  | C        | ompany  |
|------------------------------|-----|----------|--------|----------|---------|
|                              |     | Carrying | Fair   | Carrying | Fair    |
| N                            | ote | amount   | value  | amount   | value   |
|                              |     | RM'000   | RM'000 | RM'000   | RM'000  |
| Financial Assets             |     |          |        |          |         |
| At 31 December 2007:         |     |          |        |          |         |
| Amount owing by subsidiaries | 7   |          | -      | 119,096  | 62,758  |
| At 31 December 2006          |     |          |        |          |         |
| Amount owing by subsidiaries | 7   | _        | -      | 276,256  | 158,381 |
| Financial Liabilities        |     |          |        |          |         |
| At 31 December 2007:         |     |          |        |          |         |
| Amount owing to subsidiaries | 7   | _        | -      | 5,524    | 2,130   |
| Hire purchase payables       | 29  | 727      | 740    | 628      | 640     |
| At 31 December 2006:         |     |          |        |          |         |
| Amount owing to subsidiaries | 7   | -        | -      | 9,863    | 3,803   |
| Hire purchase payables       | 29  | 928      | 956    | 510      | 521     |

The fair value of amount owing by/to subsidiaries are estimated by discounting the expected future cash flow using a discount rate which is reflective of its current borrowing rate.

The fair value of hire purchase payables is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

The nominal/notional amounts and net fair values of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

|                        |      |  | Group                          | Co                                       | mpany                          |
|------------------------|------|--|--------------------------------|--|--------------------------------|
|                        | Note | Nominal/<br>notional<br>amount<br>RM'000 | Net<br>fair<br>value<br>RM'000 | Nominal/<br>notional<br>amount<br>RM'000 | Net<br>fair<br>value<br>RM'000 |
| At 31 December 2007:   |      |  |                                |  |                                |
| Contingent liabilities | 30   | 4,255                                    | **                             | 11,333                                   | **                             |
| At 31 December 2006:   |      |  |                                |  |                                |
| Contingent liabilities | 30   | 5,479                                    | **                             | 14,606                                   | **                             |

<sup>\*\*</sup> It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

#### 36. **SEGMENT REPORTING**

The Group comprises the following main business segments:

- (i) property investment
- property development (ii)
- (iii) construction
- (iv) hotel operations
- other operations comprising activities of insufficient size to be reported seperately (v)

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| Total<br>operations<br>RM'000          | 78,371                                      | (20,913)  | (24,921)<br>5,258<br>221                               | (40,207)<br>5,356                         | (34,851)                     | 287,731<br>1,793                                 | 289,524                   | 33,820              | 49          | 23,072            | 52,537     | 109,478                        |
|--|---|---|--|---|------------------------------|--|---------------------------|---------------------|-------------|-------------------|------------|--------------------------------|
| Discontinued<br>operations c<br>RM′000 | 8,209                                       | 2,909   | (45)<br>-  | 2,864                                     | 2,864                        | 1,100  | 1,100                     | •                   | •           | •                 |            |                                |
| Total<br>RM'000                        | 70,162                                      | (23,822)  | (24,870)<br>5,258<br>221                               | (43,071)<br>5,356                         | (37,715)                     | 286,631  | 288,424                   | 33,820              | 49          | 23,072            | 52,537     | 109,478                        |
| Eliminations<br>RM'000                 | (305)                                       | (305)   |  |   |                              |  |                           |                     |             |                   |            |                                |
| Other<br>operations<br>RM'000          | 70 - 02                                     | (148)   |  |   |                              | 225  | 333                       | 09                  | •           | •                 |            | 09                             |
| Hotel<br>operations<br>RM'000          | 24,120                                      | 6,987   |  |   |                              | 73,104   | 73,104                    | 2,748               | 27          | <b>∞</b>          | 15,869     | 18,652                         |
| Construction<br>RM'000                 | 36,183                                      | 428   |  |   |                              | 18,406   | 18,406                    | 12,886              | 22          | 29                | 5,629      | 18,596                         |
| Property<br>development<br>RM'000      | 1,000                                       | (6,489)   |  |   |                              | 93,842   | 93,912                    | 3,806               | •           | 15,121            | 1,310      | 20,237                         |
| Property<br>investment<br>RM'000       | 9,094 (305)                                 | (24,295)<br>(148                                      |  |   |                              | 101,054  | 102,669                   | 14,320              | •           | 7,884             | 29,729     | 51,933                         |
| 2007                                   | REVENUE Revenue Less: Inter-segment revenue | RESULT Segment result Share of profit of an associate | Interest expense<br>Interest waived<br>Interest income | (Loss)/profit before taxation<br>Taxation | (Loss)/profit after taxation | OTHER INFORMATION Segment assets Tax recoverable | Consolidated total assets | Segment liabilities | Tax payable | Deferred taxation | Borrowings | Consolidated total liabilities |

| 2007  | Property<br>investment<br>RM′000 | Property<br>development<br>RM'000 | Construction<br>RM'000 | Hotel<br>operations<br>RM'000 | Other operations RM′000 | Total<br>RM'000 | Discontinued operations RM'000 | Total<br>operations<br>RM'000 |
|---|----------------------------------|-----------------------------------|------------------------|-------------------------------|-------------------------|-----------------|--------------------------------|-------------------------------|
| Capital expenditure   | 760                              | 25                                | 161                    | 96                            |                         | 1,042           |                                | 1,042                         |
| Depreciation of property, plant and equipment                       | 1,518                            | 25                                | 100                    | 1,472                         | 20                      | 3,165           | •                              | 3,165                         |
| properties  | •                                | •                                 | •                      | •                             | •                       | •               | 1,880                          | 1,880                         |
| Amortisation of prepaid land<br>lease payment                       | 621                              | •                                 | •                      |                               | •                       | 621             |                                | 621                           |
| Significant non-cash items other than depreciation and amortisation |                                  |                                   |                        |                               |                         |                 |                                |                               |
| - (Gain)/loss on disposal of property,                              |                                  |                                   |                        |                               |                         |                 |                                |                               |
| plant and equipment - Loss on disposal of                           | (282)                            | 182                               | 4                      |                               | •                       | (96)            |                                | (96)                          |
| investment property   | 17,135                           | •                                 | •                      | •                             | •                       | 17,135          | •                              | 17,135                        |
| - Gain on disposal of subsidiaries                                  | (9,976)                          | •                                 | •                      | •                             | •                       | (9,976)         | •                              | (9) (6)                       |
| - Write-down of inventories   | 4,130                            |                                   | 1,267                  |                               |                         | 5,397           | •                              | 5,397                         |
| <ul> <li>Write-back of allowance for doubtful debts</li> </ul>      | (1,152)                          |                                   |                        |                               | •                       | (1,152)         | •                              | (1,152)                       |
| - Impairment losses of:   |                                  |                                   |                        |                               |                         |                 |                                |                               |
| <ul> <li>land held for development</li> </ul>                       | •                                | 5,491                             |                        |                               |                         | 5,491           | •                              | 5,491                         |
| - investment in an associate  | 6,398                            | •                                 | •                      | •                             | •                       | 9,398           | •                              | 862'6                         |
| - goodwill  | 381                              | 421                               |                        | •                             |                         | 802             | •                              | 805                           |

| 2006   | Property<br>investment<br>RM'000 | Property<br>development<br>RM′000 | Construction<br>RM'000 | Hotel<br>operations<br>RM'000 | Other operations RM'000 | Eliminations<br>RM'000 | Total<br>RM'000             | Discontinued operations RM'000 | Total<br>operations<br>RM'000 |
|--|----------------------------------|-----------------------------------|------------------------|-------------------------------|-------------------------|------------------------|-----------------------------|--------------------------------|-------------------------------|
| REVENUE Revenue Less: Inter-segment revenue            | 13,925 (240)                     | 7,392                             | 55,064                 | 23,302                        | 512 (240)               | (480)                  | 99,715                      | 14,450                         | 114,165                       |
| External revenue                                       | 13,685                           | 7,392                             | 55,064                 | 23,302                        | 272                     |                        | 99,715                      | 14,450                         | 114,165                       |
| RESULT Segment result Interest expense Interest income | (10,475)                         | (7,932)                           | 478                    | 6,075                         | 175                     | (480)                  | (12,159)<br>(43,108)<br>137 | 2,434 (10)                     | (9,725)<br>(43,118)<br>137    |
| (Loss)/profit before taxation Taxation                 |                                  |                                   |                        |                               |                         |                        | (55,130) (785)              | 2,424 (242)                    | (52,706)                      |
| (Loss)/profit arter taxation                           |                                  |                                   |                        |                               |                         |                        | (518,55)                    | 7,182                          | (53,/33)                      |
| OTHER INFORMATION Segment assets                       | 85,338                           | 187,148                           | 14,662                 | 73,408                        | 1,782                   | •                      | 362,338                     | 238,610                        | 600,948                       |
| lax recoverable Consolidated total assets              | 1,329                            | 187,218                           | 14,662                 | 73,408                        | 108                     |                        | 1,507<br>363,845            | 238,610                        | 1,507                         |
| Segment liabilities                                    | 25,651                           | 6,402                             | 806'6                  | 2,644                         | 487                     |                        | 45,092                      | 21,637                         | 66,729                        |
| Tax payable  | 1,447                            | •                                 | 22                     | 16                            | i i                     | •                      | 1,485                       | 196                            | 1,681                         |
| Deferred taxation                                      | 6,517                            | 32,299                            | 29                     | ∞                             | •                       | ı                      | 38,883                      | 4,065                          | 42,948                        |
| Borrowings   | 45,234                           | 33,040                            | 3,662                  | 47,868                        | 443                     |                        | 130,247                     | 173,643                        | 303,890                       |
| Consolidated total liabilities                         | 78,849                           | 71,741                            | 13,651                 | 50,536                        | 930                     |                        | 215,707                     | 199,541                        | 415,248                       |

| 2006   | Property<br>investment<br>RM'000 | Property<br>development<br>RM'000 | Construction<br>RM'000 | Hotel<br>operations<br>RM'000 | Other operations RM '000 | Total<br>RM'000 | Discontinued operations RM'000 | Total<br>operations<br>RM'000 |
|--|----------------------------------|-----------------------------------|------------------------|-------------------------------|--------------------------|-----------------|--------------------------------|-------------------------------|
| Capital expenditure  | 369                              | •                                 | #                      | 143                           |                          | 523             | 2,620                          | 3,143                         |
| Depreciation of property, plant and equipment                      | 1,552                            | 268                               | 139                    | 1,504                         | 99                       | 3,519           | 1                              | 3,519                         |
| Depreciation of investment properties                              | 1                                | •                                 | •                      | 1                             | •                        | •               | 3,823                          | 3,823                         |
| Amortisation of prepaid land lease payment                         | 621                              |                                   |                        |                               | •                        | 621             | •                              | 621                           |
| Significant non-cash items other                                   |                                  |                                   |                        |                               |                          |                 |                                |                               |
| than depreciation and amortisation - Loss on disposal of property, |                                  |                                   |                        |                               |                          |                 |                                |                               |
| plant and equipment  | 795                              | 613                               | 8                      | 10                            | •                        | 1,421           | •                              | 1,421                         |
| - Write-down of inventories  | 2,568                            | •                                 | •                      | •                             | i.                       | 2,568           | •                              | 2,568                         |
| - Bad debts written off  | 102                              | •                                 | •                      | 8                             | •                        | 105             | 4                              | 109                           |
| - Allowance for doubtful debts                                     | 110                              | •                                 | •                      | 22                            | i.                       | 132             | 99                             | 198                           |
| - Impairment losses of:  |                                  |                                   |                        |                               |                          |                 |                                |                               |
| <ul> <li>investment property</li> </ul>                            | 1                                | •                                 | •                      | •                             | 1                        | •               | 2,162                          | 2,162                         |
| - goodwill   | 1                                | 144                               | 1                      | 721                           | 1                        | 865             | 1                              | 865                           |
| <ul> <li>Property, plant and</li> </ul>                            |                                  |                                   |                        |                               |                          |                 |                                |                               |
| equipment written off  | 336                              | 4                                 | 5                      | 20                            |                          | 395             | •                              | 395                           |

(b) Geographical Segments

No information is prepared on the geographical segments as the Group principally operates within Malaysia.

# Schedule of Properties Held by the Company and its Subsidiary Companies as at 31 December 2007

| Location of Properties  | Description  | Date of<br>Acquisition<br>(Date of<br>Revaluation) | Expiration of lease | Land<br>Area<br>(Acres) | Ap<br>Lettable<br>Area<br>(Sq. Ft.) | Building | Net Book<br>Value<br>(RM'000) |
|---|--|--|---------------------|-------------------------|-------------------------------------|----------|-------------------------------|
| Lot TLO 432A, Jalan Tampoi,<br>Johor Bahru, Johor   | Single storey factory buildings  | (June<br>1988)                                     | 24 October<br>2020  | 6.69                    | 103,355                             | 32       | 585                           |
| Lot 1845, Mukim of Tebrau,<br>Johor   | Development land   | April<br>2003                                      | Freehold            | 5.43                    | N/A                                 | N/A      | 8,278                         |
| Lot No. PT 2906,<br>Mukim of Pasir Panjang,<br>District of Port Dickson,<br>Negeri Sembilan                                     | 4 units apartments<br>Known as Palm Springs<br>Apartments  | December<br>1994                                   | Freehold            | Strata<br>title         | 6,372                               | 6        | 994                           |
| Lot 9234, Jalan Tampoi,<br>Johor Bahru, Johor   | Single storey factory buildings  | (June<br>1988)                                     | 9 January<br>2031   | 2.59                    | 33,486                              | 32       | 386                           |
| Lots PTB 19176 to 19178,<br>Johor Bahru, Johor  | Single storey factory buildings  | January<br>1997                                    | 30 March<br>2021    | 4.66                    | 24,877                              | 32       | 3,814                         |
| Lots 1589 and 1592,<br>Mukim of Tebrau, Johor   | Double storey office building  | May<br>1994  | Freehold            | 4.14                    | 9,935                               | 31       | 4,91                          |
| Lot 6367, Lots 3824 to 3827<br>and Lots 5975 to 5979,<br>Mukim of Senai-Kulai, Johor  | Development land   | January<br>1992                                    | Freehold            | 41.55                   | N/A                                 | N/A      | 11,25                         |
| Lot 290, Mukim of Tebrau,<br>Johor  | Development land   | June<br>1996                                       | Freehold            | 5.96                    | N/A                                 | N/A      | 7,78                          |
| Lots PTD 5358 to 5379,<br>Township and District of<br>Johor Bahru, Johor  | 41 units apartments<br>Known as Pelita Indah<br>Condominium Apartments   | May<br>1995  | Freehold            | Strata<br>title         | 70,642                              | 13       | 4,07                          |
| Lot 51, Section 27, Town of<br>Petaling Jaya, Selangor  | 4 storey podium with a<br>basement car park and 23<br>storey hotel with 242 rooms<br>Known as Plaza Armada and<br>Hotel Armada | June<br>1993                                       | 6 February<br>2071  | 2.44                    | 69,244                              | 11       | 109,76                        |
| Lot PT 4161, Mukim of<br>Setapak, Wilayah Persekutuan   | Development land   | June<br>1999                                       | 15 May<br>2090      | 1.22                    | N/A                                 | N/A      | 1,10                          |
| Lot PT 45265, Mukim of<br>Petaling, District of Petaling,<br>Selangor   | Development land   | July<br>2002                                       | 27 May<br>2097      | 53.80                   | N/A                                 | N/A      | 77,00                         |
| Lots HS(D) 12820, 12856,<br>12853, 12849, 13014,<br>13025, 13163 and 13033,<br>Lembah Beringin, Mukim<br>Sungai Gumut, Selangor | 8 lots homestead land  | May<br>2000  | Freehold            | 8.19                    | N/A                                 | N/A      | 56                            |
| Lots B1F-19a and B2F-19b<br>Megan Phoenix, Jalan 2/142A<br>km10 off Jalan Cheras<br>56000 Kuala Lumpur                          | 2 units office lots  | July<br>1997                                       | Freehold            | Strata<br>title         | 2,708                               | 8        | 15                            |
| B13-1 Block B<br>No.1 Lorong Utara B<br>Off Jalan Utara<br>46200 Petaling Jaya  | 1 unit apartment<br>Known as The Istara<br>Condominium   | August<br>1996                                     | 9 March<br>2076     | Strata<br>title         | 1,313                               | 10       | 16                            |

## Statistics of Shareholdings (As at 5 May 2008)

## **SHARE CAPITAL**

Authorised share capital Issued and fully paid share capital Class of shares **Voting rights** 

RM 1,000,000,000 RM 361,742,241 Ordinary share of RM 1 each 1 vote per share

## **DISTRIBUTION OF SHAREHOLDINGS**

| Size of Shareholdings | No. of<br>Shares | % of Issued<br>Capital | No. of<br>Shareholders | % of Shareholders |
|-----------------------|------------------|------------------------|------------------------|-------------------|
| 1 - 99                | 25,568           | 0.01                   | 550                    | 2.98              |
| 100 - 1,000           | 3,265,366        | 0.90                   | 4,592                  | 24.87             |
| 1,001 - 10,000        | 42,168,208       | 11.66                  | 10,321                 | 55.90             |
| 10,001 - 100,000      | 84,029,966       | 23.23                  | 2,733                  | 14.80             |
| 100,001 - 18,087,111  | 138,961,166      | 38.41                  | 266                    | 1.44              |
| 18,087,112 & above    | 93,291,967       | 25.79                  | 1                      | 0.01              |
| Total                 | 361,742,241      | 100.00                 | 18,463                 | 100.00            |

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2008 (as shown in the Register of Substantial Shareholders)

| Name                   | No. of Shares | No. of Shares | % of Issued |
|------------------------|---------------|---------------|-------------|
|                        | (Direct)      | (Indirect)    | Capital     |
| 1. DATO' YAP SING HOCK | 97,326,517    | 821,250       | 27.13       |

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 5 MAY 2008 (as per Register of Members and Record of Depositors)

|     | Name  | No. of Shares | % of Issued<br>Capital |
|-----|---|---------------|------------------------|
| 1.  | KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Sing Hock                | 93,291,967    | 25.79%                 |
| 2.  | KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Perduren (M) Berhad          | 14,300,000    | 3.95%                  |
| 3.  | TA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Chan Wah Long                     | 9,872,000     | 2.73%                  |
| 4.  | KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Wong Chin Hee                | 7,010,000     | 1.94%                  |
| 5.  | LIM SENG CHEE   | 6,380,300     | 1.76%                  |
| 6.  | CIMSEC NOMINEES (ASING) SDN. BHD.  Exempt An for CIMB-GK Securities Pte. Ltd. (Retail Clients)    | 3,538,549     | 0.98%                  |
| 7.  | MAYBAN NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kek Lian Lye                  | 3,509,800     | 0.97%                  |
| 8.  | HLB NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Ong Siew Eng @ Ong Chai          | 3,089,200     | 0.85%                  |
| 9.  | ONN KOK PUAY (WENG GUOPEI)  | 2,997,500     | 0.83%                  |
| 10. | TASEC NOMINEES (TEMPATAN) SDN. BHD. TA First Credit Sdn. Bhd. for Chan Wah Long                   | 2,536,500     | 0.70%                  |
| 11. | HSBC NOMINEES (TEMPATAN) SDN. BHD. RBS Coutts HK for Ong Yoong Nyock                              | 2,057,500     | 0.57%                  |
| 12. | PUBLIC NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Beta Holdings Sdn. Bhd. (JSS) | 2,009,000     | 0.56%                  |
| 13. | CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY for DFA Emerging Markets Fund                           | 1,997,150     | 0.55%                  |
| 14. | ZAINAH BINTI IBRAHIM  | 1,980,520     | 0.55%                  |

|     | Name   | No. of Shares | Capital |
|-----|--|---------------|---------|
| 15. | HARTANET SYSTEM SDN. BHD.  | 1,896,000     | 0.52%   |
| 16. | LIANG TEH HAI  | 1,749,800     | 0.48%   |
| 17. | HLG NOMINEE (ASING) SDN. BHD. Exempt An for UOB Kay Hian Pte. Ltd. (A/C Clients)                 | 1,703,112     | 0.47%   |
| 18. | G-INSTITUTE OF REAL ESTATE SDN. BHD.   | 1,700,000     | 0.47%   |
| 19. | CHUA BOON CHIEN  | 1,650,000     | 0.46%   |
| 20. | UNITED OVERSEAS NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Sing Hock (MKL) | 1,518,500     | 0.42%   |
| 21. | ONN PING LAN   | 1,340,150     | 0.37%   |
| 22. | WONG KIM FATT  | 1,200,000     | 0.33%   |
| 23. | TEH HEAN IT  | 1,124,900     | 0.31%   |
| 24. | KENANGA NOMINEES (ASING) SDN. BHD. Pledged Securities Account for Kwan Ping Sum, Susanna         | 1,114,000     | 0.31%   |
| 25. | LUCKY STAR PTE. LTD.   | 1,044,900     | 0.29%   |
| 26. | SAHLAN BIN SIDIK   | 1,000,000     | 0.28%   |
| 27. | MAYBAN NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yap Sing Hock (SBJM2)        | 950,000       | 0.26%   |
| 28. | AFFIN NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Tai Poon Leong (TAI0130M)     | 900,000       | 0.25%   |
| 29. | ONG BEE LIAN   | 886,800       | 0.25%   |
| 30. | A.A. ANTHONY NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Loh Giap Tik           | 880,000       | 0.24%   |
|     | Total  | 175,228,148   | 48.44%  |



## 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   |     |         |
| of             |   |     |         |
| or fai         | ling him/her  |     |         |
| of             |   |     |         |
| held a<br>Wedr | v/our Proxy to vote for me/us/ on my/our behalf at the 38th Annual General M<br>at 4th floor, Menara Lien Hoe, 8 Persiaran Tropicana, Tropicana Golf & Country F<br>nesday, 25 June 2008 at 2.30 p.m.<br>our proxy is to vote as indicated below: |     |         |
| NO             | RESOLUTIONS   | FOR | AGAINST |
| 1.             | To lay the Audited Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.   |     |         |
| 2.             | To approve the payment of Directors' Fees.  |     |         |
| 3              | To re-elect Mr Veoh Chong Keat as Director of the Company   |     |         |

To lay the Audited Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.
 To approve the payment of Directors' Fees.
 To re-elect Mr Yeoh Chong Keat as Director of the Company.
 To re-elect Dr Teoh Kim Loon as Director of the Company.
 To re-appoint Tun Dato' Seri Abdul Hamid bin Omar pursuant to Section 129 (6) of the Companies Act, 1965.
 To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Board of Directors to determine their remuneration.
 To approve Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965.
 To approve Ordinary Resolution pursuant to the Proposed Disposal of the entire issued and paid-up share capital of Russella Teguh Sdn Bhd, a whollyowned subsidiary, to The Atmosphere Sdn Bhd (formerly known as Stellar View Development Sdn Bhd) for a cash consideration of RM61,000,000.

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)

## **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.
- 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 is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account the authorised nominee holds with ordinary shares of the Company standing to the credit of the securities account.
- 4. The form of proxy must be completed and lodged at the registered office of the Company at 18th floor, Menara Lien Hoe, 8 Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, not later than 48 hours before the time stipulated for holding of the meeting or any adjournment thereof.







Lien Hoe Corporation Berhad

18th Floor, Menara Lien Hoe,
No. 8 Persiaran Tropicana,
Tropicana Colf & Country Poport

Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia. Tel: 03-7805 1331 Fax: 03-7805 3112

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