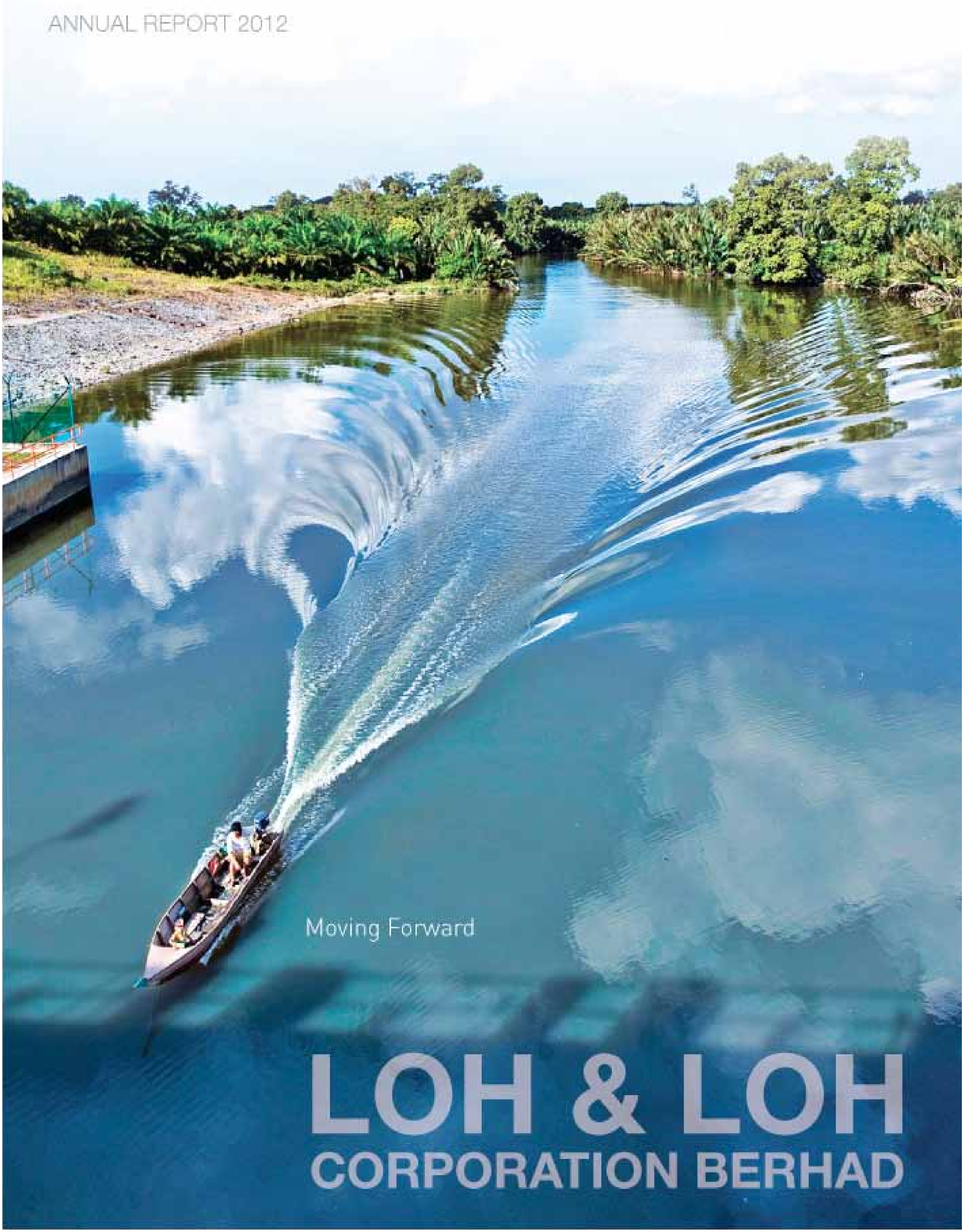
ANNUAL REPORT 2012



Moving Forward

LOH & LOH CORPORATION BERHAD

Introduction to **LOH & LOH**

Water has been at the heart of LOH & LOH's history since the beginning. From the first dam built in 1973 — the Durian Tunggal Dam in Malacca — LOH & LOH has continued to build its track record to include water treatment plants, water intakes, pumping stations, pipelines, reservoirs, sewerage treatment plants and environmental products; encompassing the full water cycle. LOH & LOH continues to be at the forefront of water technology and engineering, excelling as an Operation & Maintenance Specialist and the leading water engineering infrastructure specialist in the country with full Civil & Structural and Mechanical & Electrical Engineering capabilities.

Leveraging its expertise and experience as an Engineering Infrastructure Specialist, LOH & LOH is currently involved in building several key national infrastructure projects for key government and government related agencies, such as the Hulu Terengganu Hydroelectric power project, Semantan Intake & Kelau Dam for the Pahang-Selangor Interstate Water Transfer project, Water Utilities package UT2 in Iskandar, Seremban-Gemas Electrified Double Track project, among others.

The Group is also in Property Development specializing in boutique developments, and has successfully completed and handed over several developments in the Klang Valley. The Group leverages on its synergistic construction expertise to deliver exceptional value to buyers. Our projects have also been rated among the top developments in Malaysia for quality standards by the Building Construction Authority of Singapore.

The Staff of LOH & LOH adhere to our 8 Core Values, PRACTICE, namely Passion, Results-oriented, Accountability, Change Responsiveness, Teamwork, Integrity & Loyalty, Creativity & Innovativeness, and Equity. We have a loyal core management team with many who have grown up with the Group, bringing stability, experience and know-how to LOH & LOH.

LOH & LOH, Engineering the Future!

Water is the driving force of all nature.

(Leonardo da Vinci)

LOH & LOH
CORPORATION BERHAD

Contents

Corporate **Structure**

As at 31 March 2013

LOH & LOH
CORPORATION BERHAD

CIVIL & STRUCTURAL

MECHANICAL & ELECTRICAL

PROPERTY DEVELOPMENT

LOH & LOH CONSTRUCTIONS SDN BHD	**100%**
Jutakim Sdn Bhd	**100%**
Quality Quarry Sdn Bhd	**68%**
WATER ENGINEERING TECHNOLOGY SDN BHD	**100%**
WET O&M Sdn Bhd	**100%**
WET Sales & Services Sdn Bhd	**90%**
LOH & LOH DEVELOPMENT SDN BHD	**100%**
Turf-Tech Sdn Bhd	**100%**
Green Heights Developments Sdn Bhd	**100%**
Medius Developments Sdn Bhd (fka Loh & Loh Sato Kogyo JV Sdn Bhd)	**100%**
Loh & Loh Ikhmas Sdn Bhd	**100%**

Financial **Highlights**

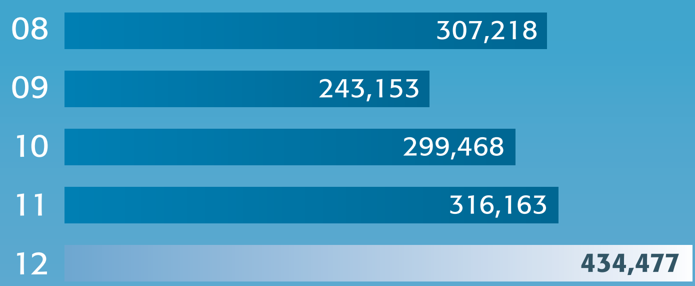
5 YEAR GROUP FINANCIAL STATISTICS

	2008	2009	2010	2011	**2012**
	RM'000	RM'000	RM'000	RM'000	**RM'000**
Revenue	307,218	243,153	299,468	316,163	**434,477**
Profit Before Tax	32,347	39,599	44,108	74,674	**62,019**
Profit After Tax	23,522	27,603	34,719	61,383*	**43,549**
Total Assets	324,578	332,740	438,372	448,748	**506,610**
Net Tangible Assets	196,612	219,115	251,550	259,454	**276,849**
Shareholders' Funds	194,621	217,432	250,234	254,289	**271,531**
Paid-up Share Capital	68,000	68,000	68,000	68,000	**68,000**
Per Share (sen)					
Group Earnings	35	41	51	86#	**64**
Net Tangible Assets	289	322	370	382	**407**
Dividend	10	10	44	37	**38**

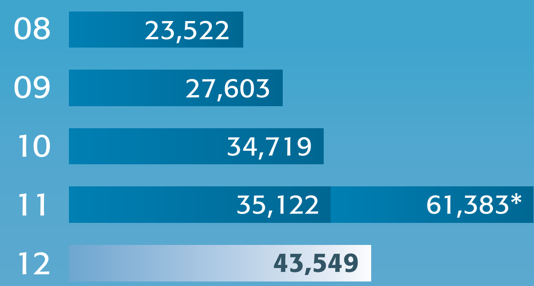
* Profit after tax includes one-off gain on disposal of asset classified as held for sale of RM 26,261.000.

Group earnings per share includes one-off gain on disposal of asset classified as held for sale of 38 sen.

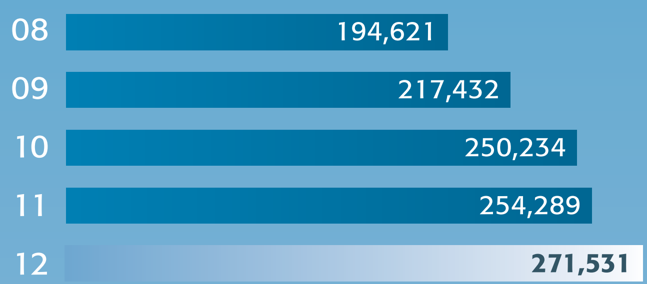
REVENUE RM'000



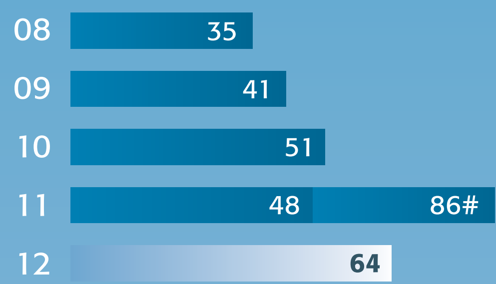
PROFIT AFTER TAX RM'000



SHAREHOLDERS' FUNDS RM'000



EARNING PER SHARE SEN



Corporate **Information**

BOARD OF DIRECTORS

Y.A.M. Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud
Non-Independent Non-Executive Chairman

Mr. Loh Kim Kah
Managing Director

Dato' Che Abdullah @ Rashidi bin Che Omar
Non-Independent Non-Executive Director

Encik Mohd. Faizul bin Ibrahim
Non-Independent Non-Executive Director

Mr. Tan Vern Tact
Independent Non-Executive Director

Miss Monica Oh Chin Chin*
*Alternate Director to Mr. Tan Vern Tact

COMPANY SECRETARIES

Chua Siew Chuan
MAICSA 0777689

Chin Mun Yee
MAICSA 7019243

AUDITORS

KPMG
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor, Malaysia.

SOLICITORS

Zaid Ibrahim & Co.

PRINCIPAL BANKERS

AmBank (M) Berhad
Hong Leong Bank Berhad
RHB Bank Berhad
United Overseas Bank (M) Bhd

REGISTERED OFFICE

Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur, Malaysia.
Tel: +603 - 2084 9000
Fax: +603 - 2094 9940 / 2095 0292

March on. Do not tarry.
To go forward is to move toward perfection.
March on, and fear not the thorns,
or the sharp stones on life’s path.

(Khalil Gibran)

Group Corporate **Calendar**

3 February

Chinese New Year lunch at Head Office. Lots of lucky draw prizes and tons of "kam" were given out. Dress code for this year was Red, Yellow, Orange & Gold.

22 February

We were invited by Inti International University (INTI) to conduct a Career Talk on the topic "Career in Engineering". A total of 45 third and final year students attended the talk conducted by our Senior Project Manager, Mr. Chee Lian Chai.

10 March

WET secured River Lock for Sungai Sandakan, Sandakan, Sabah. This project is an additional work to our Sandakan Water Supply Phase 2 project which involved the construction of the Segaluid Dam, Intake, a 125MLD Water Treatment Plant, transfer pipelines and balancing reservoirs.

29 March

As a follow-up to the talk at INTI, there was a Site Visit by 40 second year students to our Idaman Hills, Selayang Project, led by their lecturer Ms Susan Chong.

6 April

Study Visit to Semantan Intake Project. Participants from Head Office and Project Sites were briefed by our Project Manager, Mr. Suah Choo Heang.

30 April

First Project Milestone – Diversion of Sungai Terengganu – achieved on time for our Hulu Terengganu Hydroelectric Project. The official ceremony was attended by Dato' Seri Che Khalib, CEO of Tenaga Nasional Berhad (TNB) as well as their Board of Directors. This is LOH & LOH's first hydroelectric dam project, but our overall 18th dam. It will generate 250MW of electricity upon completion in 2015, and is the Group's largest project to date.

30 June

2012 Mini Sports Day at the Sepang International Kart Circuit.

16, 23 to 24 May

Career Fairs at Universiti Kebangsaan Malaysia (UKM) and Universiti Teknologi Malaysia (UTM) on 16 May and 23 - 24 May respectively. The number of participants were 50 for UKM and 165 for UTM from various faculties.

30 May

The Group secured Vale Project C104: Civil Works for Vale, Lumut, Perak comprising foundation, building and infrastructure works for Phase 1 of the project.

16 July

Additional works secured from Vale namely the Vale Warehouse to add to the original Vale Building.

8 August & 9 August

BM Trada of United Kingdom conducted a re-certification audit to provide assurance that our Company continues to conform to the requirements of ISO9001:2008, statutory, regulatory and contractual requirements.

9 August

We had a "Buka Puasa" function at SOULed Out! and had a fun time of sharing and comradeship. "Buka Puasa" is usually held only among close friends and family members, and LOH & LOH is a family!

14 September

Our Chairman, Y.A.M. Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud, and her business partner, Y.Bhg. Dato' Che Omar @ Rashidi Bin Che Omar, have acquired LOH & LOH through their company, Selesa Produktif Sdn Bhd. This acquisition will effectively make LOH & LOH a 100% Malaysian and Bumiputra-owned company. We would like to welcome Y.A.M. Tengku Dato' Rahimah and Y.Bhg. Dato' Rashidi as our new shareholders and owners.

29 September

LOH & LOH sponsored Empress Wu – The Musical, produced by the renowned Dama Orchestra, which played to a capacity crowd at the Kuala Lumpur Performing Arts Centre (KLPac). A total of RM100k was donated to the National Kidney Foundation (NKF).

The Management and Shareholders share in the philosophy that corporate entities should contribute to society. This is an important philosophy for the Group and as the business of the Group grows, the Group can do more to help our society.

1 October

LOH & LOH was awarded CONQUAS Certificate from the Building Construction Authority (BCA) of Singapore for Phase I of Idaman Hills, Selayang with a score of 78.1.

5 October

The completion of Phase 1 of Idaman Hills, Selayang and the opening of Phase 2, 2½& 3 Storey Bungalow Houses, to the public.

7 October

In-house Badminton Competition with 4 categories i.e. Men Singles, Men Doubles, Women Singles and Women Doubles. Mohd Desa won the Men Singles and Men Doubles with Law Eng Seng. Norlia is the Champion for Women Singles while Linda Toh and Tan Bee Kee won the Women Doubles.

27 October

Donation to Persatuan Pusat Haemodialysis Prihatin Tengku Besar Terengganu of RM300k. A cheque presentation ceremony was held during the Charity Dinner at Primula Beach Hotel, Kuala Terengganu.

3 November

A Glam Hollywood Night! This was the theme of a fun and glamorous Hollywood Annual Dinner at Double Tree By Hilton, Kuala Lumpur. We even had some international and galactic stars such as Michael Jackson, Wolverine, Darth Vader, Queen Amidala among those attending this event.

12 November

The Group secured the Sipitang water supply project in west coast of Sabah. The project will supply water to the Petronas Ammonia plant project.

22 December

Christmas Party at Head Office with the theme colour "Magenta". This year, all Christmas gifts were sponsored by the Senior Management instead of a gift exchange among the staff. We celebrated Mr. Lee Hon Keong's birthday which falls on 25th December.

Board of **Directors**

1. Y.A.M. TENGKU DATO' RAHIMAH BINTI ALMARHUM SULTAN MAHMUD
   Non-Independent Non-Executive Chairman

2. LOH KIM KAH
   Managing Director

3. DATO' CHE ABDULLAH @ RASHIDI BIN CHE OMAR
   Non-Independent Non-Executive Director

4. MOHD FAIZUL BIN IBRAHIM
   Non-Independent Non-Executive Director

5. TAN VERN TACT
   Independent Non-Executive Director

6. MONICA OH CHIN CHIN*
   *Alternate Director to Tan Vern Tact


6
3
2
5

Profile of **Directors**

Y.A.M. TENGKU DATO' RAHIMAH BINTI ALMARHUM SULTAN MAHMUD
Non-Independent Non-Executive Chairman

Y.A.M. Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud, a Malaysian aged 47, was appointed as Chairman and Director of LLCB on 19 September 2008.

She holds a BSc Economics and Accountancy from the City of London University, England and she is a member of the Malaysian Institute of Accountants ("MIA").

Upon completing her degree course, she started her career with the Hongkong Bank in London, England, then joined Esso Malaysia Berhad in Kuala Lumpur before moving on to own and run a few private limited companies.

Y.A.M. Tengku Dato' Rahimah currently sits on the board of Puncak Niaga Holdings Berhad and is also a director of Cosway (M) Sdn Bhd, a direct selling company dealing in consumer goods and services and a wholly-owned subsidiary of Cosway Corporation Berhad. Y.A.M. Tengku Dato' Rahimah also holds directorships in several private limited companies.

LOH KIM KAH
Managing Director

Mr. Loh Kim Kah, a Malaysian aged 53, was appointed as a Director of LLCB on 9 January 1997 and subsequently appointed as Managing Director and Chief Executive Officer of LLCB on 10 January 1997.

Mr. Loh obtained a Bachelor of Economics (Honours) degree in Accounting and Business Finance from University of Manchester in 1985. He has been with the Group for over 20 years.

He does not hold any directorship in other public companies. However, he is a director of several private limited companies.

DATO' CHE ABDULLAH @ RASHIDI BIN CHE OMAR
Non-Independent Non-Executive Director

Dato' Che Abdullah @ Rashidi bin Che Omar, a Malaysian aged 64, was appointed to the Board of LLCB on 13 September 2012 as a Non-Independent Non-Executive Director.

Dato' Rashidi graduated with a Diploma in Plantation Management from Universiti Teknologi Mara. He began his career with FELDA as a Cadet Planter in 1968 and left as a Manager. In 1974, he joined Kuala Lumpur Kepong Berhad as Assistant Manager and left as Senior Manager. In 1989, he joined Austral Enterprise Berhad as a Senior Manager. In 1990, he joined Tradewinds (M) Berhad as a Manager in the Plantation Division and was subsequently promoted to General Manager in 1993. In 1996, he was seconded to Tradewinds Plantation Services Sdn. Bhd. and promoted to the position of Senior General Manager. In 1999, he became the Executive Director of Tradewinds Plantation Services Sdn. Bhd. In 2002, he joined Lembaga Tabung Haji as its Plantation Director. He was the Managing Director of TH Plantations Berhad from 2003 to 2009.

Dato' Rashidi was conferred a Datukship by His Royal Highness the Sultan of Kelantan in 2005.

Dato' Rashidi is currently the Chairman of Consolidated Fertiliser Corporation Sdn. Bhd. and PT. TH Indo Plantations. Dato' Rashidi also sits on the board of various companies such as Tadmax Resources Berhad (formerly known as Wijaya Baru Global Berhad), TH Pelita Gedong Sdn. Bhd., TH Pelita Sadong Sdn. Bhd., TH Pelita Simunjan Sdn. Bhd., Sime Darby Plantation Sdn. Bhd., SRC International Sdn. Bhd., PT Minamas Gemilang and PT Synergy Oil Nusantara.

MOHD FAIZUL BIN IBRAHIM
Non-Independent Non-Executive Director

Encik Mohd Faizul bin Ibrahim, a Malaysian aged 31, was appointed to the Board of LLCB on 13 September 2012 as a Non-Independent Non-Executive Director.

Encik Faizul graduated in 2005 from MARA University of Technology with Bachelor in Accountancy (Hons).

Encik Faizul is a member of the Malaysian Institute of Accountants and he spent 3 years in public practice with Messrs. Azman, Wong, Salleh & Co before joining the commercial sector in 2009.

Encik Faizul does not hold any directorships in other public companies. However, he is a director of several private limited companies.

TAN VERN TACT
Independent Non-Executive Director

Mr. Tan Vern Tact, a Malaysian aged 36, was appointed to the Board of LLCB on 14 September 2012 as an Independent Non-Executive Director.

Mr. Tan graduated from Trinity College, University of Cambridge, United Kingdom with a Bachelor of Arts (B.A.) and a Master of Engineering (M.Eng.) in Electrical and Information Sciences.

He also sits on the board of Putrajaya Perdana Berhad.

MONICA OH CHIN CHIN*
***Alternate Director to Tan Vern Tact**

Ms. Monica Oh Chin Chin, a Malaysian aged 52, was appointed to the Board of LLCB as an Alternate Director to Mr. Tan Vern Tact on 14 September 2012.

Ms. Monica graduated in 1982 from Monash University, Australia with a Bachelor of Economics majoring in Accounting. Ms. Monica is a member of the Malaysian Institute of Accountants and CPA Australia. She has served in a foreign bank in Malaysia and has more than 13 years of banking experience.

Ms. Monica currently sits on the board of Putrajaya Perdana Berhad.

"In 2012, global economic growth moderated amid a more challenging environment compared to 2011. In the advanced economies, growth was uneven, with the US experiencing a fragile recovery and the euro area remaining in recession. The weakened economic conditions in the advanced economies affected international trade, which in turn affected domestic economic activity in the emerging economies.

Despite the weak external environment, the Malaysian economy performed better than expected, delivering faster and higher quality growth. The Malaysian economy performed better than expected in 2012, recording a strong growth of 5.6%." (Source : BNM Annual Report 2012)

Against this backdrop, the Group did exceedingly well with improved revenue and operational profitability in 2012 as compared to the previous financial year.

The improved performance and financial results are attributed to the dedicated management team and staff who had demonstrated collective strengths, a resilient spirit and diligent work.

Furthermore, we had continued to exercise prudence and caution in our undertakings, thus mitigating potential risks during these times of uncertainty. This is evidenced by the Group's continued consolidation and strengthening in its core businesses of construction and property development.

As the Malaysian economy is projected by BNM to remain on a steady growth path, with an expansion of 5-6% in 2013, the Group, spearheaded by our experienced and capable management team, will incorporate further improvements in our core expertise and services to meet those challenges.

I am pleased to announce that effective on 14 September 2012, Dato' Che Abdullah @ Rashidi bin Che Omar and myself, being the principal shareholders of Selesa Produktif Sdn Bhd, had successfully completed the acquisition of all the 68,000,000 ordinary shares of Loh & Loh Corporation Berhad representing 100% of the issued and fully paid up shares of the Company. I have been the Chairman of Loh & Loh since 2008 and I am grateful to have the opportunity to bring my association with this great company another step closer as a shareholder. Together with Dato' Rashidi, a highly experienced and respected business leader, we look forward to a mutually rewarding future with every employee of the LOH & LOH Group.

On behalf of the Group, I would like to express my appreciation to my fellow Directors, the Management team and staff for their unyielding loyalty, valuable contribution and team spirit, and to our valued customers, business associates, bankers and relevant authorities for their continued support and confidence in us.

I would like to welcome Encik Mohd Faizul bin Ibrahim to our Board and thank Mr. Yong Weng Fai, Mr. Geh Choh Hun and Mr. Low Taek Howe for their past services as directors.

Thank you.

A Letter from Our Chairman

Dear Valued Shareholders, on behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Loh & Loh Corporation Berhad ("LLCB" or "the Group") for the financial year ended 31 December 2012.

CEO's
Review of Operations


LOH&LOH

1

REVIEW OF FINANCIAL YEAR ENDED 31 DECEMBER 2012

2012 continued to be an extremely busy year for LOH & LOH Group with 10 Construction projects, 8 Mechanical & Electrical projects and 2 developments ongoing with a total value of RM2.4 billion of which 1.25 billion is still outstanding as at the end of 2012. Despite the challenging global environment, I am pleased to inform that the Group has continued to perform remarkably with the hard work and dedication of our management and staff. Our outstanding order book should sustain the Group through the next two years, but with our niche capabilities and expertise and our continual improvement in our development business, I am confident, we will further increase our order book and achieve further growth.

IMPROVED FINANCIAL PERFORMANCE

I am pleased to report that the Group recorded a 37% improvement in Revenue from RM316.2 million in 2011 to RM434.5 million and a Profit before Tax of RM62.0 million, compared to RM74.7 million in 2011. If we discount the one-off gain of RM26.3 million in 2011, the operational Profit before Tax than would be RM48.4 million and our 2012 operational Profit before Tax actually increased 28%. The overall figures translate to net earnings per share of 64 sen, compared to 86 sen in 2011.

In line with our improved results, the Group declared an interim single tier dividend of 38 sen per ordinary share of RM1.00 for the financial year ended 31 December 2012.

OPERATIONAL HIGHLIGHTS

Building The Nation's Utilities Infrastructure

LOH & LOH Constructions Sdn Bhd, our construction subsidiary is currently implementing 10 major infrastructure projects this year with a total value of RM1.5 billion. The Construction division continues to be a key player in the nation's major infrastructure projects across the country such as:

- Kelau Dam and Semantan Intake for the Pahang – Selangor Inter-state water transfer project
- The Hulu Terengganu Hydro-electric power project
- the Electrified Double track project from Seremban to Gemas

• the Utilities Package 2 - water distribution project in Iskandar, Malaysia

In 2012, LOH & LOH secured the following infrastructure projects:

• the Water Supply project to SOGIP, Sipitang, west coast of Sabah.

• the C104: civil works & VM092 package warehouse for the Vale Iron Ore distribution facility.

The above projects show the niche capabilities of our Construction division, and we are proud to be involved in the nation's major infrastructure projects and contribute to the development of the nation.

To further improve on our competitiveness and capabilities, we continue to increase and invest in resources and technology such as the latest plants and equipment, as well as our human resources. With these investments and our strong track record and abilities, I am optimistic that the Construction division will be able to secure new major infrastructure projects and continue to build and increase our order book to grow and expand.

Synergistic Integration of M&E & C&S Group

Water Engineering Technology (WET), our M&E subsidiary continues to experience strong growth with an order book of RM380 million comprising project contracts, sales and Operation & Maintenance contracts. This year, WET has also completed and handed over the upgrading of the 160MLD Kunak water supply project and the 12MLD Miri water supply project, both located in East Malaysia.

1. Hulu Terengganu Hydro-electric Power Project - Power Intake
2. Hulu Terengganu Hydro-electric Power Project - Spillway
3. Semantan Intake Project

1

2

WET continues to be a highly synergistic partner to LOH & LOH Constructions especially in water infrastructure works providing LOH & LOH with a significant competitive edge as a fully integrated water infrastructure specialist. Both subsidiaries are working in tandem on several major projects, and I believe this synergistic co-operation will pave the way to more projects through our increased competitiveness and ability to offer advantages to clients such as single point responsibility, design and build capabilities, ease of co-ordination, value engineering, among others.

Handover of Idaman Hills, Selayang Phase 1, Launching of Idaman Hills Phase 2 Show Homes and completion of The Airie, Sri Damansara Show Village

On the development front, our development subsidiary, LOH & LOH Development, has successfully handed over Phase 1 of Idaman Hills in Selayang comprising 100 units of Semi Detached and Bungalow Homes. In the pursuit of improving our product quality, this development has been benchmarked and assessed under the CONQUAS21 system by the Building Construction Authority of Singapore. I am pleased to inform that the development has achieved a remarkable score of 78.1 out of 100 for its maiden CONQUAS21 assessment placing our development quality standards among the top developers in Malaysia. I congratulate the Development division for this achievement.

During the year, the Development division has also completed and launched the show homes for Phase 2 of Idaman Hills, Selayang as well as the Show Village for The Airie, Sri Damansara. The two developments have a combined Gross Development Value of RM450 million and both have achieved over 90% sales.

1. Semantan Intake Project - M&E
2. Idaman Hills, Selayang
3. The Airie, Sri Damansara

With our strong cash position, synergies with the construction division and a growing reputation for boutique developments, the Development division is constantly sourcing for suitable land to increase its land bank based on a strategy of developing unique concepts that will add significant value to the land. 2013 should prove to be an exciting year for the Development division as we will complete and handed over Idaman Hills Phase 2 and The Airie, as well as work on new development projects in Mont Kiara and Rawang, Selangor. In a push for further expansion, LOH & LOH Development will continue to search for land to invest and acquire for new and exciting development concepts.

HUMAN CAPITAL DEVELOPMENT AND VALUES

The success and achievement of the Group's improved financial performance is due to the continual commitment and hard work of our management and staff. The Group encourages a teamwork approach towards decision making and involves team members at all levels to ensure ownership and commitment to set targets. Considerable time and effort is committed to Human capital development with senior management involvement in all aspects of our Human Resource management system especially in training, promotion, and setting a system that rewards and incentivizes performance and results.

The Group continues to "incorporate" our PRACTICE 8 Core Values, which encompass Passion, Results Oriented, Accountability, Change Responsiveness, Teamwork, Integrity & Loyalty, Creativity & Innovativeness and Equity, under the acronym 'PRACTICE', as part of the Group Core Values.

MOVING FORWARD

The globalised economy continues to be volatile especially with the continuing uncertainty in the European markets and the slowing growth in China. While Malaysia is not insulated from the effects of the global downturn, the Malaysian economy has proven to be resilient and the construction sector continues to offer potential.

Our Construction and M&E subsidiaries continue to have potential with our expertise and proven track record in major water and railway infrastructure projects. Major Infrastructure projects such as the Sarawak Corridor Of Renewable Energy (SCORE), Langat 2 Water Treatment Plant and related works, Pengerang Water Supply Scheme, Klang Valley My Rapid Transit Phase 2 (KVMRT), High Speed Rail Link, Gemas - Johor Baru Double Track Project and other projects under the Economic Transformation Programme should provide the Group with significant opportunities to increase our order book.

Our continuing success in boutique developments and increasing track record should also enable the development subsidiary to grow significantly this year with our increased emphasis in growing the development business. We will continue to invest in resources and focus on acquiring more suitable land to create concepts that are unique and provide value to consumers through our expertise and construction synergies.

Over the years, the Group has built a strong premium brand, which stands for quality, reliability, safety, expertise and innovation. We have a highly qualified team, whose enthusiasm and experience are vital to the success of our businesses. Our balance sheet continues to be strong and allows us to take advantage of new opportunities as they arise. At the same time, we will maintain the prudent financial management that has stood us in good stead over the years.

With our strong track record, expertise and resources, I am cautiously optimistic about the road ahead. I am confident that the Group will continue to improve, grow and move forward.

IN APPRECIATION

On behalf of the Group, my sincere appreciation goes to our shareholders, the Board of Directors, the Management and Staff for your dedication and effort, and to our valued customers, business associates, suppliers, subcontractors, bankers and regulatory authorities for your continual support and confidence in us. Thank you!

Corporate Social **Responsibility (CSR)**

In the evolution of good business practices, corporate contribution to the welfare of society is one of the more rewarding aspects. At LOH & LOH we take our social responsibility seriously; as an obligation as well as a passion. We believe that we can contribute not only our expertise but also our time, involvement and funds.

1

2

1. Cheque presentation by our CEO, Mr. Loh Choon Quan to Persatuan Pusat Haemodialysis Prihatin Tengku Besar Terengganu
2. NKF's Mr.Leong Yeng Kit presenting token of appreciation to our Managing Director, Mr. Loh Kim Kah

COMMUNITY CAUSES

Over the years we have made numerous donations to worthy causes, such as disaster relief efforts as well contribution to the poor and helpless. Last year, we continued to channel our efforts towards helping the less privileged with kidney problems by donating a total of RM400,000 to the National Kidney Foundation (NKF), a foundation that works tirelessly to help people living with kidney problems, and Persatuan Pusat Haemodialysis Prihatin Tengku Besar Terengganu, a royal sponsored foundation for people with kidney problems in Terengganu.

In September 2012, LOH & LOH sponsored Empress Wu – The Musical, a musical drama produced by the renowned Dama Orchestra. While this was part of our effort to support the culture and arts community in the country, we also used this occasion to raise funds for NKF. Ultimately the Dama Orchestra got the needed sponsorship to produce this excellent musical, and a capacity crowd comprising our clients and associates were treated to a wonderful night of music and theatre. A total of RM100,000 was raised for the NKF that night."

The dynamic staff of LOH & LOH are also very committed and involved in community causes, and have over the years donated blood to Kuala Lumpur General Hospital. LOH & LOH encourages every staff member to take time off to make their life-giving donation.

LOH & LOH believes in helping young Malaysians in their careers, and members of our staff give career talks at Career Fairs and other organised meetings at local institutions constantly. We also assist in educational programs such as site visits to our projects. We certainly hope that these small efforts will help and guide the young future engineers who participated.

1 & 2. Empress Wu - The Musical

3 & 4. Site visit by INTI International University students to Idaman Hills, Selayang

1

ENVIRONMENTAL CONCERNS

As an engineering company dealing with natural resources such as land and water, LOH & LOH has a Group-wide environmental policy that outlines our commitment to minimising and mitigating the environmental impact of our activities. We have instituted training programs to raise the awareness of our staff about the best practices that should be put in place in order that we might “reuse, recycle, replenish, restore and reduce” wherever possible.

A significant contribution to the environment that we have embarked upon recently as a Company is the river beautification in Idaman Hills.

LOH & LOH invested millions to create a riverside park for recreation, exercise and family activities. We built paved and pebbled paths, placed benches and tables, and erected shelters and landscape features for the enjoyment of the community. We applied our engineering expertise in water to clean the river, reinforce the banks and added plants that will improve the whole river ecosystem. Not only do we wish to benefit the community that has grown in Idaman Hills, we also hope our efforts will leave the natural environment in the area in an even better state than before.

SOCIETY

In Idaman Hills, We are also aware of our duty to enhance the lifestyle and surroundings in the area. One of the first things we did was to widen and repave an existing road that passes our development and leads to a “kampong”. This road was improved significantly with proper signages and street lights to improve the safety of the community utilising the road.

RECYCLING

In the course of our corporate journey, the Company has made greater and greater efforts to imbue “environmental consciousness” in our practices. One such effort is recycling. We have instituted company-wide guidelines to ensure that we maximise the use of paper by recycling single-sided printouts. Our desire is to cut down the use of paper to reduce our impact on the natural resources of our world, and channel our used paper to recycling companies to generate proceeds to donate to charity.

1. Idaman Hills, Selayang - River beatification
2. Idaman Hills, Selayang - Acceleration lane along Jalan Bidara

Financial **Statements**

Directors' report

for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and civil construction, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the year attributable to:		
Owners of the Company	43,396,034	26,018,933
Non-controlling interests	153,258	-
	43,549,292	26,018,933

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) an interim single-tier dividend of 36.76 sen per ordinary share totalling RM25,000,000 in respect of the financial year ended 31 December 2011 on 3 January 2012;

ii) a first interim single-tier dividend of 29.41 sen per ordinary share totalling RM20,000,000 in respect of the financial year ended 31 December 2012 on 12 July 2012;

iii) a second interim single-tier dividend of 9.05 sen per ordinary share totalling RM6,154,000 in respect of the financial year ended 31 December 2012 on 11 March 2013.

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2012.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud
Loh Kim Kah
Dato' Che Abdullah@Rashidi bin Che Omar (appointed on 13 September 2012)
Mohd. Faizul bin Ibrahim (appointed on 13 September 2012)
Tan Vern Tact (resigned on 13 September 2012; appointed on 14 September 2012)
Monica Oh Chin Chin (alternate director to Tan Vern Tact) (resigned on 13 September 2012; appointed on 14 September 2012)
Yong Weng Fai (resigned on 13 September 2012)
Geh Choh Hun (resigned on 13 September 2012)
Low Taek Howe (resigned on 13 September 2012)

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
	AT 1.1.2012	BOUGHT	SOLD	AT 31.12.2012
SHAREHOLDINGS IN WHICH DIRECTORS HAVE INTERESTS				
In the Company				
Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud				
- indirect interest	-	68,000,000	-	68,000,000
Dato' Che Abdullah @ Rashidi bin Che Omar				
- indirect interest	-	68,000,000	-	68,000,000

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud

Loh Kim Kah

Kuala Lumpur,
Date: 21 May 2013

Statements of financial position

as at 31 December 2012

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
ASSETS					
Property, plant and equipment	3	78,737,026	60,003,278	-	-
Investment properties	4	15,060,100	15,060,100	-	-
Investments in subsidiaries	5	-	-	153,280,342	153,280,342
Deferred tax assets	6	3,246,437	1,290,640	-	-
Trade and other receivables	7	27,525,792	18,705,275	-	-
TOTAL NON-CURRENT ASSETS		124,569,355	95,059,293	153,280,342	153,280,342
Inventories	8	6,116,975	248,329	-	-
Other investments	9	6,132,863	8,663,518	6,132,863	8,158,118
Property development costs	10	64,357,821	63,025,080	-	-
Current tax assets		10,255,753	16,739,887	361,358	567,182
Trade and other receivables	7	82,475,299	127,740,070	26,817,520	24,649,051
Cash and cash equivalents	11	212,701,817	137,272,177	8,268,606	3,300,765
TOTAL CURRENT ASSETS		382,040,528	353,689,061	41,580,347	36,675,116
TOTAL ASSETS		506,609,883	448,748,354	194,860,689	189,955,458

Statements of financial position

as at 31 December 2012 (continued)

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
EQUITY					
Share capital		68,000,000	68,000,000	68,000,000	68,000,000
Revaluation reserve		6,658,508	6,658,508	76,885,943	76,885,943
Retained earnings		196,872,449	179,630,415	9,706,503	9,841,570
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		271,530,957	254,288,923	154,592,446	154,727,513
NON-CONTROLLING INTERESTS		5,318,079	5,164,821	-	-
TOTAL EQUITY	12	276,849,036	259,453,744	154,592,446	154,727,513
LIABILITIES					
Loans and borrowings	13	1,855,550	2,454,017	-	-
Deferred tax liabilities	6	3,603,198	2,564,099	-	-
Trade and other payables	14	38,388,102	20,229,838	-	-
TOTAL NON-CURRENT LIABILITIES		43,846,850	25,247,954	-	-
Loans and borrowings	13	2,281,859	1,861,616	-	-
Trade and other payables	14	183,228,951	161,552,355	40,268,243	35,227,945
Current tax liabilities		403,187	632,685	-	-
TOTAL CURRENT LIABILITIES		185,913,997	164,046,656	40,268,243	35,227,945
TOTAL LIABILITIES		229,760,847	189,294,610	40,268,243	35,227,945
TOTAL EQUITY AND LIABILITIES		506,609,883	448,748,354	194,860,689	189,955,458

The notes set out on pages 45 to 106 are an integral part of these financial statements.

Statements of comprehensive income

for the year ended 31 December 2012

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Revenue	15	434,477,281	316,162,923	27,263,837	24,844,187
Cost of sales	16	(350,833,647)	(240,787,070)	(109,124)	(112,161)
GROSS PROFIT		83,643,634	75,375,853	27,154,713	24,732,026
Other income		5,285,493	31,597,604	-	-
Administrative expenses		(22,742,180)	(32,026,482)	(856,306)	(1,331,598)
RESULTS FROM OPERATING ACTIVITIES		66,186,947	74,946,975	26,298,407	23,400,428
Finance costs		(4,167,711)	(273,457)	-	-
PROFIT BEFORE TAX	17	62,019,236	74,673,518	26,298,407	23,400,428
Income tax expense	19	(18,469,944)	(13,290,722)	(279,474)	(191,111)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		43,549,292	61,382,796	26,018,933	23,209,317
PROFIT ATTRIBUTABLE TO:					
Owners of the Company		43,396,034	58,780,514	26,018,933	23,209,317
Non-controlling interests		153,258	2,602,282	-	-
PROFIT FOR THE YEAR		43,549,292	61,382,796	26,018,933	23,209,317
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		43,396,034	58,780,514	26,018,933	23,209,317
Non-controlling interests		153,258	2,602,282	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		43,549,292	61,382,796	26,018,933	23,209,317
BASIC EARNINGS PER ORDINARY SHARE (SEN):	20	64	86		

The notes set out on pages 45 to 106 are an integral part of these financial statements.

Statements of changes in equity

for the year ended 31 December 2012

			ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
			NON-DISTRIBUTABLE	DISTRIBUTABLE			
	NOTE	SHARE CAPITAL	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
GROUP		**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
AT 1 JANUARY 2011		68,000,000	6,794,302	175,439,901	250,234,203	1,315,855	251,550,058
Reversal of reserves		-	(135,794)	-	(135,794)	-	(135,794)
Profit and total comprehensive income for the year		-	-	58,780,514	58,780,514	2,602,282	61,382,796
Changes in ownership interests in a subsidiary		-	-	410,000	410,000	1,246,684	1,656,684
Dividends to owners of the Company	21	-	-	(55,000,000)	(55,000,000)	-	(55,000,000)
TOTAL TRANSACTIONS WITH OWNERS		-	-	(54,590,000)	(54,590,000)	1,246,684	(53,343,316)
AT 31 DECEMBER 2011		68,000,000	6,658,508	179,630,415	254,288,923	5,164,821	259,453,744
		Note 12	Note 12	Note 12			

Statements of changes in equity

for the year ended 31 December 2012 (continued)

		ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
			NON-DISTRIBUTABLE	DISTRIBUTABLE			
	NOTE	SHARE CAPITAL	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
GROUP		RM	RM	RM	RM	RM	RM
AT 1 JANUARY 2012		68,000,000	6,658,508	179,630,415	254,288,923	5,164,821	259,453,744
Profit and total comprehensive income for the year		-	-	43,396,034	43,396,034	153,258	43,549,292
Dividends to owners of the Company	21	-	-	(26,154,000)	(26,154,000)	-	(26,154,000)
TOTAL TRANSACTIONS WITH OWNERS		-	-	(26,154,000)	(26,154,000)	-	(26,154,000)
AT 31 DECEMBER 2012		68,000,000	6,658,508	196,872,449	271,530,957	5,318,079	276,849,036
		Note 12	Note 12	Note 12			

The notes set out on pages 45 to 106 are an integral part of these financial statements.

Statements of changes in equity

for the year ended 31 December 2012 (continued)

		NON-DISTRIBUTABLE		DISTRIBUTABLE	
		SHARE	REVALUATION	RETAINED	
		CAPITAL	RESERVE	EARNINGS	TOTAL
COMPANY	**NOTE**	**RM**	**RM**	**RM**	**RM**
AT 1 JANUARY 2011		68,000,000	76,885,943	41,632,253	186,518,196
Profit and total comprehensive income for the year		-	-	23,209,317	23,209,317
Dividends to owners of the Company	21	-	-	(55,000,000)	(55,000,000)
TOTAL TRANSACTIONS WITH OWNERS		-	-	(55,000,000)	(55,000,000)
AT 31 DECEMBER 2011/ 1 JANUARY 2012		68,000,000	76,885,943	9,841,570	154,727,513
Profit and total comprehensive income for the year		-	-	26,018,933	26,018,933
Dividends to owners of the Company	21	-	-	(26,154,000)	(26,154,000)
TOTAL TRANSACTIONS WITH OWNERS		-	-	(26,154,000)	(26,154,000)
AT 31 DECEMBER 2012		68,000,000	76,885,943	9,706,503	154,592,446
		Note 12	Note 12	Note 12	

The notes set out on pages 45 to 106 are an integral part of these financial statements.

Statements of cash flows

for the year ended 31 December 2012

	NOTE	GROUP		COMPANY	
		2012	2011	2012	2011
		RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		62,019,236	74,673,518	26,298,407	23,400,428
Adjustments for:					
Property, plant and equipment					
• depreciation		3,273,489	2,402,270	-	-
• gain on disposal		(700,239)	(352,786)	-	-
• written off		7,845	18,215	-	-
Impairment loss of trade receivables		-	4,764,083	-	-
Provision for foreseeable losses		30,288	1,257,025	-	-
Dividend income		(208,905)	(174,488)	(26,358,905)	(24,174,488)
Finance income					
• short term deposits		(2,870,415)	(2,449,974)	(92,840)	(357,308)
• loans and receivables		(497,190)	(50,469)	-	-
Fair value loss on investment securities		376,166	451,602	376,166	451,602
Gain on disposal of non-current assets held for sale		-	(26,261,511)	-	-
Finance costs					
• interest expenses		236,011	273,457	-	-
• loans and receivables		3,931,700	-	-	-
Reversal of impairment loss on					
• trade receivables		(1,339,120)	(1,484,215)	-	-
• other receivables		-	(424,417)	-	-
Net gain on disposal of other investments		(808,898)	(312,391)	(812,092)	(312,391)
Unrealised foreign exchange gain		(789,140)	(728,479)	-	-
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL		62,660,828	51,601,440	(589,264)	(992,157)

Statements of cash flows

for the year ended 31 December 2012 (continued)

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL (CONTINUED)					
Changes in inventories		(5,868,646)	3,073,452	-	-
Changes in property development costs		(1,328,710)	3,281,176	-	-
Changes in trade and other receivables		36,319,644	(31,260,303)	3,981,531	(14,570,893)
Changes in trade and other payables		59,147,762	16,765,581	23,886,298	(3,168,837)
CASH GENERATED FROM/(USED IN) OPERATIONS		150,930,878	43,461,346	27,278,565	(18,731,887)
Interest paid		(236,011)	(273,457)	-	-
Income tax refunded		7,585,657	-	-	-
Income tax paid		(20,717,663)	(26,278,953)	(73,650)	(50,773)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES		137,562,861	16,908,936	27,204,915	(18,782,660)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		208,905	174,488	20,208,905	174,488
Interest received		2,870,415	2,449,974	92,840	357,308
Purchase of property, plant and equipment	(ii)	(22,901,715)	(13,516,098)	-	-
Proceeds from disposal of property, plant and equipment		2,359,011	1,922,146	-	-
Proceeds from disposal of other investments		2,963,387	10,172,850	2,461,181	10,172,850
Proceeds from disposal of non-current assets held for sale		-	35,000,000	-	-
Proceeds from disposal of interest in a subsidiary		-	254,800	-	-
Purchase of investment property		-	(160,000)	-	-
Placement of deposit pledged with licensed bank		(953,658)	(328,268)	(953,658)	(328,268)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(15,453,655)	35,969,892	21,809,268	10,376,378

Statements of cash flows

for the year ended 31 December 2012 (continued)

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of finance lease obligations		(2,633,224)	(1,777,725)	-	-
Dividends paid		(45,000,000)	(30,000,000)	(45,000,000)	(30,000,000)
NET CASH USED IN FINANCING ACTIVITIES		(47,633,224)	(31,777,725)	(45,000,000)	(30,000,000)
Net increase/(decrease) in cash and cash equivalents		74,475,982	21,101,103	4,014,183	(38,406,282)
Cash and cash equivalents at 1 January		134,580,799	113,479,696	609,387	39,015,669
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(i)	209,056,781	134,580,799	4,623,570	609,387

(i) CASH AND CASH EQUIVALENTS

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

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Cash and cash equivalents	11	212,701,817	137,272,177	8,268,606	3,300,765
Less: Deposits pledged		(3,645,036)	(2,691,378)	(3,645,036)	(2,691,378)
		209,056,781	134,580,799	4,623,570	609,387

(ii) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with aggregate costs of RM25,356,715 (2011: RM17,633,898), of which RM2,455,000 (2011: RM4,117,800), were acquired by means of finance leases.

The notes set out on pages 45 to 106 are an integral part of these financial statements.

Notes to the financial statements

31 December 2012

Loh & Loh Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its principal place of business and registered office of the Company are as follows:

PRINCIPAL PLACE OF BUSINESS
19 & 21, Jalan Sri Hartamas 7
Taman Sri Hartamas
50480 Kuala Lumpur

REGISTERED OFFICE
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in jointly controlled assets and operations. The financial statements of the Company as at and for the year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding and civil construction, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The holding company is Selesa Produktif Sdn. Bhd., which is incorporated and domiciled in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 21 May 2013.

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysia Accounting Standards Board (MASB) but have not been adopted by the Group and the Company.

a. FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

b. FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Government Loans
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to FRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to FRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to FRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to FRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to FRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to FRS 11, Joint Arrangements: Transition Guidance
- Amendments to FRS 12, Disclosure of Interests in Other Entities: Transition Guidance

c. FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to FRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to FRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

d. FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)
- Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

d. FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015 (continued)

The Group and the Company plan to apply those standards, amendments and interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 except for IC Interpretation 20 which is not applicable to the Group and the Company from the annual period beginning on 1 January 2013.

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts on the financial statements of the Group and the Company.

The Group is an entity within the scope of IC Interpretation 15, Agreements for the Construction of Real Estate and will be exempted from adopting Malaysian Financial Reporting Standards (MFRSs) and as such is referred to as a "Transitioning Entity". Being a Transitioning Entity, the Group is required to adopt MFRSs for annual period beginning on 1 January 2014.

Hence, the financial statements of the Group and of the Company for the annual period beginning on 1 January 2014 will be prepared in accordance with the MFRSs issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014 and 1 January 2015.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2.16 (c) and Note 2.16(d) – Revenue from construction contract and property development
- Note 3 – Revaluation of property, plant and equipment
- Note 4 – Valuation of investment properties
- Note 6 – Recognition of deferred tax assets
- Note 7 – Valuation of recoverability and impairment of receivables

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of consolidation

a. Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Investments in subsidiaries stated at valuation shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiaries.

b. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

b. Business combinations (continued)

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve.

The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

c. Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

d. Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e. Jointly-controlled operations and assets

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

f. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

g. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

2.3 Financial instruments

a. Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

b. Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

i. Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

ii. Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

iii. Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.11).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

b. Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

c. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

d. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

i. the recognition of an asset to be received and the liability to pay for it on the trade date, and
ii. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

e. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.4 Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost / valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss when revalued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

b. Subsequent costs

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

c. Depreciation

Depreciation is based on the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	40-50 years
• plant and machinery	10-20 years
• office equipment, furniture and fittings	5-10 years
• motor vehicles	5-8 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2.5 Leased assets

a. Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leased assets (continued)

b. Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2.6 Investment properties

a. Investment properties carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

b. Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties (continued)

c. Determination of fair value

The Directors estimate the fair values of the Company's investment property without involvement of independent valuers. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 4.

2.7 Inventories

Inventories of completed properties are measured at the lower of cost and net realisable value. The cost of inventories includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion.

Other inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

2.8 Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

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

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

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 is recognised as an asset and is stated at the lower of cost and net realisable value. The excess of revenue recognised in profit or loss over billings to the purchasers is shown as progress billings receivable under trade and other receivables while the excess billing to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and other payables.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment

a. Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective exists, then the financial assets recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

b. Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, investment properties that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment (continued)

b. Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other asset, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2.12 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

a. Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

b. Ordinary shares

Ordinary shares are classified as equity.

2.13 Employee benefits

a. Short term employee benefits

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

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

b. State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

a. Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

b. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.15 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Revenue and other income

a. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

b. Services

Revenue from services rendered is recognised in profit or loss when services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue and other income (continued)

c. Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Any expected loss on a contract is recognised immediately in profit or loss.

d. Property development

Revenue from property development activities are recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for works performed to date bear to the estimated total property development costs.

Where the financial outcome of a property 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 the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including cost to be incurred over the defect liability period, is recognised immediately in profit or loss.

e. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

f. Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

g. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

2.20 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Notes to the financial statements

31 December 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	NOTE	FREEHOLD LAND	BUILDING ON FREEHOLD LAND	PLANT & MACHINERY	OFFICE EQUIPMENT, FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
		RM	RM	RM	RM	RM	RM
COST/VALUATION							
At 1 January 2011		12,133,173	2,940,727	47,606,579	6,251,679	17,149,578	86,081,736
Additions		-	-	12,601,705	1,183,524	3,848,669	17,633,898
Disposals		-	-	(4,356,411)	(36,954)	(1,690,315)	(6,083,680)
Written off		-	-	(1,228,408)	(638,197)	(68,528)	(1,935,133)
At 31 December 2011/1 January 2012		12,133,173	2,940,727	54,623,465	6,760,052	19,239,404	95,696,821
Additions		-	-	20,326,095	1,287,934	3,742,686	25,356,715
Disposals		-	-	(3,001,047)	(35,109)	(1,983,530)	(5,019,686)
Written off		-	-	-	(168,128)	(320)	(168,448)
At 31 December 2012		12,133,173	2,940,727	71,948,513	7,844,749	20,998,240	115,865,402
Representing items at:							
Cost		-	-	71,948,513	7,844,749	20,998,240	100,791,502
Valuation		12,133,173	2,940,727	-	-	-	15,073,900
At 31 December 2012		12,133,173	2,940,727	71,948,513	7,844,749	20,998,240	115,865,402
DEPRECIATION							
At 1 January 2011		-	3,696	27,580,815	3,791,184	7,068,592	38,444,287
Depreciation charge for the year:							
- Recognised in profit or loss	17	-	31,233	1,088,868	577,641	704,528	2,402,270
- Capitalised in property development costs	10	-	-	-	3,055	-	3,055
- Capitalised in construction contract costs	7	-	-	694,599	180,312	400,258	1,275,169
		-	31,233	1,783,467	761,008	1,104,786	3,680,494
Disposals		-	-	(3,334,423)	(28,356)	(1,151,541)	(4,514,320)
Written off		-	-	(1,219,574)	(628,818)	(68,526)	(1,916,918)
At 31 December 2011/1 January 2012		-	34,929	24,810,285	3,895,018	6,953,311	35,693,543

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP (CONTINUED)	NOTE	FREEHOLD LAND	BUILDING ON FREEHOLD LAND	PLANT & MACHINERY	OFFICE EQUIPMENT, FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
		RM	RM	RM	RM	RM	RM
DEPRECIATION (CONTINUED)							
At 1 January 2012		-	34,929	24,810,285	3,895,018	6,953,311	35,693,543
Depreciation charge for the year:							
- Recognised in profit or loss	17	-	35,353	1,938,140	617,297	682,699	3,273,489
- Capitalised in property development costs	10	-	-	-	4,031	-	4,031
- Capitalised in construction contract costs	7	-	-	750,735	235,933	692,162	1,678,830
		-	35,353	2,688,875	857,261	1,374,861	4,956,350
Disposals		-	-	(2,101,539)	(25,050)	(1,234,325)	(3,360,914)
Written off		-	-	-	(160,603)	-	(160,603)
At 31 December 2012		-	70,282	25,397,621	4,566,626	7,093,847	37,128,376
CARRYING AMOUNTS							
At 1 January 2011		12,133,173	2,937,031	20,025,764	2,460,495	10,080,986	47,637,449
At 31 December 2011/1 January 2012		12,133,173	2,905,798	29,813,180	2,865,034	12,286,093	60,003,278
At 31 December 2012		12,133,173	2,870,445	46,550,892	3,278,123	13,904,393	78,737,026

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Property, plant and equipment under the revaluation model

Had the freehold land and building been carried under the cost model, their carrying amounts would have been as follows:

	GROUP	
	2012 RM	2011 RM
Freehold land	5,763,816	5,763,816
Freehold building	2,228,470	2,247,554
	7,992,286	8,011,370

3.2 Assets under finance leases

Included in the Group's additions to property, plant and equipment are assets acquired under finance leases (gross) as follows:

	GROUP	
	2012 RM	2011 RM
Motor vehicles	3,093,171	2,536,462
Plant and machinery	252,504	2,800,946
	3,345,675	5,337,408

Included in the Group's property, plant and equipment are assets acquired under finance leases with carrying values as follows:

	GROUP	
	2012 RM	2011 RM
Motor vehicles	6,678,948	4,836,335
Plant and machinery	2,576,277	2,592,044
	9,255,225	7,428,379

4. INVESTMENT PROPERTIES

	GROUP	
	2012	**2011**
	RM	**RM**
At 1 January	15,060,100	14,900,100
Additions	-	160,000
At 31 December	15,060,100	15,060,100

Included in the above are:

	GROUP	
	2012	**2011**
	RM	**RM**
At fair value		
Freehold land	13,944,000	13,944,000
Buildings	1,116,100	1,116,100

4.1 Valuation of investment properties

The Directors estimate the fair value of investment properties based on comparable market value of similar properties. Based on the Directors' estimation, the fair value of the investment properties approximates their carrying amount at 31 December 2012 and 31 December 2011.

4.2 Titles

The Group is in the midst of transferring the titles of investment properties amounting to RM160,000.

5. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2012 RM	2011 RM
Unquoted shares, at cost	22,246,070	22,246,070
Unquoted shares, at valuation	131,034,272	131,034,272
	153,280,342	153,280,342

Details of the subsidiaries are as follows:

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST 2012 %	2011 %
Direct subsidiaries				
Loh & Loh Constructions Sdn. Bhd.	Malaysia	Building and civil construction and investment holding	100	100
Loh & Loh Development Sdn. Bhd.	Malaysia	Property development and investment holding	100	100
Water Engineering Technology Sdn. Bhd.	Malaysia	Trading, contracting and mechanical and electrical engineering related activities	100	100
Central Icon Sdn. Bhd. *	Malaysia	Dormant	90	90
Subsidiaries of Loh & Loh Constructions Sdn. Bhd.				
Jutakim Sdn. Bhd.	Malaysia	Civil engineering	100	100
Quality Quarry Sdn. Bhd.	Malaysia	Quarry operation	68	68
Loh & Loh Ikhmas Sdn. Bhd.	Malaysia	Civil engineering	100	100

Notes to the financial statements

31 December 2012 (continued)

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST 2012 %	2011 %
Subsidiaries of Loh & Loh Development Sdn. Bhd.				
Turf-Tech Sdn. Bhd.	Malaysia	Property development	100	100
Green Heights Developments Sdn. Bhd.	Malaysia	Property development	100	100
Medius Developments Sdn. Bhd. (f.k.a Loh & Loh Sato Kogyo JV Sdn. Bhd.)	Malaysia	Civil engineering	100	100
Subsidiaries of Water Engineering Technology Sdn. Bhd.				
WET Sales and Services Sdn. Bhd.	Malaysia	Trading and contracting in water related equipment	90	90
WET O&M Sdn. Bhd.	Malaysia	Maintenance and operation of water and waste water treatment facilities	100	100
Subsidiary of Central Icon Sdn. Bhd.				
Ladang Impian Sdn. Bhd.*	Malaysia	Dormant	100	100
Subsidiaries of Ladang Impian Sdn. Bhd.				
Ladang Impian 1 Sdn. Bhd.*	Malaysia	Dormant	100	100
Ladang Impian 2 Sdn. Bhd.*	Malaysia	Dormant	100	100
Subsidiary of Ladang Impian 1 Sdn. Bhd.				
Pasarakyat Sdn. Bhd.*	Malaysia	Dormant	100	100

* These subsidiaries are in the process of striking-off from the register of Companies Commission of Malaysia.

All the subsidiaries are audited by KPMG.

6. DEFERRED TAX (ASSETS)/LIABILITIES

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2012	2011	2012	2011	2012	2011
GROUP	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	7,759,454	6,208,812	7,759,454	6,208,812
Provisions	(7,735,719)	(5,225,754)	-	-	(7,735,719)	(5,225,754)
Other items	-	(658,214)	333,026	948,615	333,026	290,401
Net tax (assets) / liabilities	(7,735,719)	(5,883,968)	8,092,480	7,157,427	356,761	1,273,459
Set-off of tax	4,489,282	4,593,328	(4,489,282)	(4,593,328)	-	-
Net tax (assets) / liabilities	(3,246,437)	(1,290,640)	3,603,198	2,564,099	356,761	1,273,459

Unrecognised deferred tax assets

The amounts of unused tax losses, unabsorbed capital allowances and other deductible temporary differences, of which no deferred tax assets are recognised in the statement of financial positions are as follows:

	GROUP	
	2012	2011
	RM	RM
Unused tax losses	11,341,280	10,985,952
Unabsorbed capital allowances	1,147,208	1,147,208
Other deductible temporary differences	8,446	8,446
	12,496,934	12,141,606

Deferred tax assets have not been recognised in respect of these items as they have arisen in companies that have a recent history of losses or in companies where future taxable profits may be insufficient to trigger the utilisation of these items.

6. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	AT 1.1.2011	RECOGNISED IN PROFIT OR LOSS (NOTE 19)	RECOGNISED DIRECTLY IN EQUITY	AT 31.12.2011	RECOGNISED IN PROFIT OR LOSS (NOTE 19)	AT 31.12.2012
	RM	RM	RM	RM	RM	RM
Property, plant and equipment	3,831,779	2,377,033	-	6,208,812	1,550,642	7,759,454
Leasehold land	1,039,744	(1,039,744)	-	-	-	-
Provisions	(3,473,997)	(1,751,757)	-	(5,225,754)	(2,509,965)	(7,735,719)
Others	(41,697)	196,304	135,794	290,401	42,625	333,026
	1,355,829	(218,164)	135,794	1,273,459	(916,698)	356,761

7. TRADE AND OTHER RECEIVABLES

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Non-current Trade					
Trade receivables	7.1	27,525,792	18,705,275	-	-
Current Trade					
Trade receivables	7.1	48,100,709	31,802,862	-	-
Less: Allowance for impairment loss		(8,731,211)	(10,070,331)	-	-
		39,369,498	21,732,531	-	-
Amount due from contract customers	7.2	16,313,590	38,436,230	-	-
Progress billings receivable	7.3	19,183,663	51,929,547	-	-
		74,866,751	112,098,308	-	-
Non-trade					
Amount due from subsidiaries	7.4	-	-	26,797,051	24,647,051
Deposits		2,242,351	950,020	2,000	2,000
Prepayments		682,307	807,035	-	-
Other receivables	7.5	5,340,929	14,541,746	18,469	-
		8,265,587	16,298,801	26,817,520	24,649,051
Less: Allowance for impairment loss		(657,039)	(657,039)	-	-
		7,608,548	15,641,762	26,817,520	24,649,051
		82,475,299	127,740,070	26,817,520	24,649,051

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

7.1 Trade receivables

Included in trade receivables at 31 December 2012 are retentions of RM37,342,306 (2011: RM26,434,861) relating to construction work-in-progress.

Retentions are unsecured, interest-free and are expected to be collected as follows:

	GROUP	
	2012	**2011**
	RM	**RM**
Within 1 year	9,816,514	7,729,586
1 - 2 years	8,407,852	4,790,781
2 - 3 years	4,779,997	7,009,494
3 - 4 years	9,858,402	2,669,560
4 - 5 years	4,479,541	4,235,440
	37,342,306	26,434,861

7.2 Amount due from contract customers

	GROUP	
	2012	**2011**
	RM	**RM**
Aggregate costs incurred to date	1,394,016,840	1,462,030,632
Add: Attributable profit	194,084,417	229,108,272
Less: Provision for foreseeable losses	(1,287,313)	(1,257,025)
	1,586,813,944	1,689,881,879
Less: Progress billings	(1,596,037,316)	(1,675,006,414)
	(9,223,372)	14,875,465
Amount due to contract customers (Note 14)	25,536,962	23,560,765
Amount due from contract customers	16,313,590	38,436,230
Included in aggregate costs incurred during the financial year are the following significant charges:		
- Depreciation of property, plant and equipment (Note 3)	1,678,830	1,275,169

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

7.3 Progress billings receivable

Progress billings receivable are in respect of property development activities.

7.4 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

7.5 Other receivables

Included in other receivables of the Group are:

a. Advance payments of RM2,743,041 (2011: RM5,688,146) to sub-contractors/suppliers of subsidiaries which were paid in accordance with the terms of the contracts.

b. Deposit of RM1,252,448 paid for the purchase of land by a subsidiary.

8. INVENTORIES

	GROUP	
	2012	2011
	RM	RM
At cost:		
Water related equipment	65,845	248,329
Properties held for sale (Note 10)	6,051,130	-
	6,116,975	248,329

9. OTHER INVESTMENTS

GROUP	TOTAL RM	UNQUOTED RM	QUOTED IN MALAYSIA RM
2012			
CURRENT			
Financial assets at fair value through profit or loss:			
- Held for trading investments	6,132,863	-	6,132,863
	6,132,863	-	6,132,863
Representing items at:			
Fair value	6,132,863	-	6,132,863
Market value of quoted investments			6,132,863
2011			
CURRENT			
Financial assets at fair value through profit or loss:			
- Held for trading investments	8,163,518	-	8,163,518
Held-to-maturity investments	500,000	500,000	-
	8,663,518	500,000	8,163,518
Representing items at:			
Fair value	8,163,518	-	8,163,518
Amortised costs	500,000	500,000	-
Market value of quoted investments			8,163,518

9. OTHER INVESTMENTS (CONTINUED)

	QUOTED IN MALAYSIA	
	2012	2011
COMPANY	RM	RM
CURRENT		
Financial assets at fair value through profit or loss:		
- Held for trading investments	6,132,863	8,158,118
Representing items at:		
Fair value	6,132,863	8,158,118
Market value of quoted investments	6,132,863	8,158,118

10. PROPERTY DEVELOPMENT COSTS

	GROUP 2012 RM	GROUP 2011 RM
CUMULATIVE PROPERTY DEVELOPMENT COSTS		
At 1 January	178,513,354	107,032,929
Costs incurred during the year	84,602,075	71,480,425
Reversal of completed projects	(83,608,159)	-
Transfers to inventories (Note 8)	(6,051,130)	-
At 31 December	173,456,140	178,513,354
CUMULATIVE COSTS RECOGNISED IN PROFIT OR LOSS		
At 1 January	(115,488,274)	(38,811,820)
Recognised during the year (Note 16)	(77,218,204)	(76,676,454)
Reversal of completed projects	83,608,159	-
At 31 December	(109,098,319)	(115,488,274)
Property development costs	64,357,821	63,025,080
DEVELOPMENT COSTS ARE ANALYSED AS FOLLOWS:		
Freehold land, at cost	67,622,924	67,622,924
Development costs	105,833,216	110,890,430
Costs recognised in profit or loss		
- prior year	(115,488,274)	(38,811,820)
- current year (Note 16)	(77,218,204)	(76,676,454)
Reversal of completed projects	83,608,159	-
	64,357,821	63,025,080
Included in development costs incurred during the financial year are:		
- Depreciation of property, plant and equipment (Note 3)	4,031	3,055

11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Deposits placed with licensed banks	67,307,226	15,392,421	3,645,036	2,671,437
Cash and bank balances	145,394,591	121,879,756	4,623,570	629,328
	212,701,817	137,272,177	8,268,606	3,300,765

Included in the Group and the Company's cash and cash equivalents is an amount of RM3,645,036 (2011: RM2,691,378) held in trust by a trustee under an investment management agreement for discretionary accounts and are not available for use.

Included in cash at banks of the Group are amounts of RM43,053,647 (2011: RM11,270,962) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

12. SHARE CAPITAL AND RESERVES

GROUP AND COMPANY	AMOUNT 2012	NUMBER OF SHARES 2012	AMOUNT 2011	NUMBER OF SHARES 2011
	RM		RM	
Authorised:				
Ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM1 each	68,000,000	68,000,000	68,000,000	68,000,000

ORDINARY SHARES

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

REVALUATION RESERVE

The revaluation reserve relates to the revaluation of the Group's property, plant and equipment.

SECTION 108 TAX CREDIT

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. In the previous years, the Company had opted for single tier company income tax system and under the Act this option is irrevocable. As such, the Company may distribute single tier exempt dividends to its shareholders out of its entire retained earnings.

13. LOANS AND BORROWINGS

	GROUP 2012 RM	GROUP 2011 RM
NON-CURRENT		
Finance lease liabilities	1,855,550	2,454,017
CURRENT		
Finance lease liabilities	2,281,859	1,861,616
	4,137,409	4,315,633

The average discount rates implicit in the leases range between 4.61% and 7.42% (2011: 4.16% and 7.42%) per annum.

Finance lease liabilities are payable as follows:

GROUP	FUTURE MINIMUM LEASE PAYMENTS 2012 RM	INTEREST 2012 RM	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2012 RM	FUTURE MINIMUM LEASE PAYMENTS 2011 RM	INTEREST 2011 RM	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2011 RM
Less than one year	2,431,242	149,383	2,281,859	2,042,744	181,128	1,861,616
Between one and five years	1,940,167	84,617	1,855,550	2,661,905	207,888	2,454,017
	4,371,409	234,000	4,137,409	4,704,649	389,016	4,315,633

14. TRADE AND OTHER PAYABLES

	Note	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
NON-CURRENT TRADE					
Trade payables	14.1	38,388,102	20,229,838	-	-
CURRENT TRADE					
Trade payables	14.1	35,604,428	21,502,935	-	-
Amount due to contract customers	7.2	25,536,962	23,560,765	-	-
Amount due to related party	14.2	2,520,898	345,839	-	-
		63,662,288	45,409,539	-	-
NON-TRADE					
Other payables	14.3	101,266,760	84,820,997	-	336,783
Accruals and provisions		12,145,903	6,321,819	461,953	397,013
Amount due to subsidiaries	14.2	-	-	33,652,290	9,494,149
Dividend payables		6,154,000	25,000,000	6,154,000	25,000,000
		119,566,663	116,142,816	40,268,243	35,227,945
		183,228,951	161,552,355	40,268,243	35,227,945

14.1 Trade payables

Included in trade payables at 31 December 2012 are:

a. Retention sums payable amounting to RM38,388,102 (2011: RM20,229,838).
b. Provision for liquidated and ascertained damages (LAD) amounting to Nil (2011: RM3,427,000).

14. TRADE AND OTHER PAYABLES (CONTINUED)

14.2 Amounts due to subsidiaries and related party

The amounts due to subsidiaries and related party (non-controlling interests of certain subsidiaries of the Group) are unsecured, interest free and repayable on demand.

14.3 Other payables

Included in other payables of the Group are advances received from contract customers of a subsidiary amounting to RM98,333,509 (2011: RM74,426,486) in accordance with the terms of the contracts.

15. REVENUE

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Construction contracts	320,317,029	195,220,087	-	-
Property development	107,306,248	110,880,189	-	-
Sale of goods	5,632,167	9,117,460	-	-
Gain on disposal of investments	812,092	312,391	812,092	312,391
Rental income from revenue generating investment property	108,000	101,000	-	-
Finance income	92,840	357,308	92,840	357,308
Dividends:				
- subsidiaries	-	-	26,150,000	24,000,000
- other investments, quoted in Malaysia	208,905	174,488	208,905	174,488
	434,477,281	316,162,923	27,263,837	24,844,187

16. COST OF SALES

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Construction contract costs	268,833,152	153,930,513	-	-
Property development costs (Note 10)	77,218,204	76,676,454	-	-
Cost of goods sold	4,645,162	10,009,556	-	-
Cost relating to investing activity	109,124	112,161	109,124	112,161
Rental expense from revenue generating investment properties	28,005	58,386	-	-
	350,833,647	240,787,070	109,124	112,161

17. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
PROFIT BEFORE TAX IS ARRIVED AFTER CHARGING:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	212,000	242,500	22,000	25,000
- (Over)/Under provision in prior years	(5,570)	42,000	(3,800)	10,000
Allowance for impairment of trade receivables	-	4,764,083	-	-
Finance costs				
- interest expense	236,011	273,457	-	-
- loans and receivables	3,931,700	-	-	-
Fair value loss on investment securities	376,166	451,602	376,166	451,602
Loss on disposal of quoted investments	3,194	-	-	-
Property, plant and equipment				
- depreciation	3,273,489	2,402,270	-	-
- written off	7,845	18,215	-	-
Personnel expenses				
- wages, salaries and others	31,810,339	25,371,939	333,668	350,834
- contribution to state plans	3,121,622	2,576,338	-	-
Provision for foreseeable losses	30,288	1,257,025	-	-
Rental of premises	26,950	85,800	-	-

17. PROFIT BEFORE TAX (CONTINUED)

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
AND AFTER CREDITING				
Rental income	15,180	365,184	-	-
Finance income from:				
- short term deposits	2,870,415	2,449,974	92,840	357,308
- loans and receivables	497,190	50,469	-	-
Gain on disposal of non-current assets held for sale	-	26,261,511	-	-
Gain on disposal of property, plant and equipment	700,239	352,786	-	-
Net gain on disposal of other investments	812,092	312,391	812,092	312,391
Reversal of impairment loss on				
- trade receivables	1,339,120	1,484,215	-	-
- other receivables	-	424,417	-	-
Unrealised foreign exchange gain	789,140	728,479	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Directors:				
- Fees	453,668	453,834	333,668	350,834
- Other emoluments	4,964,400	5,387,977	-	-
- Contributions to state plans	597,448	654,165	-	-
	6,015,516	6,495,976	333,668	350,834

The estimated monetary value of Directors' benefits-in-kind is RM145,198 (2011: RM134,546).

19. INCOME TAX EXPENSE

RECOGNISED IN PROFIT OR LOSS

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
CURRENT TAX EXPENSE				
Malaysian - current	14,676,725	12,951,233	20,476	-
- prior year	4,709,917	557,653	258,998	191,111
Total current tax recognised in the profit or loss	19,386,642	13,508,886	279,474	191,111
DEFERRED TAX ASSETS				
- Origination and reversal of temporary differences	2,233,824	1,772,247	-	-
- Under provision in prior year	(3,150,522)	(1,990,411)	-	-
Total deferred tax recognised in profit or loss	(916,698)	(218,164)	-	-
Total income tax	18,469,944	13,290,722	279,474	191,111
RECONCILIATION OF TAX EXPENSE				
Profit before tax	62,019,236	74,673,518	26,298,407	23,400,428
Tax at Malaysian tax rate of 25%	15,504,809	18,668,380	6,574,602	5,850,107
Non-deductible expenses	2,590,472	1,820,530	229,264	219,373
Non-taxable income	(1,273,564)	(6,057,546)	(6,783,390)	(6,155,940)
Deferred tax assets not recognised in respect of deductible temporary differences	88,832	357,906	-	86,460
Utilisation of previously unrecognised deferred tax assets	-	(65,790)	-	-
Under provision of income tax in prior years	4,709,917	557,653	258,998	191,111
Over provision of deferred tax in prior years	(3,150,522)	(1,990,411)	-	-
	18,469,944	13,290,722	279,474	191,111

Non taxable income of the Group and of the Company mainly relates to gain on disposal of non-current asset held for sale amounting to Nil (2011: RM26,261,511) and dividend income of RM20,000,000 (2011: RM24,000,000) respectively.

20. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	GROUP	
	2012	**2011**
	RM	**RM**
Profit for the year attributable to ordinary shareholders	43,396,034	58,780,514

Weighted average number of ordinary shares

	2012	**2011**
Issued ordinary shares at 1 January/31 December	68,000,000	68,000,000

	2012	**2011**
	SEN	**SEN**
Basic earnings per ordinary share	64	86

21. DIVIDENDS

Dividends recognised by the Company are as follows:

	SEN PER SHARE (NET OF TAX)	**TOTAL AMOUNT RM**	**DATE OF PAYMENT**
2012			
First interim 2012 ordinary	29.41	20,000,000	12 July 2012
Second interim 2012 ordinary	9.05	6,154,000	11 March 2013
Total amount		26,154,000	
2011			
Interim 2010 ordinary	44.11	30,000,000	11 March 2011
Interim 2011 ordinary	36.76	25,000,000	3 January 2012
Total amount		55,000,000	

22. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Construction
- Investment holdings
- Trading
- Property development

Non-reportable segment of the Group comprise operations related to rental of investment properties.

There are varying levels of integration between reportable segments. This integration includes construction of buildings. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

SEGMENT ASSETS

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets is used to measure the return of assets of each segment.

SEGMENT LIABILITIES

The total segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

SEGMENT CAPITAL EXPENDITURE

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

22. OPERATING SEGMENTS (CONTINUED)

2012	CONSTRUCTION RM	INVESTMENTS RM	TRADING RM	PROPERTY DEVELOPMENT RM	ELIMINATIONS RM	TOTAL RM
REVENUE						
External customers	320,317,029	1,221,837	5,632,167	107,306,248	-	434,477,281
Inter-segment	303,852,134	20,372,000	-	-	(324,224,134)	-
Total revenue	624,169,163	21,593,837	5,632,167	107,306,248	(324,224,134)	434,477,281
RESULTS						
Segment results (external)	45,296,615	20,316,817	1,277,002	27,222,452	(24,652,450)	69,460,436
Depreciation						(3,273,489)
Finance costs						(4,167,711)
Income tax expense						(18,469,944)
Segment profit						43,549,292
ASSETS						
Segment assets	305,419,085	235,994,505	5,783,964	149,871,788	(190,672,997)	506,396,345
Unallocated assets						213,538
Total assets						506,609,883
LIABILITIES						
Segment liabilities	248,783,893	10,097,230	2,539,809	4,318,056	(36,698,309)	229,040,679
Unallocated liabilities						720,168
Total liabilities						229,760,847

Notes to the financial statements

31 December 2012 (continued)

22. OPERATING SEGMENTS (CONTINUED)

2012	CONSTRUCTION RM	INVESTMENTS RM	TRADING RM	PROPERTY DEVELOPMENT RM	ELIMINATIONS RM	TOTAL RM
OTHER INFORMATION						
Capital expenditure	21,226,962	6,571	4,118,477	4,705	-	25,356,715
Property, plant and equipment written off (Note 3)	7,845	-	-	-	-	7,845
Depreciation of property, plant and equipment						
- profit or loss (Note 3)	3,041,253	168,410	60,998	2,828	-	3,273,489
- capitalised in construction contract costs (Note 7)	1,678,830	-	-	-	-	1,678,830
- capitalised in property development costs (Note 10)	-	-	-	4,031	-	4,031
2011						
REVENUE						
External customers	195,220,087	945,187	9,117,460	110,880,189	-	316,162,923
Inter-segment	81,206,412	24,372,000	340	(1,119,783)	(104,458,969)	-
Total revenue	276,426,499	25,317,187	9,117,800	109,760,406	(104,458,969)	316,162,923
RESULTS						
Segment results (external)	23,965,698	23,400,430	53,708,337	28,872,099	(52,597,319)	77,349,245
Depreciation						(2,402,270)
Finance costs						(273,457)
Income tax expense						(13,290,722)
Segment profit						61,382,796
ASSETS						
Segment assets	207,950,805	201,288,872	50,740,879	142,849,200	(170,994,255)	431,835,501
Unallocated assets						16,912,853
Total assets						448,748,354

22. OPERATING SEGMENTS (CONTINUED)

2011	CONSTRUCTION RM	INVESTMENTS RM	TRADING RM	PROPERTY DEVELOPMENT RM	ELIMINATIONS RM	TOTAL RM
LIABILITIES						
Segment liabilities	163,239,333	26,917,057	5,956,192	809,164	(10,744,184)	186,177,562
Unallocated liabilities						3,117,048
Total liabilities						189,294,610
OTHER INFORMATION						
Capital expenditure	16,831,469	-	354,825	447,604	-	17,633,898
Property, plant and equipment written off (Note 3)	18,215	-	-	-	-	18,215
Depreciation of property, plant and equipment						
- profit or loss (Note 3)	2,082,426	-	184,190	135,654	-	2,402,270
- capitalised in construction contract costs (Note 7)	1,275,169	-	-	-	-	1,275,169
- capitalised in property development costs (Note 10)	-	-	-	3,055	-	3,055

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a. Loans and receivables (L&R);
b. Fair value through profit or loss (FVTPL):
   - Held for trading (HFT);
c. Held-to-maturity investments (HTM); and
d. Financial liabilities measured at amortised cost (FL).

2012	CARRYING AMOUNT RM	L&R RM	FVTPL - HFT RM	HTM RM
GROUP				
FINANCIAL ASSETS				
Other investments	6,132,863	-	6,132,863	-
Trade and other receivables	109,318,784	109,318,784	-	-
Cash and cash equivalents	212,701,817	212,701,817	-	-
	328,153,464	322,020,601	6,132,863	-
COMPANY				
Other investments	6,132,863	-	6,132,863	-
Trade and other receivables	26,817,520	26,817,520	-	-
Cash and cash equivalents	8,268,606	8,268,606	-	-
	41,218,989	35,086,126	6,132,863	-

2012	CARRYING AMOUNT RM	FL RM
GROUP		
FINANCIAL LIABILITIES		
Loans and borrowings	(4,137,409)	(4,137,409)
Trade and other payables	(123,283,544)	(123,283,544)
	(127,420,953)	(127,420,953)
COMPANY		
FINANCIAL LIABILITIES		
Trade and other payables	(40,268,243)	(40,268,243)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23 .1 Categories of financial instruments (continued)

2011	CARRYING AMOUNT RM	L&R RM	FVTPL - HFT RM	HTM RM
GROUP				
FINANCIAL ASSETS				
Other investments	8,663,518	-	8,163,518	500,000
Trade and other receivables	145,638,310	145,638,310	-	-
Cash and cash equivalents	137,272,177	137,272,177	-	-
	291,574,005	282,910,487	8,163,518	500,000
COMPANY				
Other investments	8,158,118	-	8,158,118	-
Trade and other receivables	24,649,051	24,649,051	-	-
Cash and cash equivalents	3,300,765	3,300,765	-	-
	36,107,934	27,949,816	8,158,118	-

2011	CARRYING AMOUNT RM	FL RM
GROUP		
FINANCIAL LIABILITIES		
Loans and borrowings	(4,315,633)	(4,315,633)
Trade and other payables	(107,355,707)	(107,355,707)
	(111,671,340)	(111,671,340)
COMPANY		
FINANCIAL LIABILITIES		
Trade and other payables	(35,227,945)	(35,227,945)

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.2 Net gains and losses arising from financial instruments

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Net gains/(losses) on:				
Fair value through profit or loss:				
- Held for trading	435,926	(139,211)	435,926	(139,211)
Loans and receivables	1,567,047	(50,946)	92,840	357,308
Financial liabilities measured at amortise cost	(236,011)	(273,457)	-	-
	1,766,962	(463,614)	528,766	218,097

23.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from trade and other receivables. The Company's exposure to credit risk arises principally from balances outstanding from subsidiaries and financial guarantees given to banks for banking facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	GROUP	
	2012	2011
	RM	RM
Construction	51,615,025	30,908,202
Property development	12,558,089	7,415,276
Trading	2,722,176	1,194,332
Others	-	919,996
	66,895,290	40,437,806

Approximately 68% (2011: 65%) of the Group's trade receivables were due from 5 major customers located in Malaysia.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period was mainly from domestic geographic region. As such, disclosure on geographical information is not presented.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

GROUP	GROSS RM	INDIVIDUAL IMPAIRMENT RM	NET RM
2012			
Not past due	36,897,251	-	36,897,251
Past due 1 – 30 days	28,111,904	-	28,111,904
Past due 31 – 120 days	-	-	-
Past due more than 120 days	10,617,346	(8,731,211)	1,886,135
	75,626,501	(8,731,211)	66,895,290
2011			
Not past due	24,883,078	-	24,883,078
Past due 1 – 30 days	12,360,233	-	12,360,233
Past due 31 – 120 days	-	-	-
Past due more than 120 days	13,264,826	(10,070,331)	3,194,495
	50,508,137	(10,070,331)	40,437,806

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	10,070,331	6,790,463	-	-
Impairment loss recognised	-	4,764,083	-	-
Impairment loss reversed	(1,339,120)	(1,484,215)	-	-
At 31 December	8,731,211	10,070,331	-	-

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Amount due from contract customers is not past due. In respect of progress billing receivables, in view of the sound credit rating of the counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue progress billing receivables that have not been impaired.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk
Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the Group and the Company have only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company do not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to RM504,960,768 (2011: RM497,575,000) representing the total banking facilities of the subsidiaries as at end of the reporting period.

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

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses
As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

GROUP	CARRYING AMOUNT RM	CONTRACTUAL INTEREST RATE/ COUPON	CONTRACTUAL CASH FLOWS RM	UNDER 1 YEAR RM	1 - 5 YEARS RM
2012					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Finance lease liabilities	4,137,409	4.61% - 7.42%	4,371,409	2,431,242	1,940,167
Trade and other payables	123,283,544	-	124,907,902	84,895,442	40,012,460
	127,420,953		129,279,311	87,326,684	41,952,627
2011					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Finance lease liabilities	4,315,633	4.16% - 7.42%	4,704,649	2,042,744	2,661,905
Trade and other payables	107,355,707	-	108,691,220	87,125,869	21,565,351
	111,671,340		113,395,869	89,168,613	24,227,256
COMPANY					
2012					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade and other payables	40,268,243	-	40,268,243	40,268,243	-
2011					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade and other payables	35,227,945	-	35,227,945	35,227,945	-

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

a. Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Japanese Yen (JPY).

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Group does not use any forward contracts to hedge against its exposure to foreign currency risk as the foreign exchange exposures in transactional currencies other than functional currency of the Group are kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	DENOMINATED IN	
	USD	JPY
GROUP	RM	RM
2012		
Trade receivables	797,004	14,150,339
Cash and bank balances	77	11,705,303
Trade payables	-	(27,803,589)
NET EXPOSURE	797,081	(1,947,947)
2011		
Trade receivables	826,020	3,366,096
Cash and bank balances	-	3,474,789
NET EXPOSURE	826,020	6,840,885

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk (continued)

a. Currency risk (continued)

Currency risk sensitivity analysis

A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	PROFIT OR LOSS	
	2012	**2011**
GROUP	**RM**	**RM**
USD	(59,581)	(61,951)
JPY	146,096	(513,066)

A 10% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

b. Interest rate risk

The Group's investments in financial assets are mainly short term in nature and are not held for speculative purposes and include funds in fixed deposit or funds in asset management companies which yield better returns than cash at bank. The Group's investment in deposits placed with licensed banks is not significantly exposed to interest rate risk as they are subject to fixed rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to change in interest rates.

Risk management objectives, policies and processes for managing the risk

The Group adopts a policy of investing in fixed rate instruments to avoid the risk of fluctuation in interest rates.

The borrowings which have been taken to finance the working capital of the Group are subject to fixed interest rates. The Group does not hedge its interest rate risk.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.6 Market risk (continued)

b. Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing and interest-earning financial instruments, based on carrying amounts as at the end of the reporting period was:

	GROUP	
	2012	**2011**
FIXED RATE INSTRUMENTS	**RM**	**RM**
Financial assets	67,307,226	15,392,421
Financial liabilities	(4,137,409)	(4,315,633)
	63,169,817	11,076,788

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remained constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI (FBMKLCI).

A 10% strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss by RM459,965 (2011: RM612,264) for investment classified as fair value through profit or loss.

A 10% weakening in FBMKLCI would have had equal but opposite effect on equity and profit or loss respectively.

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.7 Fair value of financial instruments

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

For non-current receivables and payables, the fair value is estimated by discounting the estimated future cash flows at the applicable discounting rates.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
GROUP	RM	RM	RM	RM
Trade and other receivables	109,318,784	109,318,784	145,638,310	145,638,310
Held for trading investments	6,132,863	6,132,863	8,163,518	8,163,518
Trade and other payables	(123,283,544)	(123,283,544)	(107,355,707)	(107,355,707)
Finance lease liabilities	(4,137,409)	(4,137,409)	(4,315,633)	(4,315,633)
COMPANY				
Held for trading investments	6,132,863	6,132,863	8,158,118	8,158,118

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

Investments in equity and debt securities
The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Non-derivative financial liabilities
For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value
The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2012	2011
Finance leases	4.61% - 7.42%	4.16% - 7.42%

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.7 Fair value of financial instruments (continued)

a. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1 RM	LEVEL 2 RM	LEVEL 3 RM	TOTAL RM
GROUP				
2012				
FINANCIAL ASSETS				
Held for trading investments	245,607	5,887,256	-	6,132,863
2011				
FINANCIAL ASSETS				
Held for trading investments	231,843	7,931,675	-	8,163,518
COMPANY				
2012				
FINANCIAL ASSETS				
Held for trading investments	245,607	5,887,256	-	6,132,863
2011				
FINANCIAL ASSETS				
Held for trading investments	226,443	7,931,675	-	8,158,118

24. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios at 31 December 2012 and at 31 December 2011 were as follows:

	GROUP	
	2012	**2011**
	RM	**RM**
Total borrowings (Note 13)	4,137,409	4,315,633
Trade and other payables (Note 14)	221,617,053	181,782,193
Less: Cash and cash equivalents (Note 11)	(212,701,817)	(137,272,177)
Net debt	13,052,645	48,825,649
Total equity	276,849,036	259,453,744
Debt-to-equity ratios	0.05	0.19

There were no changes in the Group's approach to capital management during the financial year.

25. CONTINGENT LIABILITIES

	COMPANY	
	2012	**2011**
	RM	**RM**
Guarantees given to banks for Group's performance/tender guarantees granted to customers	262,576,747	275,855,604

The Company has given guarantees to banks amounting to RM504,960,768 (2011: RM497,575,000) for banking facilities extended to subsidiaries of which RM262,576,747 (2011: RM275,855,604) have been utilised as at 31 December 2012.

26. JOINTLY CONTROLLED ENTITY

Details of an unincorporated joint venture held by a subsidiary of the Group are as follows:

NAME OF JOINTLY CONTROLLED ENTITY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST 2012 %	2011 %
Water Engineering Technology Sdn. Bhd.- Envitech Sdn. Bhd. JV	Malaysia	Project management in relation to sewage treatment plants	50	50

The Group's aggregate share of net assets, liabilities, revenue and expenses of the jointly controlled entity is as follows:

	GROUP 2012 RM	2011 RM
Current assets	906,889	894,453
Current liabilities	(56,175)	(63,266)
Net assets	850,714	831,187
Revenue	-	-
Expenses	-	-

27. RELATED PARTIES

Identity of related parties

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

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group, other than key management personnel compensation (see Note 18), are as follows:

a. Transaction with related parties

	GROUP	
	2012	**2011**
	RM	**RM**
Purchase of goods from Swisslane Granite Sdn. Bhd., a company in which directors of a subsidiary have equity interest	11,748	22,394
Progress billings payable to Saroma Engineering Sdn. Bhd., corporate shareholder of a subsidiary	15,023,731	1,447,277

The Directors of the Group and the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms have been established on a negotiated basis.

28. CAPITAL AND OTHER COMMITMENTS

GROUP	2012 RM	2011 RM
CAPITAL EXPENDITURE COMMITMENTS		
LAND PURCHASE FOR FUTURE DEVELOPMENT		
Authorised but not contracted for	62,623,878	-

29. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation to reflect the nature of the balances or accounts:

	31.12.2011			
	GROUP		COMPANY	
	AS RESTATED RM	AS PREVIOUSLY STATED RM	AS RESTATED RM	AS PREVIOUSLY STATED RM
STATEMENTS OF CASH FLOWS				
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in trade and other receivables	(31,260,303)	(30,351,549)	(14,570,893)	(14,567,821)
Interest paid	(273,457)	(188,240)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	174,488	7,315	174,488	7,045
Interest received	2,449,974	1,294,908	357,308	193,411
REVENUE				
Construction contracts	195,220,087	190,039,003	-	-
Sale of goods	9,117,460	14,298,544	-	-

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 45 to 106 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Y.A.M. TENGKU DATO' RAHIMAH BINTI ALMARHUM SULTAN MAHMUD

LOH KIM KAH

Kuala Lumpur,
Date: 21 May 2013

Statutory declaration

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

I, Loh Kim Kah, the Director primarily responsible for the financial management of Loh & Loh Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOH KIM KAH

Subscribed and solemnly declared by the above named in Kuala Lumpur on 21 May 2013 before me:

COMMISSIONER FOR OATHS
W 493
LEE CHIN HIN
No.149, Jalan Aminuddin Baki,
Taman Tun Dr Ismail,
60000 Kuala Lumpur.

Independent auditors' report

to the members of Loh & Loh Corporation Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Loh & Loh Corporation Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 106.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Independent auditors' report

to the members of Loh & Loh Corporation Berhad (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

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

KPMG
Firm Number: AF 0758
Chartered Accountants

AHMAD NASRI ABDUL WAHAB
Approval Number: 2919/03/14(J)
Chartered Accountant

Petaling Jaya,
Date: 21 May 2013

List of properties

as at 31 December 2012

LOCATION	DESCRIPTION AND EXISTING USE	TENURE	APPROX. AGE OF BUILDING (YEARS)	APPROXIMATE LAND AREA/ UNITS	NET BOOK VALUE AS AT 31.12.2012 (RM'000)	DATE OF LAST VALUATION
LOH & LOH CONSTRUCTIONS SDN BHD						
Grant 14428 Lot 47626 Grant 14429 Lot 47627 19 & 21, Jalan Sri Hartamas 7, Taman Sri Hartamas, building 50480 Kuala Lumpur	Two units adjoining four storey shophouses used as office	Freehold	21.5	298 sq metres	4,933	2010
Grant 28522 Lot 4474 Mukim of Hulu Bernam Timur, District of Batang Padang, Perak	Vacant industrial land	Freehold	n/a	15.940 acres	3,819	2010
LOH & LOH DEVELOPMENT SDN BHD						
Lots 592,593,594,585,586,595,596 and 1327-1329, Mukim of Setul, District of Seremban, Negeri Sembilan	Vacant land	Freehold	n/a	30.993 acres	10,125	2010
Lot 3828 CT No.6177 Mukim Setul, District of Seremban, Negeri Sembilan	Storeyard & workshop	Freehold	n/a	11.0 acres	3,150	2010
Unit No 1551, Awana Condominium, Genting Highlands, HS (D) 2078 PT No.2157/95 District of Bentung, Negeri Pahang	Vacant apartment	Freehold	21	1,258 sq feet	380	2010
Geran 58854 Lot 64268 in Mukim Damansara, Daerah Petaling, Selangor 20, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam	3 storey semi-detached factory building for rent	Freehold	11.6	23,838 sq feet	4,996	2010
Grant 14430 Lot 47628 23, Jalan Sri Hartamas 7, Taman Sri Hartamas, 50480 Kuala Lumpur	One unit four storey shophouses used as office building	Freehold	21.5	149 sq metres	2,500	2010

The properties were revalued by a registered valuer with Henry Butcher Malaysia Sdn. Bhd. Valuation was made using comparison method on the basis of current market value.

Group directory

LOH & LOH CORPORATION BERHAD

LOH & LOH CONSTRUCTIONS SDN BHD

LOH & LOH DEVELOPMENT SDN BHD

19, 21 & 23, Jalan Sri Hartamas 7,
Taman Sri Hartamas,
50480 Kuala Lumpur, Malaysia.
Tel : +603 - 6201 3888, 6201 4777
Fax : +603 - 6201 2112, 6201 1010
Email: info@loh-loh.com.my
Website: www.loh-loh.com.my

WATER ENGINEERING TECHNOLOGY SDN BHD

WET SALES & SERVICES SDN BHD

WET O&M SDN BHD

20, Jalan Astaka U8/83, Seksyen U8,
Bukit Jelutong, 40150 Shah Alam,
Selangor, Malaysia.
Tel : +603 - 7846 9888
Fax : +603 - 7846 8168
Email: wet@wetsb.com
Website: www.wetsb.com

Notes

LOH & LOH
CORPORATION BERHAD

Wholly owned subsidiaries of
LOH & LOH Corporation Berhad

LOH & LOH
CONSTRUCTIONS SDN BHD

ISO 9001: 2008

Certificate Number SP003

MS ISO 9001:2008 REG. NO. AR1025

Water Engineering
Technology Sdn. Bhd.

MS ISO 9001 REG. NO. AR2941

MS ISO 9001 REG. NO. AR2941

www.loh-loh.com.my

LOH & LOH CORPORATION BERHAD
(Company Number 389765-V)