Momentum
FOR CHANGE

ANNUAL REPORT 2011

GEFUNG HOLDINGS BERHAD (654188-H)

Our Mission

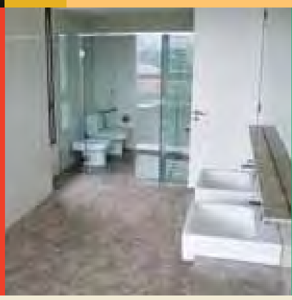
To continuously enhance our product quality and operational effciency.

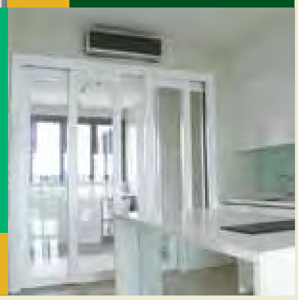
To strengthen our market position through the widening of our business network globally.

To keep pace with the ever-evolving global dynamics.

Our Vision

To be a leading manufacturer and distributor of premium quality marble and granite products.





CONTENTS

CORPORATE INFORMATION

COMPANY DIRECTORS

YEOH CHONG KEAT
Chairman/Non-Independent
Non-Executive Director

WONG HEANG FINE
Deputy Chairman/Independent
Non-Executive Director

DATO' LIM KIM HUAT
Managing Director

LOI HENG SEWN
Executive Director

CHEONG MARN SENG
Independent Non-Executive Director

AUDIT COMMITTEE

WONG HEANG FINE
Chairman

CHEONG MARN SENG
Member

YEOH CHONG KEAT
Member

NOMINATION COMMITTEE

WONG HEANG FINE
Chairman

CHEONG MARN SENG
Member

LOI HENG SEWN
Member

REMUNERATION COMMITTEE

YEOH CHONG KEAT
Chairman

DATO' LIM KIM HUAT
Member

CHEONG MARN SENG
Member

COMPANY SECRETARY

LIM FEI CHIA
(MAICSA 7036158)

CORPORATE OFFICE

Suite E-10-06, Level 10,
Block E, Plaza Mont' Kiara,
No. 2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur
Tel : 03 6201 7786
Fax : 03 6201 7286

REGISTERED OFFICE

Suite 11.1A, Level 11, Menara Weld,
76, Jalan Raja Chulan,
50200 Kuala Lumpur
Tel : 03 2031 1988
Fax : 03 2031 9788

SHARE REGISTRAR

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

AUDITORS

Baker Tilly Monteiro Heng

PRINCIPAL BANKERS

Bangkok Bank Berhad
United Overseas Bank (Malaysia) Bhd

WEBSITE

www.gefung.com.my

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad
Stock Name : GEFUNG
Stock Number : 7086

CORPORATE STRUCTURE

GEFUNG HOLDINGS BERHAD (654188-H)

- **100%** Syarikat Bukit Granite Sdn. Bhd. (Malaysia)
  - **100%** SBG Trading (Labuan) Ltd. (Malaysia)
  - **100%** Montana Madencilik Mermer Sanayi Insaat Ve Ticaret (Turkey)
- **100%** Shanghai Ge Fung Marble & Granite Co. Ltd (China)


DIRECTORS' PROFILE

Yeoh Chong Keat

(54 years of age - Malaysian)
Chairman, Non-Independent Non-Executive Director

Mr Yeoh Chong Keat, Malaysian, aged 54, was appointed to the Board on 1 August 2011 as Non-Independent Non-Executive Director. He is the Chairman of the Board and Remuneration Committee and a member of the Audit Committee.

Mr Yeoh is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Malaysian Institute of Taxation, a Chartered Accountant of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants. He trained and qualified as a Chartered Accountant with Deloitte Haskins & Sells, UK (now part of PricewaterhouseCoopers, UK). He has accumulated a wealth of experience in audit, tax, consulting and corporate secretarial work with 30 years in professional practice.

He founded Archer Corporate Services Sdn Bhd in 1999 and is the President/CEO of Archer which provides corporate secretarial and advisory services to public listed companies and large groups of private companies of which he is the Company Secretary.

He is the Chairman of Lien Hoe Corporation Berhad and also a director of Cheetah Holdings Berhad and Tambun Indah Land Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past 10 years.

He attended two (2) Board of Director's Meetings of the Company held during the financial year ended 31 December 2011.

Wong Heang Fine

(54 years of age - Singaporean)
Deputy Chairman, Independent Non-Executive Director

Mr Wong was appointed as Director on 15 November 2007 and as Deputy Chairman of Gefung on 20 February 2008. He was appointed as a member of the Audit Committee on 12 November 2009 and was redesignated as Chairman of Audit Committee on 1 August 2011. He is also the Chairman of Nomination Committee.

Mr Wong holds a Master of Science in Engineering Production & Management from the Univesity of Birmingham, UK and a Bachelor of Science in Mechanical Engineering (First Class Honours) from the University of Leeds, UK.

He is currently a Director of CapitaLand ILEC (Integrated Leisure, Entertainment and Conventions) Pte. Ltd., CapitaLand GCC Holdings Pte. Ltd. and the Acting CEO of Mubadala Capitaland Real Estate LLC.

Prior to this, he was President & Chief Executive Officer of SembCorp Engineers and Constructors Pte Ltd (SEC) [now known as Sembawang Engineers and Constructors]. In 1998, he joined Cathay Organisation Pte Ltd as Deputy President, where he helped realize the company's 40-year ambition of going public by utilizing a reverse takeover strategy through IMM Multi-Enterprise (IME) which was listed on SESDAQ. In July 1999, he was appointed as President & CEO of Cathay Organisation Holdings. From November 1996 to February 1998, he was the Director (Infrastructure), L&M Group Investments Ltd, where he was involved in the restructuring of L&M Group Investments Ltd (LMGI) by spearheading diversifications into infrastructure and property projects. In August 1991 to November 1996, he joined Singapore Technologies Industrial Corporation (STIC). Under STIC, he pioneered the infrastructure development of the industrial estate and a 24,000 hectare international resort belt on Bintan Island (Indonesia), which was completed in just less than five years. He was also instrumental in developing and later managing the Bintan Lagoon Resort, the first 4-star international resort hotel on the island, two 18-hole signature golf courses and 57 units of bungalow housing costing S$240 million. From 1981 to 1984, Mr Wong was recruited by the Singapore Public Service Commission office in London to join the Economic Development Board as a Senior Industry Officer. His responsibilities included the promotion and development of investments in the area of manufacturing of Industrial Machinery and Tools and Dies.

Mr Wong is not a director of any other public companies in Malaysia and has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended four (4) Board of Director's Meetings of the Company held during the financial year ended 31 December 2011.

DIRECTORS' PROFILE

Dato' Lim Kim Huat

(52 years of age – Malaysian)
Managing Director

Dato' Lim was appointed as Managing Director of the Company and a member of the Remuneration Committee on 15 September 2009.

He is a certified public accountant by profession and is a member of The Malaysian Institute of Certified Public Accountants.

He started his career with PricewaterhouseCoopers in Kuala Lumpur in 1980 before moving on to the commercial sector. Through his involvement as senior management personnel with various companies in Malaysia, Dato' Lim has extensive exposure and experience in diverse industries such as manufacturing, trading, property development, leisure and entertainment and food services.

Dato' Lim sits on the board of Sunrise Berhad and Widetech (Malaysia) Berhad. He has no family relationship with any Director and/or major shareholder of the Company, has no conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

As at 3 May 2012, Dato' Lim has a direct shareholding of 87,750,000 ordinary shares of RM0.15 each in the Company. He attended all the five (5) Board of Director's Meetings of the Company held during the financial year ended 31 December 2011.

Loi Heng Sewn

(52 years of age – Malaysian)
Executive Director

Mr Loi was appointed as Non-Executive Director of Gefung on 28 September 2006 and he was redesignated as Executive Director on 12 November 2009. He is a member of the Nomination Committee.

He graduated from Bachelor of Business Administration (Management) from Lakehead University, Thunder Bay, Ontario, Canada. He started his career with MBF Group of Companies as a member of Senior Management Team. He was also a member of the Board of Directors on some of the MBF Group of companies.

He started his own business since 1999 before his appointment as Director of the Company.

Mr Loi is not a director of any other public companies and has no family relationship with any Director and/or major shareholder of the Company, has no conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

As at 3 May 2012, Mr Loi has a direct shareholding of 32,800,000 ordinary shares of RM0.15 each in the Company. He attended all the five (5) Board of Director's Meetings of the Company held during the financial year ended 31 December 2011.

DIRECTORS' PROFILE

Cheong Marn Seng

(47 years of age – Malaysian)
Independent Non-Executive Director

Mr Cheong was appointed as a Director of the Company on 28 September 2006. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

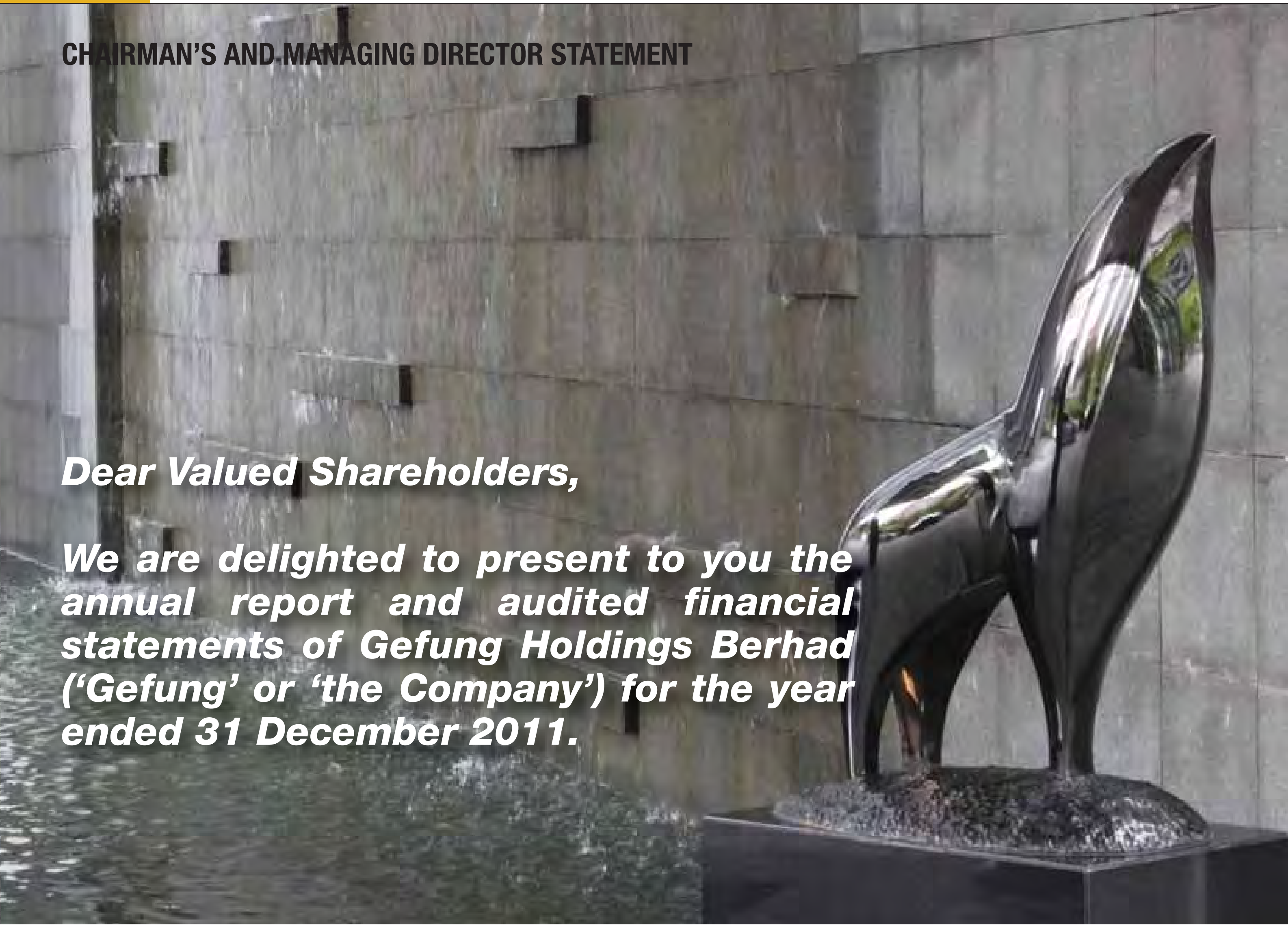
He holds a Bachelor of Commerce degree in economic and finance from The University of Melbourne, Australia and is a Chartered Accountant of The Malaysian Institute of Accountants. He has wide experience and knowledge in corporate finance, after working in the corporate finance department of an investment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

Mr Cheong has since 2001 been an executive director of Lien Hoe Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, has no conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

As at 3 May 2012, Mr Cheong has a direct shareholding of 9,000 ordinary shares of RM0.15 each in the Company. He attended all the five (5) Board of Director's Meetings of the Company held during the financial year ended 31 December 2011.

CHAIRMAN'S AND MANAGING DIRECTOR STATEMENT



Dear Valued Shareholders,

We are delighted to present to you the annual report and audited financial statements of Gefung Holdings Berhad ('Gefung' or 'the Company') for the year ended 31 December 2011.

The year ended 31 December 2011 was an extremely challenging time for the Company. We registered a much lower turnover due to our lower success rate in bidding for projects. Also,the Company recorded losses of RM50.34 million which were mainly due to impairment loss on goodwill of RM18.03 million and write down in inventory of RM 14.6 million.

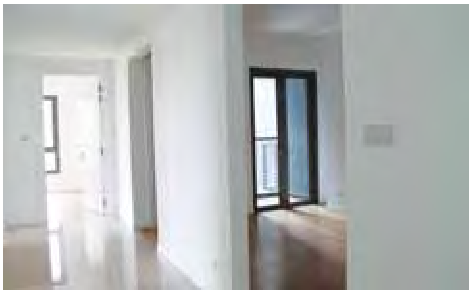
REVIEW OF OPERATIONS

During the year ended 31 December 2011, the Company's Shanghai unit struggled with the rising cost of labour and materials. In addition, it had to cope with intermittent labour problems.

The Board had carefully evaluated the unfavourable factors that are affecting our marble and granite business in China. After due consideration, a decision was made by the Board to sell the business unit in China in order to prevent the Company from suffering further losses. On 28th February 2012, the Company entered into a sale and purchase agreement with LiuQuan Group Stocks Limited for the disposal of the entire equity interest in Shanghai Ge Fung Marble & Granite Co Ltd for a total cash consideration of RMB69.0 million.

We are diversifying into property development and the proceeds from the sale will be invested in our new business venture, which is expected to deliver better returns and increase shareholder value.

The Company's planned transformation is now being executed expeditiously. To clearly define our new direction and to reflect our new business venture, we are proposing to change our company's name to AbleGroup Berhad.



CHAIRMAN'S AND MANAGING DIRECTOR STATEMENT

LOOKING AHEAD

Moving forward, we will be increasing our focus on property development while our marble and granite business in Malaysia will constitute a small segment of our overall business. On 27th January 2012, we had successfully completed our fund-raising cum capital reduction exercise . Consequently, the Company is now in a healthier financial position.

We commenced our foray into property development when on 29th March 2012, the Company announced the proposed acquisition of a parcel of vacant freehold land in Mont Kiara, Kuala Lumpur, via our wholly-owned subsidiary-Atlas Rhythm Sdn. Bhd. The land measures approximately 1.214 hectares and it cost the Company about RM27.3 million.

Our entire organization is undergoing significant transformation as we seek to diversify our earnings base by searching for more business opportunities. We are heartened by the positive response that we have received from our shareholders during our fund-raising exercise, and we certainly appreciate their loyalty. We hope the transformation will bear fruits so as to reward our shareholders in due course for keeping the faith with us.

ACKNOWLEDGEMENT

On behalf of the Board, we wish to thank our stakeholders, shareholders, customers, business associates, vendors and financiers for their unwavering support. We also wish to express our appreciation to our fellow directors for their counsel, contributions and commitment to the Company.

Yeoh Chong Keat
Chairman

Dato' Lim Kim Huat
Managing Director

CORPORATE SOCIAL RESPONSIBILITY

We place great emphasis on our corporate social responsibility activities. We thoroughly enjoy bringing joy and laughter into the lives of the less fortunate. By lending a hand to the needy, we are playing an important role in enhancing society.

On 14 January 2012, an enthusiastic contingent of Gefung employees paid a memorable and fun-filled visit to Grace Home. It is a non-profit old folks home that is located in Pandamaran, Port Klang. The home is a safe and pleasant shelter that is managed well. It depends on the generosity of the public to finance its activities. As such, Gefung was glad to make a donation and the cheque was handed over by our employees to Grace Home's representative.

The residents of Grace Home were treated to a delicious lunch which our employees had brought with them. They also delighted everyone by donating groceries and handing out ang pows. All in all, it was a heartwarming visit and it gave our employees an insight into the lives of the less fortunate. Gefung looks forward to providing more assistance to the underprivileged in the future.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Gefung Holdings Berhad ("the Company") recognizes the importance of practising good corporate governance and is fully committed to ensuring that the Group practices the highest standard of corporate governance in line with the Malaysian Code on Corporate Governance [Revised 2007] ("the Code") to achieve the Group's governing objective of maximising shareholders' value.

In preparing this report, the Board has considered the manner in which the Company has applied the principles of the Code and the extent to which it has complied with the Best Practices of the Code. The statement below details out the commitment of the Board towards good corporate governance principles set out in Part 1 of the Code and the extent to which it has applied and complied with the best practices set out in Part 2 of the Code throughout the financial year ended 31 December 2011.

A. BOARD OF DIRECTORS

The Group is controlled and led by a dynamic and experienced Board, with high personal integrity, business acumen and management skills, which is primarily entrusted with the responsibility of charting the direction of the Group.

In addition, the Board oversees the conduct of the Group businesses and has established and maintained an adequate system of internal controls. Due to limitations inherent in any system of internal controls, the Board focused primarily on the mitigation of any foreseeable or potential risks facing the Group.

1. Composition and Balance

The Board presently comprises one (1) Managing Director, one (1) Executive Director, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Directors. The profiles of the Directors are set out on pages 5 to 7 of this Annual Report.

The Board has complied with paragraph 15.02 (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which requires that at least two (2) Directors or one-third (1/3) of the Board Members of the Company, whichever is higher, are independent.

In the event of any vacancy in the Board of Directors of the Company, resulting in non-compliance with Paragraph 15.02 (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company shall fill the vacancy within three (3) months of that event.

The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group business activities, but also the importance of independence in decision-making at the Board level.

There is balance in the Board because of the presence of Independent Non-Executive Directors who have the caliber, skills and experience necessary to carry sufficient weight in Board decision. The roles of these Independent Non-Executive Directors will ensure that any strategies and business plans proposed by the Executive Directors and Executive Management are fully discussed and examined to ensure the long-term interest of the shareholders, as well as the employees, customers, suppliers and many communities in which the Group conducts its businesses.

2. Board Responsibilities

The Board primarily assumes the following responsibilities:-

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Human resources planning and development including succession planning;
- Developing and implementing a public communications program for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board meets regularly to review the Group's corporate strategies, business operations and financial performance.

STATEMENT ON CORPORATE GOVERNANCE

3. Meetings

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were five (5) board meetings held during the financial year ended 31 December 2011 and the attendance record (including Company Secretary's attendance) is as follows:-

Directors	**Attendance**
Mr Yeoh Chong Keat *(Appointed on 01.08.2011)*	2/2
Datuk Azizan bin Abd Rahman *(Retired on 24.06.2011)*	2/3
Mr Wong Heang Fine	4/5
Dato' Lim Kim Huat	5/5
Mr Loi Heng Sewn	5/5
Mr Cheong Marn Seng	5/5
Mr Rami Bazzi *(Resigned w.e.f. 24.07.2011)*	2/3
Company Secretary	5/5

4. Appointment and Re-election of Directors

The proposed appointment of new Board members, resignation of existing members, as well as the proposed re-election of the Directors are approved by the Board upon the recommendation of the Nomination Committee.

In accordance with the Company's Articles of Association, the Directors shall have power from time to time and at any time to appoint additional Directors either to fill a casual vacancy or as an addition to the Board. A Director so appointed shall retire from office at the close of the next Annual General Meeting of the Company, but shall be eligible for re-election.

The Company's Articles of Association also provide that an election of Directors shall take place each year. At the Annual General Meeting in every year, any newly appointed Director that bound to retire and one-third of the other Directors (including the Managing Director) for the time being, or if the number is not a multiple of three, then the number nearest to one-third, shall retire from office so that all Directors (including the Managing Director) shall retire from office once at least in each three (3) years but shall be eligible for re-election.

With the process on re-election of Directors, shareholders are ensured of a regular opportunity to reassess the composition of the Board.

5. Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group's performance. Prior to Board meetings, an agenda together with the relevant documents and information are distributed to all Directors. The Group Executive Director and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations by the Management. The issues will then be deliberated and discussed thoroughly by the Board prior to decision-making. Proceedings of Board meetings are recorded and signed by the Chairman of the meeting.

Apart from the above, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors whether as a full board or in their individual capacity have access to all information of the Company on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretary and independent professional advice, whenever necessary, at the expense of the Group. The appointment and removal of Company Secretary are matters for the Board as a whole.

STATEMENT ON CORPORATE GOVERNANCE

6. Directors' Remuneration

The objective of the Group is to ensure that the Group attracts and retains Directors of the calibre needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The remuneration of the Executive Directors is performance related which are if not higher are compatible to the market rate in order to attract, motivate and retain them to run the Company. The Company also reimburses reasonable expenses incurred by Directors where required, in the course of carrying out their duties as Directors. The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole.

Directors will abstain from discussion and voting on decisions in respect of their own remuneration. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

Details of Directors' remuneration for the financial year ended 31 December 2011 are set out below:-

		Group	
Remuneration	**Executive Directors RM'000**	**Non-Executive Directors RM'000**	**Total RM'000**
Directors' Fees	-	169	169
Salaries bonus and other	601	-	601
Defined contribution plan	72	-	72
Total	673	169	842

The number of Directors whose total remuneration for the financial year ended 31 December 2011 fall within the respective bands is as follows:-

	Group Number of Directors	
Range of remuneration	**Executive**	**Non-Executive**
RM1 to RM50,000	-	3
RM50,001 to RM100,000	-	-
RM250,001 to RM300,000	1	-
RM400,001 to RM450,000	1	-
Total	2	3

7. Board Committee

The Board has set up Board Committees to delegate specific powers and responsibilities, all of which have their own written constitutions and terms of reference. The Chairman of the Committees report back to the Board the outcomes and recommendations thereon and minutes of such Committee meetings will be tabled for the Board's notation. However, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board Committees for the financial year ended 31 December 2011 are as follows:-

<u>Committee</u>	<u>Key Functions</u>
Audit Committee	As set out on page 16 to 19
Remuneration Committee	As set out on page 20
Nomination Committee	As set out on page 21 to 22

STATEMENT ON CORPORATE GOVERNANCE

8. Directors' Training

The Board acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, manufacturing, technological advances in the core business, latest regulatory developments and management strategies.

The Directors had attended training sessions during the financial year ended 31 December 2011 and particulars of such trainings are as follows:

Date	Subject
28-29 March 2011	How to Successfully Implement a KPI System within an Organisation
23 May 2011	2011 Budget Seminar-Highlights & Implications
19-20 July 2011	National Tax Conference 2011
08 November 2011	Business Sustainability-An Issue Of Business Survival
22 November 2011	Key Amendments to Listing Requirements 2011 and Corporate Governance Blueprint 2011

The Board will continue to evaluate their own training needs and to determine the relevant programmes, seminar and briefings that will enhance their knowledge and enable them to discharge their duties effectively.

B. SHAREHOLDERS

1. Relationship with Shareholders and Investors

The Board values dialogue with its shareholders and investors through the maintenance of an open communication policy with investors and shareholders alike. In ensuring effective communication, the various means and forums such as press releases, public announcements on quarterly basis, annual report, disclosures to the Bursa Malaysia Securities Berhad and other Group activities are made.

At each Annual General Meeting and Extraordinary General Meeting, Executive Directors and, where appropriate, the Chairman are available to respond to shareholders' questions during the meetings.

In addition to its published Annual Report and Quarterly Reports announced to Bursa Malaysia Securities Berhad, the Group has established a website at www.gefung.com.my from which shareholders can assess for information.

2. Annual General Meeting

The Annual General Meeting of the Company provides the principal forum for dialogue and interaction between the Board and the shareholders. The participation of shareholders, both individuals and institutional at general meetings on clarifications of pertinent and relevant information is encouraged.

STATEMENT ON CORPORATE GOVERNANCE

C. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a balanced, insightful and timely assessment of the Group's financial position, performance and prospects by ensuring quality financial reporting through the annual audited financial statements and quarterly financial results to its stakeholders, in particular, shareholders, investors and the regulatory authorities.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure the quality of financial reporting and adequacy of such information, prior to submission to the Board for its approval.

2. Directors' Responsibility Statement in respect of the Audited Financial Statements for the financial year ended 31 December 2011

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2011, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

In addition, the Directors are also responsible for taking reasonable steps to safeguard the assets for the Group and Company, to prevent and detect fraud as well as other irregularities.

3. Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls that provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. The effectiveness of the systems of internal controls of the Group is reviewed periodically by the Audit Committee.

Further details of the Group's system of internal controls are set out on Page 23 to 24 of this Annual Report.

4. Relationship with the Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring the compliance with the appropriate accounting standards. The Audit Committee also met with the external auditors to discuss their audit plan, audit findings and the financial statements.

STATEMENT ON THE EXTENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

In the opinion of the Board, the Company is in compliance with the Best Practices of the Malaysian Code on Corporate Governance [Revised 2007] and the Board will continue to promote and improve excellence in corporate conduct within the Company and the Group.

AUDIT COMMITTEE REPORT

The Audit Committee ("the Committee" or "AC") of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2011.

The objective of the Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee currently consists of three (3) members, all of whom are Non-Executive Directors, with a majority of them being Independent. A total of four (4) Audit Committee meetings were held during the financial year ended 31 December 2011 and the details of attendance are as follows:-

Director	Designation	Attendance
Datuk Azizan Bin Abd Rahman (Chairman of AC) (Retired on 24 June 2011)	Independent Non-Executive Director	2/2
Mr Wong Heang Fine (Chairman of AC) (Redesignated on 1 August 2011)	Independent Non-Executive Director	4/4
Yeoh Chong Keat (Appointed on 1 August 2011)	Non-Independent Non-Executive Director	2/2
Mr Cheong Marn Seng	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

Constitution

The Board of Directors has established a Committee of the Board known as the Audit Committee (hereinafter referred to as "Committee"). The Committee assists the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with laws and regulations.

Membership

1. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.

2. At least one member of the Committee:-

   (i) must be a member of the Malaysian Institute of Accountants; or
   (ii) he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
      - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   (iii) fulfils such other requirements as prescribed or approved by the Exchange.

3. No alternate director shall be appointed as a member of the Committee.

4. The members of the Committee shall elect a Chairman from among their number who shall be an Independent Director.

5. The Company Secretary or such other persons authorised by the Board of Directors shall act as the Secretary to the Committee.

6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

7. The term of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT

Meetings and Minutes

8. The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.

9. The quorum for a meeting of the Committee shall consist of not less than two (2) members, majority of whom must be Independent Directors.

10. Other than in circumstances which the Chairman of the Committee considers inappropriate, the Chief Financial Officer, the representatives of the internal auditors and external auditors will attend any meeting of the Committee to make known their views on any matter under consideration by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.

11. At least once in a financial year, the Committee shall meet with the external auditors without the Executive Directors being present.

12. The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Committee and the Board of Directors.

Authority

13. The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.

14. The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

15. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

16. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Committee.

17. The Internal Auditors report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of senior staff members of the Internal Audit of the Group shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.

AUDIT COMMITTEE REPORT

Functions and Duties

18. The Committee shall, amongst others, discharge the following functions:-

18.1. Review the following and report the same to the Board of Directors of the Company:-

(a) with the external auditors, the audit plan, the nature and scope of work and ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;

(b) with the external auditors, their evaluation of the quality and effectiveness of entire accounting system, the adequacy and integrity of the internal control system and the efficiency of the Group's operations;

(c) with the external auditors, their audit report;

(d) the assistance given by employees of the Group to the external and internal auditors;

(e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of internal auditors;

(f) the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and Management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;

(g) review any appraisal or assessment of the performance of members of the internal audit function;

(h) the quarterly results and annual financial statements prior to the approval by the Board of Directors, focusing particularly on:-

(i) changes in or implementation of major accounting policies and practices;
(ii) significant and unusual events;
(iii) significant adjustments arising from the audit;
(iv) compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
(v) the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group;

(i) any related party transactions and conflict of interest situations that may arise within the Company or Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

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

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

(l) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in Management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

18.2. Recommend the nomination of a person or persons as external auditors and the external audit fee.

18.3. Promptly report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements.

18.4. Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

18.5. To ensure the internal audit function of the Company reports directly to the Committee.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee in the discharge of its duties and functions carried out the following activities:-

(a) Reviewed the unaudited quarterly financial results and audited financial statements for the Group to ensure compliance with approved accounting standards and adherence to other regulatory requirements prior to submission to the Board for consideration and approval;

(b) Reviewed and assessed the significant issues set out in the management letter arising from the audit of the Group by the External Auditors for the financial year and seeks clarification and explanations from Management of the Company on issues noted in the audit reports.

(c) Reviewed and discussed with the External Auditors on their audit plan, the nature and scope of work, the timetable, as well as new developments on accounting standards and regulatory requirements;

(d) Reviewed the assistance provided by Management to the External Auditors during the course of their audit;

(e) Reviewed the audit activities carried out by the Internal Auditors and the audit reports to ensure corrective actions taken to improve the system of internal control and procedures;

(f) Reviewed and discussed the re-appointment of the External Auditors and the audit fees; and

(g) Review the recurrent related party transactions.

(h) Reviewed the draft Audit Committee Report and Statement on Internal Controls for inclusion in the 2010 Annual Report.

INTERNAL AUDIT FUNCTION

During the financial year, the Company set-up an in-house internal audit department for its internal audit function. The internal audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group. On quarterly basis, the Internal Auditors report to the Audit Committee on their audit findings, their recommendations of the corrective actions to be taken by Management together with Management's responses in relation thereto. Periodically, the Internal Auditors will follow up on the implementation of their recommendations by Management.

During the financial year, there was no material internal control failure that was reported that would have resulted in any significant loss to the Group.

The activities carried out by the Internal Auditors during the financial year under review are as follows:-

(a) audit review on the credit control and collection, production system and controls of Shanghai Ge Fung Marble & Granite Co Ltd ("SGMG");

(b) audit review on the project execution and control of Syarikat Bukit Granite Sdn Bhd ; and

(c) follow up on the audit review on the operating expenditure control functions, procurement and inventory management functions of SGMG.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee ("the Committee" or "RC") of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2011.

COMPOSITION OF REMUNERATION COMMITTEE

The members of the Remuneration Committee comprises:-

Director	Designation
Mr Yeoh Chong Keat (Chairman of RC)	Non-Independent Non-Executive Director
Dato' Lim Kim Huat	Managing Director
Mr Cheong Marn Seng	Independent Non-Executive Director

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

Constitution

The Board has established a Committee of the Board to be known as the Remuneration Committee.

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist mainly of non-executive directors. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their members.
- If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Objective

Remuneration of directors and senior management should be determined so as to ensure that the Company attracts and retains the directors and senior management needed to run the Group successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive directors and senior management staff.

Functions

The functions of the Committee shall be:-

1. Recommend to the board the framework of executive remuneration and its cost, and the remuneration package for each executive director and senior management staff, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.
2. To reimburse reasonable expenses incurred by the directors and senior management staff in the course of their duties.
3. To review and determine the bonus scheme for the executive directors and senior management depending on various performance measurements of the Group.
4. To review and determine the other benefits in kind for the executive directors and senior management.
5. To review the executive directors' service contracts.

Reporting Procedures

- The remuneration of directors and senior management shall be ultimate responsibility of the full board after considering the recommendations of the Committee.
- Directors do not participate in decisions on their own remuneration packages.

ACTIVITIES OF THE REMUNERATION COMMITTEE

The Committee met on 26 April 2012 after the close of the financial year ended 31 December 2011 to review the remuneration packages of the Executive Directors of the Company as well as Directors' fees for the financial year ending 31 December 2012.

NOMINATION COMMITTEE REPORT

The Nomination Committee ("the Committee" or "NC") of Gefung Holdings Berhad is pleased to present the following report for the financial year ended 31 December 2011.

COMPOSITION OF NOMINATION COMMITTEE

The members of the Nomination Committee comprises:-

Director	Designation
Mr Wong Heang Fine (Chairman of NC)	Independent Non-Executive Director
Mr Cheong Marn Seng	Independent Non-Executive Director
Mr Loi Heng Sewn	Executive Director

TERMS OF REFERENCE OF NOMINATION COMMITTEE

Constitution

The Board has established a Committee of the Board to be known as the Nomination Committee.

The Best Practices of the Malaysian Code on Corporate Governance [Revised 2007] recommend the Nomination Committee to compose exclusively of non-executive directors, a majority of whom are independent. The Board is of the opinion that the Executive Director should serve as a member on the Nomination Committee as he is able to advise on the suitability and capability of the new appointment to the Board due to his extensive knowledge and experience in the Group.

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall comprise mainly of non-executive directors, majority of whom are independent. A quorum shall be two (2) members.
- The members of the Committee shall elect a Chairman from among their members.
- If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

Functions

The functions of the Committee shall be:-

1. Proposing new nominees for appointment to the board of directors.
2. Assessing directors on an on-going basis, the effectiveness of the board and the contribution of each individual director.
3. Recommend to the board, directors to fill the seats on other board committees.
4. Review annually the mix of skills and experience and other qualities of the board members.
5. Orientating and educating new directors as to the nature of the business, current issues within the company and the corporate strategies, the expectations of the company concerning input from the directors and the general responsibilities of directors.
6. Review and recommend to the board the proposed appointment of senior management staff to the company.

NOMINATION COMMITTEE REPORT

Re-election of Directors & Retirement of Directors by Rotation

In accordance with the Company's Articles of Association, all directors who are appointed by the board are subject to re-election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

It is proposed that the above should also come under the purview of the Nomination Committee.

Reporting Procedures

- The actual decision as to who shall be appointed to the Board and Senior Management should be the responsibility of the full board after considering the recommendations of the Committee.

- Reporting to the full board from time to time its recommendations for consideration and implementation.

ACTIVITIES OF THE NOMINATION COMMITTEE

(i) During the year under review the Committee reviewed and proposed to the Board the appointment of new director in the Company.

(ii) The Committee met on 26 April 2012 after the close of the financial year ended 31 December 2011 to review the size and composition of the Board as well as to assess the effectiveness and performance of the Board, the Directors and the Board committees . During the said meeting, the Committee also determined which directors would stand for re-election at the Company's forthcoming Annual General Meeting.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Gefung Holdings Berhad is pleased to present its Statement on Internal Control for the financial year ended 31 December 2011, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance").The statement below outlines the nature and scope of internal controls of the Group during the financial year under review.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal control. The responsibility of reviewing the adequacy and integrity of the Group's system of internal control is delegated to the Audit Committee, which is empowered by its terms of reference to seek assurance on the adequacy and integrity of the internal control system through independent reviews carried out by the internal audit function and management.

However, as there are inherent limitations in any system of internal controls, such systems put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

On a day-to-day basis, the Heads of Department are delegated the responsibility of identifying and managing the risks of their department. Significant risks identified and the corresponding internal controls implemented are discussed at periodic management meetings attended by the Executive Director. In addition, significant risks identified are brought to the attention of the Board at their scheduled meetings.

The abovementioned practice is the ongoing process of identifying, evaluating and managing significant risks that may affect the Group's achievement of its business objectives.

INTERNAL AUDIT FUNCTION

The Group's internal audit function, which is outsourced to a professional service firm since year 2006, assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee. During the financial year, the Company has set-up an in-house internal audit department for its internal audit function.

During the financial year under review, the outsourced and in-house internal auditors had performed audit reviews in accordance with the approved audit plan. The results of their review were tabled to the Audit Committee at their schedule meeting. Senior Management is responsible for ensuring that corrective actions are taken within the stipulated time frame on the reported weaknesses.

The costs incurred in maintaining the outsourced and in-house internal audit function for the financial year ended 31 December 2011 amounted to RM50,800.

STATEMENT ON INTERNAL CONTROL

OTHER KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

- Organisation Structure & Authorisation Procedures

  The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

- Periodical and/or Annual Budget

  The Group in general has a comprehensive budgeting and forecasting system. The annual business plan and budget are approved by the EXCO committee members and Board. Budgetary control is in place for every operations of the Group, where actual performance is closely monitored against budgets to identify and to address significant variances.

- Group Policies and Procedures

  The Group has documented policies and procedures that are regularly reviewed and updated (if any) to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy

  Comprehensive and rigorous guidelines on the employment, performance appraisal and training program and retention of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

- Regular operational and management meetings

  Weekly operational meetings are conducted among senior management to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly meetings of Department Heads are also held to monitor performances. The quarterly financial statements containing key financial results and comparisons are tabled to the Board for their review.

REVIEW OF THE STATEMENT ON INTERNAL CONTROL

The External Auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Group for the financial year ended 31 December 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

After due and careful assessment and based on the information and assurance provided, the Board is satisfied that there were no material losses, contingencies or uncertainties as a result of weakness in the system of internal control save for the finding's highlighted by the auditors. The risks are considered to be at an acceptable level within the context of the Group's business environment.

Nevertheless, the Board and Management will continue to take proactive measures to strengthen the control environment and the internal control system of the Group.

The above Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 26 April 2012.

The following information is provided in accordance with paragraph 9.25 of the Main market Listing Requirement as set out in Appendix 9C thereto.

ADDITIONAL COMPLIANCE INFORMATION

1. **Utilisation of Proceeds**

The corporate exercise undertaken by the Company during the financial year which involves inter-alia the renounceable rights issue ("Rights Issue") together with free detachable warrants ("Warrants") was completed on 27 January 2012.

The status of utilization of proceeds raised from the Rights Issue as at 31 March 2012 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Deviation	Expected Timeframe for Utilisation of Proceeds from the Date of Listing of the Rights Shares
	RM'000	**RM'000**	**RM'000**	
(i) Repayment of bank borrowings	3,000	3,000	-	Within three (3) months
(ii) Proposed venture into new businesses including property development locally and abroad	8,000	2,731	5,269	Within two (2) years
(iii) Working capital	4,525	354	4,171	Within two (2) years
(iv) Estimated expenses for the Rights Issue	840	787	53	Within one (1) month
Total	**16,365**	**6,872**	**9,493**	

2. **Share Buy-Back**

The Company does not have a share buy-back programme in place.

3. **Option, Warrants or Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2011.

Pursuant to the abovementioned corporate exercise, 21,819,950 Warrants, issued pursuant to the Rights Issue have been listed and quoted on the Official List of Bursa Securities on 27 January 2012. As at 31 March 2012, none of the Warrants has been exercised.

4. **Depository Receipt Programme**

The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 December 2011.

5. **Sanctions and / or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2011.

6. **Non-Audit Fees**

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2011 is RM3,000.00.

7. **Variation in Results**

There were no profit estimates, forecasts or projections or unaudited financial results released which differ by 10% or more from the audited results.

8. **Profit Guarantee**

There was no profit guarantee given by the Company during the financial year ended 31 December 2011.

9. **Material Contracts**

There were no material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interest of the Director and major shareholders other than contracts entered into in the normal course of business.

ADDITIONAL COMPLIANCE INFORMATION

10. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

The breakdown of the aggregate value of the recurrent related party transactions pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 24 June 2011 is as follows:

Type of the RRPT	Related Parties involved	Relationship of the Related Parties with Gefung Holdings Berhad ("GEFUNG")	Actual Aggregate Actual Aggregate Value Transacted (note 1) (RM'000)
Sale of stones and provision of contract workmanship and other related services by SBG to E & O Group	Eastern & Oriental Berhad and its subsidiaries ("E & O Group")	Datuk Azizan Bin Abd Rahman, a former Director and shareholder of Gefung,is also a Director of E & O Group.	Nil
The sale of stones and provision of contract workmanship and other related services by SBG to Capitala	Capitala	Wong Heang Fine, a Director of Gefung, is the Chief Executive Officer of Capitala and Director of CapitaLand GCC Holdings Pte Ltd which is a subsidiary of CapitaLand Limited	Nil
The sale of stones and provision of contract workmanship and other related services by SBG to FK	Firasat Klasik Sdn Bhd ("FK")	Dato' Lim Kim Huat, a Director and substantial shareholder of Gefung, is a Director and shareholder of FK.	Nil
The sale of stones and provision of contract workmanship and other related services by SBG to Lien Hoe Group	Lien Hoe Group	Cheong Marn Seng, a Director and shareholder of Gefung, is a Director and shareholder of Lien Hoe Group.	Nil
The sale of stones and provision of contract workmanship and other related services by SBG to Newcom	Newcom Sdn Bhd ("Newcom")	Dato' Lim Kim Huat, a Director and substantial shareholder of Gefung, is a Director and shareholder of Newcom.	Nil
The sale of stones and provision of contract workmanship and other related services by SBG to Sunrise Group	Sunrise Berhad and its subsidiaries ("Sunrise Group")	Dato' Lim Kim Huat, a Director and substantial shareholder of Gefung, is a Director of Sunrise Group.	3,350

Notes:

1) *The above actual value of the recurrent related party transactions is for the period from 24 June 2011 to 3 May 2012.*

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31st December 2011.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss from continuing operations, net of tax	(24,104)	(42,795)
Loss from discontinued operation, net of tax	(26,237)	-
Other comprehensive income, net of tax	11,995	-
Total comprehensive loss for the financial year	(38,346)	(42,795)
Attributable to:		
Owners of the Company	(38,346)	(42,795)
	(38,346)	(42,795)

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2011.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment on receivables, and had satisfied themselves that all known bad debts had been written off and adequate allowance for impairment had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for impairment losses on receivables, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the Directors, no contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due other than as disclosed in Note 33 to the financial statements.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

On 12th December 2011, the Company had completed the corporate proposal of share capital reduction by the cancellation of RM0.85 of the par value of every existing ordinary share of RM1/- each to be off-set against the Company's accumulated losses.

The Company has not issued any shares or debentures during the financial year.

DIRECTORS

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

Dato' Lim Kim Huat
Loi Heng Sewn
Wong Heang Fine
Cheong Marn Seng
Yeoh Chong Keat (Appointed on 01.08.2011)
Datuk Azizan Bin Abd Rahman (Retired on 24.06.2011)
Rami Bazzi (Resigned on 24.07.2011)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those Directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2011 are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1/- /RM0.15 each			
	AT 1.1.2011 '000	**Bought '000**	**Sold '000**	**AT 31.12.2011 '000**
The Company				
Direct Interests				
Dato' Lim Kim Huat	39,000	-	-	39,000
Loi Heng Sewn *	2,000	28,300	-	30,300
Cheong Marn Seng	9	-	-	9

* Held through nominee companies, OSK Nominees (Tempatan) Sdn. Bhd. and DMG & Partners Securities Pte Ltd

By virtue of his substantial shareholding in the Company, Dato' Lim Kim Huat is deemed to have interests in shares in the Company and its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965 in Malaysia.

Other than as disclosed in the above, the other Directors holding office at the end of financial year had no interests in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors 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 a substantial financial interest.

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS

The significant events are disclosed in Note 36 to the financial statements.

AUDITORS

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

On behalf of the Board,

…………………………………………………………

DATO' LIM KIM HUAT
Director

…………………………………………………………

LOI HENG SEWN
Director

Kuala Lumpur
Date: 26th April 2012

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Investment in subsidiaries	5	-	-	3,118	72,817
Property, plant and equipment	6	1,641	17,490	242	285
Investment properties	7	2,370	755	739	755
Intangible assets	8	-	18,182	-	-
Trade receivables	9	1,031	2,778	-	-
Total non-current assets		5,042	39,205	4,099	73,857
Current assets					
Inventories	10	7,713	51,183	-	-
Amount owing by contract customers	11	420	2,544	-	-
Trade and other receivables	9	6,910	25,897	71	367
Amounts owing by subsidiaries	12	-	-	6,448	12,635
Tax recoverable		63	100	-	-
Fixed deposits with licensed banks	13	5,830	5,983	-	-
Cash and bank balances		295	1,459	5	5
		21,231	87,166	6,524	13,007
Assets of disposal group classified as held for sale	14	57,800	-	34,452	-
Total current assets		79,031	87,166	40,976	13,007
TOTAL ASSETS		84,073	126,371	45,075	86,864

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share Capital	15	23,220	154,800	23,220	154,800
Other reserves	16	1,431	4,554	-	-
Retained profits/ (accumulated losses)		4,124	(77,115)	19,895	(68,890)
Reserve of disposal group classified as held for sale	14	15,118	-	-	-
Shareholders' funds		43,893	82,239	43,115	85,910
Non-current liabilities					
Long-term borrowings	17	1,616	1,268	-	99
Deferred taxation	20	-	35	-	-
Total non-current liabilities		1,616	1,303	-	99
Current liabilities					
Amount owing to contract customers	11	24	139	-	-
Trade and other payables	21	4,647	13,812	1,766	601
Amount owing to directors	22	2,200	1,200	-	-
Provision for taxation		-	560	-	-
Short-term borrowings	17	7,156	21,840	99	161
Bank overdrafts	23	1,390	5,278	95	93
		15,417	42,829	1,960	855
Liabilities directly associated with disposal group classified as held for sale	14	23,147	-	-	-
Total current liabilities		38,564	42,829	1,960	855
TOTAL LIABILITIES		40,180	44,132	1,960	954
TOTAL EQUITY AND LIABILITIES		84,073	126,371	45,075	86,864

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Continuing Operations					
Revenue	24	10,803	25,512	-	-
Cost of sales		(10,546)	(23,376)	-	-
Gross profit		257	2,136	-	-
Other income		1,383	299	300	-
Selling and marketing expenses		(107)	(48)	-	-
Administrative expenses		(4,378)	(4,311)	(2,723)	(2,125)
Other expenses		(20,201)	(34,594)	(40,352)	(31,181)
Finance costs		(1,093)	(1,361)	(20)	(27)
Loss before taxation from continuing operations		(24,139)	(37,879)	(42,795)	(33,333)
Taxation	25	35	23	-	-
Loss from continuing operations, net of tax		(24,104)	(37,856)	(42,795)	(33,333)
Discontinued Operation					
Loss on discontinued operation, net of tax	14	(26,237)	(18,942)	-	-
Net loss for the financial year	26	(50,341)	(56,798)	(42,795)	(33,333)
Other comprehensive income/(expense)					
Foreign currency translation		477	(7,753)	-	-
Revaluation of land and building		15,282	-	-	-
Deferred tax liabilities on revaluation of land and building	20	(3,764)	-	-	-
Total other comprehensive income/(expense), net of tax		11,995	(7,753)	-	-
Total comprehensive loss for the financial year		(38,346)	(64,551)	(42,795)	(33,333)
Net Loss attributable to:					
Owners of The Company		(50,341)	(56,798)	(42,795)	(33,333)
Total comprehensive loss attributable to:					
Owners of the company		(38,346)	(64,551)	(42,795)	(33,333)
Loss per share attributable to owners of the Company					
- Basic, for loss from continuing operations		(15.57)	(24.45)		
- Basic, for loss from discontinued operation		(16.95)	(12.24)		
	27	(32.52)	(36.69)		
- Diluted, for loss from continuing operations		(15.57)	(24.45)		
- Diluted, for loss from discontinued operation		(16.95)	(12.24)		
	27	(32.52)	(36.69)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Company	Note	Share Capital RM'000	Non Distributable Other reserves RM'000	(Accumulated losses)/ Retained profits RM'000	Reserve of disposal group classified as held for sale RM'000	Total equity RM'000
At 1st January 2010						
- As previously reported		154,800	12,307	(19,495)	-	147,612
- Effect of adopting FRS 139		-	-	(822)	-	(822)
As restated		154,800	12,307	(20,317)	-	146,790
Net loss for the financial year		-	-	(56,798)	-	(56,798)
Other comprehensive expense, net of tax						
Foreign currency translation		-	(7,753)	-	-	(7,753)
Total comprehensive loss for the financial year		-	(7,753)	(56,798)	-	(64,551)
At 31st December 2010		154,800	4,554	(77,115)	-	82,239
Net loss for the financial year		-	-	(50,341)	-	(50,341)
Other comprehensive income, net of tax						
Foreign currency translation		-	477	-	-	477
Revaluation of land and building		-	15,282	-	-	15,282
Deferred tax liabilities on revaluation of land and building		-	(3,764)	-	-	(3,764)
Total comprehensive loss for the financial year		-	11,995	(50,341)	-	(38,346)
Transactions with owners						
Reduction in par value	15	(131,580)	-	131,580	-	-
Reserve attributable to disposal group classified as held for sale	14	-	(15,118)	-	15,118	-
At 31st December 2011		23,220	1,431	4,124	15,118	43,893

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Company	Note	Share Capital RM'000	(Accumulated losses) Retained profits RM'000	Total equity RM'000
At 1st January 2010		154,800	(35,557)	119,243
Net loss for the financial year		(33,333)	-	(33,333)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss for the financial year		-	(33,333)	(33,333)
At 31st December 2010		154,800	(68,890)	85,910
Net loss for the financial year		-	(42,795)	(42,795)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss for the financial year		-	(42,795)	(42,795)
Transactions with owners				
Reduction in par value	15	(131,580)	131,580	-
At 31st December 2011		23,220	19,895	43,115

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation from continuing operations	(24,139)	(37,879)	(42,795)	(33,333)
Loss before taxation from discontinued operation	(26,835)	(18,942)	-	-
	(50,974)	(56,821)	(42,795)	(33,333)
Adjustments for:				
Allowance for slow-moving inventories	293	203	-	-
Bad debts written off	62	1,301	-	-
Depreciation of :				
- property, plant and equipment	1,704	1,561	47	47
- investment property	16	16	16	16
Loss/(gain) on disposal of property, plant and equipment	9	(98)	-	-
Inventories written off	1,338	-	-	-
Impairment loss on:				
- intangible assets	18,033	30,846	-	-
- investment of a subsidiary	-	-	35,247	30,846
- trade and other receivables	3,992	10,775	321	-
(Gain)/loss on foreign exchange:				
- unrealised	(43)	193	(300)	335
Loss recognised on re-measurement to fair value less costs to sell	5,356	-	-	-
Write-back of impairment loss on trade receivables	(367)	(1)	-	-
Write-back of allowance for slow moving inventories	(46)	-	-	-
Write-down of inventories	14,601	4,636	-	-
Interest expenses	1,880	1,759	20	27
Interest income	(250)	(204)	-	-
	(4,396)	5,834)	(7,444)	(2,062)
Changes in working capital:				
Inventories	4,936	9,552	-	-
Trade and other receivables	5,667	(1,038)	(25)	(14)
Trade and other payables	2,540	341	1,165	196
	8,747	3,021	(6,304)	(1,880)
Interest paid	(1,880)	(1,759)	(20)	(27)
Tax refunded	37	90	-	-
Net Operating Cash Flows	6,904	1,352	(6,324)	(1,907)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Repayment from subsidiaries	-	-	6,487	2,009
Interest received	156	128	-	-
Proceeds from disposal of property, plant and equipment	3,406	98	-	-
Purchase of property, plant and equipment (Note 28)	(980)	(3,137)	(4)	(18)
Net Investing Cash Flows	2,582	(2,911)	6,483	1,991
CASH FLOWS FROM FINANCING ACTIVITIES:				
Advances from directors	1,000	1,200	-	-
Proceeds from term loans	7,783	7,633	-	-
(Decrease)/increase in bills payable	(7,840)	1,325	-	-
Repayment of term loans	(7,368)	(8,552)	(128)	(128)
Net repayment of hire purchase obligations	(125)	(341)	(33)	(32)
Net Financing Cash Flows	(6,550)	1,265	(161)	(160)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,936	(294)	(2)	(76)
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION	55	(59)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	2,164	2,517	(88)	(12)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	5,155	2,164	(90)	(88)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Continuing operations				
Fixed deposits with licensed banks	5,830	5,983	-	-
Cash and bank balances	295	649	5	5
Bank overdrafts	(1,390)	(5,278)	(95)	(93)
	4,735	1,354	(90)	(88)
Discontinued operation				
Cash and bank balances	420	810	-	-
	5,155	2,164	(90)	(88)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia, and domiciled in Malaysia.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Suite E-10-6, Level 10, Block E, Plaza Mont' Kiara, No.2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26th April 2012.

2. FUNDAMENTAL ACCOUNTING CONCEPT

In previous financial year, the Group and the Company incurred a net loss of RM56,798,000/- and RM33,333,000/- respectively and recorded total accumulated losses of RM77,115,000/- and RM68,890,000/- respectively. The financial statements of the Group and the Company for the previous financial year have been prepared on the assumption that the Group and the Company will continue as a going concerns. This basis has been arrived based on the following assumptions:-

i. The Group and the Company will continue to receive financial support from the bankers and creditors;
ii. The future operating results of the Group will continue to be profitable; and
iii. The restructuring exercise announced by the Group will be successfully implemented as planned.

Completion of Fund Raising Exercise cum Capital Reduction ("Corporate Proposal")
During the financial year, the Group had undertaken corporate proposals as described in Note 36(a) to the financial statements. On 12th December 2011, the sealed order of the High Court of Malaysia in Kuala Lumpur confirming the par value reduction has been lodged by the Company with the Companies Commission of Malaysia. On 27th January 2012, the Company announced that the rights issue has been completed and an additional 109,099,750 new ordinary shares of RM0.15 each and the 21,819,950 Warrants issued have been granted for listing and quotation. All corporate proposals of the Group and the Company have been successfully completed on 27th January 2012.

Disposal of Loss Making Business in China
As disclosed in Note 14 to the financial statements, on 28th February 2012, the Company announced that it had entered into a sale and purchase agreement with LiuQuan Group Stocks Limited ("LQGS") for the disposal of the entire equity interest in Shanghai Ge Fung Marble & Granite Co Ltd ("SGMG") ("the Proposed Disposal") to LQGS for a total cash consideration of Renminbi 69.0 million. The Proposed Disposal will allow the Group to exit from its loss making marble and granite business in China and venture into new business opportunities including property development which may include acquisition of strategic investments and/or strategic collaborations, joint ventures or alliances.

Proposed Acquisition and Diversification into Property Development and Property Investment
As disclosed in Note 36(e) to the financial statements, on 29th March 2012, the Company announced the proposals to undertake the acquisition of a parcel of vacant freehold land ("Proposed Acquisition") for the diversification of the business into property development and property investment. The Proposed Acquisition is not expected to have any material impact on the earnings of the Group for the financial year ending 31st December 2012. However, the development envisaged to be developed on the land to be acquired pursuant to the Proposed Acquisition is expected to contribute positively to the earnings of the Group in the future financial years.

In view of the above, the Directors of the Company are of the opinion that the uncertainty that gave rise to the going concern consideration in the previous financial year is no longer in existence as the completion of the Corporate Proposal has strengthened the financial position of the Group and the proposed disposal of the loss making business in China together with the proposed acquisition and diversification into property development and property investment is expected to contribute positively to the earnings of the Group moving forward.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

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

At the beginning of current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1st January 2011 as described fully in Note 3.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3.3 to the financial statements.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial period. It also requires Directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

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

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

Revised FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Cont'd)

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)
The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS139, FRS137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previouslyheld equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

FRS 127 Consolidated and Separate Financial Statements (Revised)
The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the Company and to the noncontrolling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

Amendments to FRS 7 Financial Instruments: Disclosures
Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Cont'd)

IC Int 4 Determining Whether an Arrangement Contains a Lease
This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impacton the Group and the Company.

IC Int 12 Service Concession Arrangements
This IC Int applies to operators of infrastructure for public-to-private service concession arrangement and sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements such as the treatment of the operator's rights over the infrastructure, the recognition and measurement of arrangement consideration, subsequent accounting treatment of a financial asset and an intangible asset and the accounting treatment for the borrowing costs. This interpretation has to be applied retrospectively unless it is impracticable to do so and in that case the financial assets and intangible assets that existed shall be recognised at the start of the earliest period presented by using their previous carrying amounts as their carrying amount as at that date and test for impairment.

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

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

		Effective for financial periods beginning on or after
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014
New IC Int		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (cont'd)

A brief discussion on the above significant new and revised FRSs,amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

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

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

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

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)
FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (cont'd)

Amendments to FRS 112 Income Taxes

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

FRS 128 Investments in Associates and Joint Ventures (Revised)

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

(c) MASB Approved Accounting Standards, MFRSs

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

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

Based on the current principal activities of the Group, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31st December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 3.2 (b). The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

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

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(c) MASB Approved Accounting Standards, MFRSs (cont'd)

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

IC Int 15 Agreements for the Construction of Real Estate
IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. Based on the current principal activities of the Group, this interpretation is not expected to have any financial impact on the Group and the Company. However, the Group is currently assessing the possible impact of this interpretation in view of the principal activities and development as disclosed in Note 2 to the financial statements.

3.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

3.3.1 Basis of Consolidation

(i) Subsidaries

subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group 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 held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for 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.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1st January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

<u>Acquisition on or after 1st January 2011</u>
For acquisition on or after 1st January 2011, the Group measures 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.1 Basis of Consolidation (cont'd)

(ii) Accounting for business combinations

Acquisition on or after 1st January 2011 (cont'd)
When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognisedin profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is clasified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition between 1st January 2006 and 1st January 2011
For acquisition between 1st January 2006 and 1st 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 acquire. 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 1st January 2006
For acquisition 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.

(iii) Accounting for 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.

(iv) Loss of control

The Group applied FRS 127, Consolidated and Separate Financial Statements (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognised 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.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the iinvestment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.1 Basis of Consolidation (cont'd)

(v) 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 owners of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately fromequity 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 the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, Consolidated and Separate Financial Statements (revised) where 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. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed the their interests in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling interests had a binding obligation to, and was able to make additional investment to cover the losses. If the subsidiary reported profits, the Group's interest was allocated with all such profits until the non-controlling interests share of losses previously absorbed by the Group had been recovered.

(vi) 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. Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3.2 Foreign Currency

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.1 Basis of Consolidation (cont'd)

(iii) Foreign Operations

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

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

3.3.3 Investment in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

3.3.4 Property, Plant and Equipment and Depreciation

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

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease period of 35 - 85 years
Buildings	2% - 4.5%
Plant and machinery	9% - 10%
Motor vehicles	10% - 18%
Office and other equipment	10% -18%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodies in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost if the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Work-in- progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of work-in-progress included direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and out into use.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.5 Investment Properties

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

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no futurebenefit is expected from its disposal.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

3.3.6 Intangible Assets - Goodwill

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

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

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

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

As permitted under the transitional provision of FRS 121: The Effects of Changes in Foreign Exchange Rates, goodwill and fair value adjustments arising on the acquisition of foreign operation before and after 1st January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.3.2 (iii).

3.3.7 Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average basis. 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.

The cost of raw materials comprises the purchase price and incidentals incurred in bringing the raw materials to their present location and condition. Cost of finished goods and work-in-progress included the cost of materials, labour and an appropriate proportion of production overheads.

Where necessary, due allowance is made for all damaged, obsolete and slowmoving items. The Group writes down its obsolete or slow-moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

3.3.8 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.9 Construction Contracts

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

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

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

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

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

3.3.10 Financial Instruments

(a) Financial assets

Initial Recognition

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition. Financial assets are recognised on the statement of financial position when, and only when the Group and the Company become a party to the contracted provisions of the financial instruments.

Financial assets are recognised initially at fair value, and in the case of financial assets not at fair value through profit or loss, at fair value plus directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:-

(i) <u>Financial Assets at Fair Value Through Profit or Loss</u>
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit o loss are carried in the statement of financial position at fair value with changes in fair value recognised in the profit or loss.

(ii) <u>Loans and Receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.10 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(iii) Held-to-Maturity Financial Assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR method less impairment. The losses arising from impairment are recognised in the profit or loss. If the Group and the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group and the Company from classifying the afore mentioned financial assets as held-to-maturity for the current and the following two financial years. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) Available-for-Sale Financial Assets
Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the profit or loss, or determined to be impaired at which time the cumulative loss recorded in equity is recognised in the profit or loss. Available-for-sale financial assets are measured at cost if the fair value of the unquoted equity instrument cannot be reliably measured.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to the profit or loss.

(b) Financial Liabilities

Initial Recognition

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. Financial liabilities are recognised initially at fair value and in the case of the other financial liabilities, at fair values plus directly attributable transaction costs.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:-

(i) Financial Liabilities at Fair Value Through Profit or Loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(ii) Other financial liabilities
Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Any difference between cost and redemption value is being recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.10 Financial Instruments (cont'd)

(b) Financial Liabilities

Derecognition

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

(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 receivable fails to make payment when due.

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

Intra-group's financial guarantees are eliminated on consolidation.

3.3.11 Impairment of Assets

(a) Financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.11 Impairment of Assets (cont'd)

(a) Financial assets (cont'd)

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the 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. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

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

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

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

(b) Non-Financial Assets other than goodwill

Non-financial assets other than goodwill ("Non-financial assets") of the Group and of the Company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and or other available fair value indicators.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.12 Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash in hand and at bank, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.3.13 Share Capital and Share Issuance Expenses

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

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

3.3.14 Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment.

3.3.15 Provisions for Liabilities

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

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

3.3.16 Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.17 Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plans

The Group contributions to defined contribution plans are recognised in profit or loss in the period to which they related. Once the contributions have been paid, the Group has no further liability in respect of the defined contributions plans.

3.3.18 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:-

(i) Construction Contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 3.3.9.

(ii) Sales of Goods

Revenue is recognised upon delivery of goods and customers' acceptance, and where applicable, net of returns and trade discounts.

(iii) Interest Income

Interest income is recognised on an accrual basis.

3.3.19 Income Taxes

(i) Current Tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.19 Income Taxes (cont'd)

(ii) Deferred Tax (cont'd)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neithert he accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

3.3.20 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 related 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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Policies (cont'd)

3.3.22 Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be iffluenced by, that individual in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

4.1 Judgements made in applying accounting policies

There were no judgements made by management in the process of applying the Group's accounting policies which have significant effect on the amounts recognised in the financial statements.

4.2 Key sources of estimation uncertainty

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

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

4.2 Key sources of estimation uncertainty (cont'd)

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) Impairment of Non Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flow.

(iv) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(v) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(vi) Contracts

Contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- Contract Revenue

  Contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that is probable that they will be accepted by the customers. As the approval process often takes sometime, a judgement is required to be made of its probability and revenue recognised accordingly.

- Contract Costs

  Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the cost and the profitability of the contract on an individual basis at any particular time.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

4.2 Key sources of estimation uncertainty (cont'd)

(vii) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Managementspecifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(viii) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slowmoving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

As at reporting date, the Directors of the Company are of the opinion that there is no impact resulting from the impairment review.

(ix) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(x) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

5. INVESTMENT IN SUBSIDIARIES

Unquoted shares, at cost	2011 RM'000	2010 RM'000
- in Malaysia	12,825	12,825
- outside Malaysia	90,838	90,838
Reclassification to investment held for sale (Note 14)	(90,838)	-
	12,825	103,663
Accumulated impairment losses		
At 1st January	(30,846)	-
Impaired during the financial year	(35,247)	(30,846)
Reclassification to investment held for sale (Note 14)	56,386	-
At 31st December	(9,707)	(30,846)
	3,118	72,817

The details of the subsidiaries are as follow:-

Name of subsidiary	Country of Incorporation	Gross Equity Interest 2011 %	Gross Equity Interest 2010 %	Principal Activities
Syarikat Bukit Granite Malaysia Sdn. Bhd. ("SBG")	Malaysia	100	100	Processing, trading, exporting and contract workmanship of high quality marble and granite slabs and investment holding.
Shanghai Ge Fung Marble & Granite Co. Ltd. ("SGMG") *#	The People's Republic of China	100	100	Processing, trading amd exporting high quality marble and granite slabs.
Held through SBG				
SBG Trading (Labuan) Ltd. *^	Malaysia	100	100	Dormant.
Montana Madencilik Mermer Sanayi Insaat Ve Ticaret Limited Sirketi ("Montana") *^	Republic of Turkey	100	100	Ceased operations.

* *Not audited by Baker Tilly Monteiro Heng.*

^ *Subsidiaries without audited financial statements and auditors' reports but the financial statements of these subsidiaries were considered by the auditors for the purposes of the financial statements of the Group.*

\# *Baker Tilly Monteiro Heng is not the statutory auditors for the audit of the financial statements of the subsidiary prepared for the People's Republic of China reporting purpose. We have not considered the auditors' report of the subsidiary for the audit of the financial statements prepared for the purpose of reporting in the PRC. However, the financial statements of the subsidiary were audited by Baker Tilly Monteiro Heng for consolidation purposes. Classified as disposal group held for sale during the current financial year (Note 14).*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office and other equipment RM'000	Work-in -progress RM'000	Total RM'000
Cost or valuation							
At 1st January 2011	2,962	12,578	15,882	1,524	1,734	1,366	36,046
Additions	-	165	8	-	237	570	980
Transfer to investment property (Note 7)	-	-	-	-	-	(1,631)	(1,631)
Transfer to assets held for sale (Note 14)	(15,958)	(8,797)	(7,484)	(1,053)	(1,078)	-	(34,370)
Disposals	(948)	(2,827)	(7,562)	-	(134)	-	(11,471)
Adjustments	247	-	-	-	-	(28)	219
Revaluation	13,562	(1,108)	-	-	-	-	12,454
Reclassification	-	-	-	-	110	(110)	-
Exchange differences	135	610	478	66	47	7	1,343
At 31st December 2011	-	621	1,322	537	916	174	3,570
Accumulated depreciation							
At 1st January 2011	437	2,971	13,208	707	1,233	-	18,556
Depreciation for the financial year	371	449	568	196	120	-	1,704
Transfer to assets held for sale (Note 14)	(350)	(642)	(6,182)	(719)	(709)	-	(8,602)
Disposals	(147)	(788)	(7,015)	-	(106)	-	(8,056)
Adjustments	477	-	-	-	-	-	477
Revaluation	(828)	(2,000)	-	-	-	-	(2,828)
Exchange differences	40	161	390	43	44	-	678
At 31st December 2011	-	151	969	227	582	-	1,929
Net book value as at 31st December 2011	-	470	353	310	334	174	1,641
2010							
Cost							
At 1st January 2010	3,113	11,170	16,324	1,456	1,681	494	34,238
Additions	-	1,945	245	487	103	872	3,652
Disposals	-	-	(153)	(360)	-	-	(513)
Exchange differences	(151)	(537)	(534)	(59)	(50)	-	(1,331)
At 31st December 2010	2,962	12,578	15,882	1,524	1,734	1,366	36,046
Accumulated depreciation							
At 1st January 2010	370	2,677	12,980	899	1,185	-	18,111
Depreciation for the financial year	85	429	756	199	92	-	1,561
Disposals	-	-	(153)	(360)	-	-	(513)
Exchange differences	(18)	(135)	(375)	(31)	(44)	-	(603)
At 31st December 2010	437	2,971	13,208	707	1,233	-	18,556
Net book value as at 31st December 2010	2,525	9,607	2,674	817	501	1,366	17,490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company **2011**	**Motor vehicles** **RM'000**	**Office and other equipment** **RM'000**	**Total** **RM'000**
Cost			
At 1st January 2011	163	310	473
Additions	-	4	4
At 31st December 2011	163	314	477
Accumulated depreciation			
At 1st January 2011	65	123	188
Depreciation for the financial year	16	31	47
At 31st December 2011	81	154	235
Net book value as at 31st December 2011	82	160	242
2010			
Cost			
At 1st January 2010	163	292	455
Additions	-	18	18
At 31st December 2010	163	310	473
Accumulated depreciation			
At 1st January 2010	49	92	141
Depreciation for the financial year	16	31	47
At 31st December 2010	65	123	188
Net book value as at 31st December 2010	98	187	285

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Land and building of the Group have been revalued on 30th June 2011 based on valuation performed by accredited independent valuers. The valuation are based on the replacement cost method and income approach method.

If the land and buildings were measured using the cost model, the carrying amount would be as follows:-

	Group	
	2011 RM'000	2010 RM'000
Land	1,535	1,719
Building	3,007	2,881
	4,542	4,600

(b) Included in the buildings of the Group with a net book value of RM469,000/- (RM482,000/-) is an asset being constructed on a piece of leasehold land belonging to a third party.

(c) The net book value of the property, plant and equipment of the Group at the end of the reporting period pledged as security for bank borrowings were as follows:-

	Group	
	2011 RM'000	2010 RM'000
Leasehold land	-	2,525
Buildings	-	6,052
Plant and machinery	-	100
Motorvehicles	-	5
Office and other equipments	-	216
	-	8,898

(d) The net book value of the property, plant and equipment of the Group and of the Company at the end of the reporting period acquired under hire purchase terms were as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Plant and machinery	180	897	-	-
Motor vehicles	310	354	82	98
Work-in-progress	175	176	-	-
	665	1,427	82	98

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

7. INVESTMENT PROPERTIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Freehold buildings, at cost:-				
At 1st January	804	804	804	804
Transfer from property, plant and equipment (Note 6)	1,631	-	-	-
At 31st December	2,435	804	804	804
Accumulated depreciation:-				
At 1st January	(49)	(33)	(49)	(33)
Depreciation during the financial year	(16)	(16)	(16)	(16)
At 31st December	(65)	(49)	(65)	(49)
Net book value as at 31st December	2,370	755	739	755
At fair value	2,713	830	905	830

The investment properties have been pledged as security for banking facilities granted to the Group and the Company as disclosed in Note 19 to the financial statements.

8. INTANGIBLE ASSETS - GOODWILL

	Group	
	2011 RM'000	2010 RM'000
At cost:-		
At 1st January	49,028	52,885
Foreign exchange translation differences	(150)	(3,857)
At 31st December	48,878	49,028
Accumulated impairment losses:-		
At 1st January	(30,846)	-
Addition during the financial year	(18,032)	(30,846)
At 31st December	(48,878)	(30,846)
Net carrying amount		
At 31st December	-	18,182

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

8. INTANGIBLE ASSETS - GOODWILL (CONT'D)

Allocation of Goodwill

Goodwill has been allocated to the Group's Cash Generating Unit ("CGU") identified according to the country of operation as follows:-

	Group	
	2011 RM'000	2010 RM'000
At cost:-		
Malaysia	-	1,477
The People's Repubic of China	-	16,705
	-	18,182

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables:-				
Non-current	1,031	2,778	-	-
Current	5,373	32,823	-	-
Less: Allowance for impairment	(630)	(12,924)	-	-
	4,743	19,899	-	-
	5,774	22,677	-	-
Other receivables				
Other receivables	1,055	4,247	667	647
Deposits	1,705	3,808	36	26
Prepayments	41	170	2	8
	2,801	8,225	705	681
Less: Allowance for impairment	(634)	(2,227)	(634)	(314)
	2,167	5,998	71	367
Total trade and other receivables	7,941	28,675	71	367
Represented by:				
Current	6,910	25,897	71	367
Non-current	1,031	2,778	-	-
	7,941	28,675	71	367

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

The Group's normal trade credit terms range from 30 to 60 (2010: 30 to 60) days.Other credit terms are assessed and approved based on a case-by-case basis.

The movement in allowance for impairment is as follows:-

	Group	
	2011 RM'000	2010 RM'000
At 1st January	(12,924)	(4,249)
Addition during the financial year	(2,685)	(9,042)
Write-back during the financial year	367	1
Written off dring the financial year	516	-
Foreign exchange translation differences	(897)	366
Transfer to assets held for sale	14,993	-
At 31st December	(630)	(12,924)

(b) Other receivables

The movement in allowance for impairment is as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1st January	(2,227)	(520)	(314)	(314)
Addition during the financial year	(1,167)	(1,733)	(320)	-
Written off during the financial year	509	-	-	-
Foreign exchange translation differences	(139)	26	-	-
Transfer to assets held for sale	2,390	-	-	-
At 31st December	(634)	(2,227)	(634)	(314)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

10. INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
At cost:-		
Raw material	-	7,505
Work-in-progress	-	4,958
Finished goods	6,540	36,104
Goods-in-transit	69	627
Consumables	-	1,183
	6,609	50,377
At net realisable value:-		
Raw material	-	412
Work-in-progress	-	51
Finished goods	1,104	343
	7,713	51,183

11. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	Group 2011 RM'000	Group 2010 RM'000
Amount owing by:-		
Cost of contracts	4,780	8,612
Attributable profit recognised to date	933	1,879
	5,713	10,491
Less: Progress billings	(5,293)	(7,947)
	420	2,544
Amount owing to:-		
Cost of contracts	1,573	1,218
Attributable profit recognised to date	557	265
	2,130	1,483
Less: Progress billings	(2,154)	(1,622)
	(24)	(139)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12. AMOUNTS OWING BY SUBSIDIARIES

Amounts owing by subsidiaries are non-trade, unsecured, interest free and are repayable on demand.

13. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group have been pledged to banks as security for banking facilities granted to the Group as disclosed in Note 17 to the financial statements.

The effective interest rates of the fixed deposits with licensed banks ranged from 2.30% to 3.10% (2010: 2.00% to 2.80%) per annum at the end of the reporting period. The fixed deposits have a maturity period of 1 year (2010: 1 year).

14. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 28th February 2012, the Company has announced the decision to dispose of wholly owned subsidiary, Shanghai Ge Fung Marble & Granite Co Ltd (SGMG) to Liuquan Group Stocks Limited ("Purchaser") for a total consideration of RMB69 million, which is approximately RM34.45 million. The decision is in line with the Group's business direction to downsize its marble and granite business. The disposal will allow the Group to exit from its loss making marble and granite business in Shanghai as well as to stem further losses to the Group.

The disposal will raise gross cash proceeds of RMB69 million or equivalent to approximately RM34.45 million to the Group. An amount of RM25 million will be set aside for venture into new businesses including property development which may include acquisition of strategic investments and/or strategic collaborations, joint ventures or alliances. On 29th March 2012, the Company has announced the proposal to acquire the land for a cash consideration of RM27,312,500/- and proposed diversification of the business of the Group into property development and property investment as disclosed in Note 36(e).

As at 31st December 2011, the assets and liabilities related to SGMG have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale", and its results are presented separately on the statement of comprehensive income as "Loss from discontinued operation, net of tax". The disposal of SGMG has yet to be completed as at the reporting period.

The carrying amount of the investment in subsidiary in respect of SGMG as at 31st December 2011 is as follows:-

	2011 RM'000	2010 RM'000
Assets:		
Investment in subsidiary	34,452	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The major classes of assets and liabilities of SGMG classified as held for sale and the related reserves as at 31 December 2011 are as follows:-

	Group 2011 RM'000
Assets:	
Property, plant and equipment (Note 6)	25,768
Inventories	19,688
Trade and other receivables	11,924
Cash and bank balances	420
Assets of disposal group classified as held for sale	57,800
Liabilities:	
Trade and other payables	(12,143)
Borrowings	(7,240)
Deferred tax liabilities	(3,764)
Liabilities directly associated with disposal group classified as held for sale	(23,147)
Net assets directly associated with disposal group classified as held for sale	34,653
Reserve:	
Asset revaluation reserve (Note 16)	11,518
Foreign translation reserve (Note 16)	3,600
	15,118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Statement of comprehensive income disclosures

The results of SGMG for the years ended 31st December are as follows:-

	Group	
	2011 RM'000	2010 RM'000
Revenue	12,058	30,104
Other income	3,803	1,608
Expenses	(36,553)	(50,256)
Loss from operations	(20,692)	(18,544)
Finance costs	(787)	(398)
Loss recognised on re-measurement to fair value less costs to sell	(5,356)	-
Loss before tax from discontinued operation	(26,835)	(18,942)
Taxation	598	-
Loss from discontinued operations, net of tax	(26,237)	(18,942)

Statement of cash flows disclosures

The cash flows attributable to SGMG are as follows:-

	Group	
	2011 RM'000	2010 RM'000
Operating	4,751	13,211
Investing	(375)	(2,281)
Financing	(4,820)	(10,859)
Effects of exchange rate changes on cash and cash equivalents	54	(55)
Net cash (outflows)/inflows	(390)	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

15. SHARE CAPITAL

	Group and Company			
	2011		2010	
	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000
Ordinary shares of RM0.15 (2010: RM1/-) each				
Authorised:				
At the beginning/end of the financial year	490,000	490,000	490,000	490,000
Issued and fully paid:				
At the beginning/end of the financial year	154,800	154,800	154,800	154,800
Less: Reduction in par value	-	(131,580)	-	-
At the end of the financial year	154,800	23,220	154,800	154,800

On 12th December 2011, the Company had completed the corporate proposal of share capital reduction by the cancellation of RM0.85 of the par value of every existing ordinary share of RM1/- each to be off-set against the Company's accumulated losses.

16. OTHER RESERVES

	Note	Foreign currency translation reserve RM'000	Reserve fund RM'000	Revaluation reserve RM'000	Total RM'000
At 1st January 2010		9,098	3,209	-	12,307
Arising from the current financial year		(7,753)	-	-	(7,753)
At 31st December 2010		1,345	3,209	-	4,554
Arising from the current financial year		477	-	-	477
Revaluation of land and building		-	-	15,282	15,282
Deferred tax liabilities relating to revaluation of land and building	20	-	-	(3,764)	(3,764)
		-	-	11,518	11,518
Transfer to reserve of a disposal group held for sale	14	(3,600)	-	(11,518)	(15,118)
At 31st December 2011		(1,778)	3,209	-	1,431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

16. OTHER RESERVES (CONT'D)

(a) Foreign Currency Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

(b) Reserve Fund

In accordance with the regulations applicable to a foreign investment enterprise in China, SGMG a wholly-owned subsidiary of the Company is required to appropriate 10% of its profit to a reserve fund before any dividend declaration. The reserve fund can be used to offset accumulated losses and to increase capital upon approval by the relevant government authority. The appropriation is required until the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital. This reserve is not available for dividend distributable to shareholders.

(c) Revaluation Reserve

The revaluation reserve is used to record the surplus on revaluation of land and buildings as disclosed in Note 6(a) to the financial statements. Subsequently, the revaluation surplus has been transferred to reserve of a disposal group held for sale as disclosed in Note 14 to the financial statements.

17. BORROWINGS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term borrowings				
Term loans (Note 19)	96	6,914	96	128
Trust receipts	6,899	12,048	-	-
Bankers' acceptances	-	2,691	-	-
Hire purchase payables (Note 18)	161	187	3	33
	7,156	21,840	99	161
Long term borrowings				
Term loans (Note 19)	1,390	943	-	96
Hire purchase payables (Note 18)	226	325	-	3
	1,616	1,268	-	99
Total loans and borrowings	8,772	23,108	99	260

The trust receipts are secured by:-

(a) A pledge of the fixed deposits with licensed banks as disclosed in Note 13 to the financial statements; and

(b) A corporate guarantee of the Company.

In the previous year, the bankers' acceptances and trust receipts were secured by:-

(a) A legal charge over certain long leasehold land and buildings of a subsidiary;

(b) A pledge of the fixed deposits with licensed banks as disclosed in Note 13 to the financial statements;

(c) A fixed and floating debenture charged over the present and future assets of a subsidiary, excluding those financed under hire purchase and leasing; and

(d) A corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18. HIRE PURCHASE PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Future minimum lease payments:-				
- not later than one year	181	212	3	34
- later than one year but not later than five years	238	350	-	3
	419	562	3	37
Less: Future finance charges	(32)	(50)	-	(1)
Present value of finance lease liabilities	387	512	3	36
Represented by:-				
Current				
- not later than one year	161	187	3	33
Non-current				
- later than one year but not later than five years	226	325	-	3
	387	512	3	36

19. TERM LOANS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Within the next twelve months	96	6,914	96	128
After the next twelve months				
- not later than two years	1,390	96	-	96
- later than two years but not later than five years	-	847	-	-
	1,390	943	-	96
	1,486	7,857	96	224

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

19. TERM LOANS (CONT'D)

Details of the repayment terms of the term loan of the Company are as follows:-

Term loan	Number of quarterly instalment	Quarterly Installment RM'000	Date of commencement of Repayment	The Company Amount Outstanding 2011 RM'000	The Company Amount Outstanding 2010 RM'000
1	20	32	5 December 2008	96	224

The term loan of the Company is secured by:-

(a) A legal charge over a piece of freehold property as disclosed in Note 7 to the financial statements; and

(b) A corporate guarantee of its subsidiaries.

Included in the term loans of the Group is a term loan of RM1,390,000/-, which is repayable in 84 monthly instalments of RM20,050/- (2010: RM20,050/-).

The term loan of the Group is secured by:-

(a) A legal charge over a freehold property as disclosed in Note 7 to the financial statements; and

(b) A corporate guarantee of the Company for RM1,440,000/-.

20. DEFFERED TAX LIABILITIES

Group	Property, plant and equipment At Cost RM'000	Property, plant and equipment At Valuation RM'000	Total RM'000
2011			
At 1st January	35	-	35
- Recognised in equity	-	3,764	3,764
- Transfer to liabilities directly associated with disposal group classified as held for sale	-	(3,764)	(3,764)
- Transfer to income statement	(35)	-	(35)
At 31st December	-	-	-
2010			
At 1st January / 31st December	35	-	35

No deferred tax assets were recognised at the end of the reporting period on the following items:-

	Group 2011 RM'000	Group 2010 RM'000
Property, plant and equipment	4	(989)
Allowance for slow moving inventories	276	132
Unabsorbed capital allowances	109	952
Unutilised tax losses	5,646	3,935
	6,035	4,030

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	1,791	4,965	-	-
Other payables, deposits and accruals				
Other payables	1,307	1,768	837	279
Deposits	256	939	-	-
Accruals	1,293	6,140	929	322
	2,856	8,847	1,766	601
	4,647	13,812	1,766	601

(a) Trade payables

The normal trade credit terms granted to the Group range from 30 to 60 days (2010: 30 to 90 days).

(b) Other payables

Included in other payables and accruals of the Group in the previous financial year was an amount of RM85,000/- owing to a Director of a subsidiary. The amount owing is non-trade in nature, unsecured, interest free and is repayable on demand.

22. AMOUNT OWING TO DIRECTORS

Amount owing to Directors are non-trade in nature, unsecured, interest free and is repayable on demand.

23. BANK OVERDRAFTS

The bank overdrafts are secured in the same manner as the short term borrowings as disclosed in Note 17 to the financial statements.

24. REVENUE

	Group	
	2011 RM'000	2010 RM'000
Sale of marble slabs and blocks	1,255	1,192
Contract revenue	9,548	24,320
	10,803	25,512

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

25. TAXATION

	Group 2011 RM'000	Group 2010 RM'000
Income tax attributable to:-		
Continuing operations		
- Over-provision of income tax in prior year	-	23
Discontinued operation		
- Over-provision of income tax in prior year	598	-
Deferred tax attributable to:-		
Continuing operations		
- Over-provision of deferred tax in prior year	35	-
	633	23

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the fiscal year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:-

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Loss before taxation				
- Continuing operations	(24,139)	(37,879)	(42,795)	(33,333)
- Discontinued operation	(26,835)	(18,942)	-	-
	(50,974)	(56,821)	(42,795)	(33,333)
Tax at applicable statutory tax rate of 25% (2010: 25%)	12,744	14,205	10,699	8,333
Tax effects arising from:				
- non-taxable income	4,167	15	-	-
- non-deductible expenses	(16,411)	(10,883)	(10,699)	(8,333)
- double deduction	1	-	-	-
- deferred tax assets not recognised during the year	(501)	(3,337)	-	-
- prior year				
- income tax	598	23	-	-
- deferred tax	35	-	-	-
Tax expense for the year	633	23	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

26. NET LOSS FOR THE FINANCIAL YEAR

Net loss for the financial year have been arrived at:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
After charging/(crediting):-				
Allowance for slow-moving inventories	293	203	-	-
Audit fee				
- current year	107	103	70	70
- other non-statutory services	3	33	3	33
Bad debts written off	62	1,301	-	-
Depreciation of investment property	16	16	16	16
Depreciation of property, plant and equipment	1,704	1,561	47	47
Directors' fee	169	192	169	192
Directors non-fee emoluments	934	982	673	673
Impairment loss on:-				
- intangible assets	18,033	30,846	-	-
- investment in a subsidiary	-	-	35,247	30,846
- trade and other receivables	3,853	10,775	321	-
- FRS 139 effect	139	-	-	-
Interest expense:-				
- bank overdrafts	243	281	7	6
- bills payable	751	1,020	-	-
- hire purchase	31	34	2	3
- term loans	501	424	11	18
- others	354	-	-	-
Interest income	(156)	(128)	-	-
Interest income on receivables financial assets	(94)	(76)	-	-
Loss/(gain) on foreign exchange:-				
- realised	70	729	-	-
- unrealised	(43)	193	(300)	335
Loss/(gain) on disposal of property, plant and equipment	9	(98)	-	-
Loss recognised on re-measurement to fair value less costs to sell	5,356	-	-	-
Rental income from property, plant and equipment	(318)	(250)	-	-
Rental of premises	398	471	69	69
Write-back of allowance for slow-moving inventories	(46)	-	-	-
Staff cost:				
- salaries, wages, bonuses and allowances	4,785	6,343	572	530
- defined contribution plan	200	194	70	57
- other benefits	403	850	10	14
Inventories written off	1,338	-	-	-
Write-down of inventories	14,601	4,636	-	-
Write-back of impairment loss on trade receivables	(367)	(1)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

27. LOSS PER SHARE

	Group	
	2011 RM'000	2010 RM'000
Loss, net of tax attributable to owners of the Company	(50,341)	(56,798)
Add back:		
Loss from discontinued operation, net of tax, attributable to owners of the Company	(26,237)	(18,942)
Loss, net of tax from continuing operations attributable to owners of the Company used in the computation of basic loss per share	(24,104)	(37,856)
	Number of shares	
	000	**000**
Weighted average number of ordinary shares on issue	154,800	154,800
Loss per share for the financial year (sen)		
- Basic, for loss from continuing operations	(15.57)	(24.45)
- Basic, for loss from discontinued operation	(16.95)	(12.24)
	(32.52)	(36.69)
Loss per share for the financial year (sen)		
- Diluted, for loss from continuing operations	(15.57)	(24.45)
- Diluted, for loss from discontinued operation	(16.95)	(12.24)
	(32.52)	(36.69)

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cost of property, plant and equipment purchased	980	3,652	4	1
Amount financed through hire purchase	-	(515)	-	-
Cash disbursed for purchase of property, plant and equipment	980	3,137	4	18

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

29. DIRECTORS' REMUNERATION

(a) The aggregate amounts of remuneration received and receivables by the Directors ofthe Group and the Company during the financial year are as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Executive Directors' remuneration				
- Salaries, bonus and other emoluments	601	601	601	601
- Defined contribution plans	72	72	72	72
	673	673	673	673
Executive Directors' remuneration of subsidiaries:-				
- Salaries, bonus and other emoluments	261	191	-	-
- Estimated money value of benefits-in-kind	-	118	-	-
Total	261	309	-	-
Total Directors' non-fee emoluments	934	982	673	673
Non-executive Directors' fee	169	192	169	192
Total Directors' remuneration including benefits-in-kind	1,103	1,174	842	865

(b) The number of Directors of the Group and of the Company at the end of the financial year whose total remuneration during the financial year fell within the following bands are analysed below:-

	Group	
	2011	**2010**
Executive Directors		
RM250,001 - RM300,000	1	1
RM400,001 - RM450,000	1	1
Non-executive Directors		
Below RM50,000	3	3
RM50,001 - RM100,000	-	1
	5	6

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of Related Parties

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

Related parties of the Company include:-

(i) Subsidiaries;
(ii) The Directors who are the key management personnel; and
(iii) An entity controlled by the Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Significant related party transactions and balances

Significant related party transaction other than disclosed in the financial statements are as follows:-

	Group	
	2011 RM'000	2010 RM'000
Sales of stones and provision of contract workmansip and other related services to a company in which a Director has interest in	2,235	157

Individually significant outstanding balances arising during the financial year from transactions other than normal trade transactions with related parties are as follows:

	Company	
	2011 RM'000	2010 RM'000
Amount due from subsidiaries	6,448	12,635

(c) Compensation of key management personnel

The remuneration of the key management personnel during the financial year is as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Key management personnel compensation ' including directors remuneration:				
- Short term employee benefits	1,811	2,362	1,149	1,199

31. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:

(i) Manufacturing segment – involved in processing, trading, exporting and trading of marble blocks.

(ii) Extraction and trading segment – involved in extraction and trading of marble blocks.

(iii) Investment holding – involved in investment holding.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measures differently from operating profit or loss in the consolidated financial statements.

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

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

31. OPERATING SEGMENTS (CONT'D)

(i) BUSINESS SEGMENTS

2011	Manufacturing RM'000	Extraction and Trading RM'000	Investment Holding RM'000	Group RM'000
Revenue				
External customer	22,861	-	-	22,861
Inter-segment	5,255	-	-	5,255
	28,116	-	-	28,116
Adjustments and eliminations				(5,255)
Consolidated revenue				22,861
Results				
Segment results	(1,979)	(26)	(2,360)	(4,365)
Interest income	156	-	-	156
Other material items of income	318	-	-	318
Depreciation of property, plant and equipment and investment property	(1,656)	-	(64)	(1,720)
Other material items of expenses	(3,431)	(110)	(321)	(3,862)
Other non-cash expenses	(21,097)	(491)	(18,033)	(39,621)
	(27,689)	(627)	(20,778)	(49,094)
Finance costs				(1,880)
Income tax expense				633
Consolidated loss after taxation				(50,341)
Assets				
Segment assets	82,341	611	1,058	84,010
Unallocated assets				63
Consolidated total assets				84,073
Liabilities				
Segment liabilities	34,439	17	1,960	36,416
Deferred taxation				3,764
Consolidated total liabilities				40,180
Other segment items				
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	976	-	4	980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

31. OPERATING SEGMENTS (CONT'D)

(i) BUSINESS SEGMENTS (CONT'D)

2010	Manufacturing RM'000	Extraction and Trading RM'000	Investment Holding RM'000	Group RM'000
External customer	55,616	-	-	55,616
Inter-segment	21,355	-	-	21,355
	76,971	-	-	76,971
Adjustments and eliminations				(21,355)
Consolidated revenue				55,616
Results				
Segment results	(4,906)	(100)	(2,397)	(7,403)
Interest income	128	-	-	128
Other material items of income	250	-	-	250
Depreciation of property, plant and equipment and investment property	(1,514)	-	(63)	(1,577)
Other material items of expenses	(10,775)	-	-	(10,775)
Other non-cash expenses	(35,685)	-	-	(35,685)
	(52,502)	(100)	(2,460)	(55,062)
Finance costs				(1,759)
Income tax expense				23
Consolidated loss after taxation				(56,798)
Assets				
Segment assets	123,472	1,386	1,413	126,271
Unallocated assets				100
Consolidated total assets				126,371
Liabilities				
Segment liabilities	42,574	9	954	43,537
Deferred taxation				35
Provision for taxation				560
Consolidated total liabilities				44,132
Other segment items				
Additions to non-current assets other than financial instruments:-				
- property, plant and equipment	3,634	-	18	3,652

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

31. OPERATING SEGMENTS (CONT'D)

(i) BUSINESS SEGMENTS (CONT'D)

Reconciliation of reported revenue and profit or loss

	2011 RM'000	2010 RM'000
Revenue		
Total revenue for reportable segment	22,861	55,616
Elimination of discontinued operation	(12,058)	(30,104)
Consolidated revenue	10,803	25,512
Profit or loss		
Total profit or loss for reputable segment	(50,341)	(56,798)
Elimination of discontinued operation	26,237	18,942
Loss from continuing operations, net of tax	(24,104)	(37,856)

(a) Other material items of income consist of the following:-

	Group 2011 RM'000	Group 2010 RM'000
Rental income from property, plant and equipment	318	250

(b) Other material items of expenses consist of the following:-

	Group 2011 RM'000	Group 2010 RM'000
Impairment loss on trade and other receivables	3,853	10,775
Loss on disposal of property, plant and equipment	9	-
	3,862	10,775

(c) Other non cash expenses consist of the following:-

	Group 2011 RM'000	Group 2010 RM'000
Allowance for slow-moving inventories	293	203
Impairment loss on intangible assets	18,033	30,846
Write-down of inventories	14,601	4,636
Inventories written off	1,338	-
Loss recognised on re-measurement to fair value less costs to sell	5,356	-
	39,621	35,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

31. OPERATING SEGMENTS (CONT'D)

(ii) GEOGRAPHICAL INFORMATION

	Revenue		Non-current assets	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	10,803	25,512	5,042	9,583
China	12,058	30,104	25,768	29,622
	22,861	55,616	30,810	39,205

(iii) MAJOR CUSTOMERS

Revenue from two major customers contributed an aggregate revenue of RM6,355,000/- (2010: RM10,424,000/-) of the Group's total revenue in the manufacturing segment.

32. CAPITAL COMMITMENTS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Approved and contracted for but not provided in the financial statements		
- property, plant and equipment	49	692

33. CONTINGENT LIABILITIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary	9,585	16,443

34. FOREIGN EXCHANGE RATES

	The Group	
	2011	**2010**
	RM'	**RM'**
United States Dollar	3.17	3.09
Chinese Renminbi	0.50	0.47
United Arab Emirates Dirham	0.86	0.84
New Turkish Lira	1.67	1.99

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management and Objectives

The Group's activities are exposed to a variety of market risks (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currency giving rise to these risks are primarily United States Dollar, Chinese Renminbi, United Arab Emirates Dirham and New Turkish Lira. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The currency exposure profile of the Group is as follows:-

Group 2011	United States Dollar RM'000	Chinese Renminbi RM'000	United Arab Emirates Dirham RM'000	New Turkish Lira RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial assets						
Trade receivables	-	-	570	-	5,204	5,774
Other receivables and deposits *	1,269	-	-	589	268	2,126
Fixed deposits with licensed banks	-	-	-	-	5,830	5,830
Cash and bank balances	3	-	-	18	274	295
	1,272	-	570	607	11,576	14,025
Financial liabilities						
Trade payables	43	-	-	2	1,746	1,791
Other payables, deposit and accruals	14	-	-	13	2,829	2,856
Amount owing to directors	-	-	-	-	2,200	2,200
Trust receipts	-	-	-	-	6,899	6,899
Bank overdrafts	-	-	-	-	1,390	1,390
Term loans	-	-	-	-	1,486	1,486
Hire purchase payables	-	-	-	-	387	387
	57	-	-	15	16,937	17,009
Net financial assets/(liabilities)	1,215	-	570	592	(5,361)	(2,984)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	-	-	(592)	5,361	4,769
Currency exposure	1,215	-	570	-	-	1,785

** Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(i) Foreign currency risk (cont'd)

Group 2010	United States Dollar RM'000	Chinese Renminbi RM'000	United Arab Emirates Dirham RM'000	New Turkish Lira RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial assets						
Trade receivables	131	14,093	2,970	121	5,362	22,677
Other receivables and deposits *	2,177	1,740	17	676	1,218	5,828
Fixed deposits with licensed banks	-	-	-	-	5,983	5,983
Cash and bank balances	159	508	-	2	790	1,459
	2,467	16,341	2,987	799	13,353	35,947
Financial liabilities						
Trade payables	42	3,817	-	2	1,104	4,965
Other payables, deposit and accruals	2	6,649	5	4	2,187	8,847
Amount owing to directors	-	-	-	-	1,200	1,200
Bankers' acceptances	-	-	-	-	2,691	2,691
Trust receipts	-	-	-	-	12,048	12,048
Bank overdrafts	-	-	-	-	5,278	5,278
Term loans	-	6,786	-	-	1,071	7,857
Hire purchase payables	-	-	-	-	512	512
	44	17,252	5	6	26,091	43,398
Net financial assets/(liabilities)	2,423	(911)	2,982	793	(12,738)	(7,451)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	911	-	(793)	12,738	12,856
Currency exposure	2,423	-	2,982	-	-	5,405

** Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(i) Foreign currency risk (cont'd)

Company 2011	Chinese Renminbi RM'000	Ringgit Malaysia RM'000	Total RM'000
Financial assets			
Amount owing by subsdiaries	-	6,448	6,448
Other receivables and deposits *	-	69	69
Cash and bank balances	-	5	5
	-	6,522	6,522
Financial liabilities			
Other payables and accruals	-	1,766	1,766
Bank overdraft	-	95	95
Term loan	-	96	96
Hire purchase payable	-	3	3
	-	1,960	1,960
Net financial assets	-	4,562	4,562
Less: Net financial (assets) denominated in the respective entities' functional currencies	-	(4,562)	(4,562)
	-	-	-
2010			
Financial assets			
Amount owing by subsdiaries	4,484	8,151	12,635
Other receivables and deposits *	-	359	359
Cash and bank balances	-	5	5
	4,484	8,515	12,999
Financial liabilities			
Other payables and accruals	-	601	601
Bank overdraft	-	93	93
Term loan	-	224	224
Hire purchase payable	-	36	36
	-	954	954
Net financial assets	4,484	7,561	12,045
Less: Net financial (assets) denominated in the respective entities' functional currencies	-	(7,561)	(7,561)
Currency exposure	4,484	-	4,484

** Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(i) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	Group 2011 Increase/ (Decrease) RM'000	Group 2010 Increase/ (Decrease) RM'000
Effects on profit after taxation		
United States Dollar:-		
- strengthened by 5%	61	121
- weakened by 5%	(61)	(121)
United Arab Emirates Dirham:-		
- strengthened by 5%	29	149
- weakend by 5%	(29)	(149)
Effects on equity		
United States Dollar:-		
- strengthened by 5%	61	121
- weakend by 5%	(61)	(121)
United Arab Emirates Dirham:-		
- strengthened by 5%	29	149
- weakend by 5%	(29)	(149)

	Company 2011 Increase/ (Decrease) RM'000	Company 2010 Increase/ (Decrease) RM'000
Effects on profit after taxation		
Chinese Renminbi:-		
- strengthened by 5%	-	224
- weakend by 5%	-	(224)
Effects on equity		
Chinese Renminbi:-		
- strengthened by 5%	-	224
- weakend by 5%	-	(224)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 35(a)(iv).

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate instruments				
Fixed deposits with licensed banks	5,830	5,983	-	-
Term loan	-	(6,786)	-	-
Hire purchase payables	(387)	(512)	(3)	(36)
	5,443	(1,315)	(3)	(36)
Floating rate instruments				
Term loan	(1,486)	(1,071)	(96)	(224)
Bankers' acceptance	-	(2,691)	-	-
Trust receipts	(6,899)	(12,048)	-	-
Bank overdrafts	(1,390)	(5,278)	(95)	(93)
	(9,775)	(21,088)	(191)	(317)

Interest rate risk sensitivity analysis
The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	Group	
	2011 Increase/ (Decrease) RM'000	2010 Increase/ (Decrease) RM'000
Effects on profit after taxation		
Increase of 100 basis points (bp)	(98)	(211)
Decrease of 100 bp	98	211
Effects on equity		
Increase of 100 bp	(98)	(211)
Decrease of 100 bp	98	211

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

	Company	
	2011 Increase/ (Decrease) RM'000	**2010 Increase/ (Decrease) RM'000**
Effects on profit after taxation		
Increase of 100 basis points (bp)	(2)	(3)
Decrease of 100 bp	2	3
Effects on equity		
Increase of 100 bp	(2)	(3)
Decrease of 100 bp	2	3

(iii) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three customers which constituted approximately 63% (2010: 39%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not held any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(iii) Credit Risk (cont'd)

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Malaysia	5,204	5,361
China	-	13,970
Taiwan	-	1
United Arab Emirates	570	2,970
Turkey	-	121
Korea	-	6
Hong Kong	-	247
Mongolia	-	1
	5,774	22,677

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31st December 2011 is as follows:-

	Gross Amount RM'000	**Individual Impairment RM'000**	**Collective Impairment RM'000**	**Carrying Value RM'000**
Group				
2011				
Not past due	717	-	-	717
Past due:-				
- less than 3 months	981	-	-	981
- 3 to 6 months	1,091	(1)	-	1,090
- over 6 months	3,615	(629)	-	2,986
	6,404	(630)	-	5,774
Group				
2010				
Not past due	8,438	-	-	8,438
Past due:-				
- less than 3 months	6,541	-	-	6,541
- 3 to 6 months	966	-	-	966
- over 6 months	19,656	(8,731)	(4,193)	6,732
	35,601	(8,731)	(4,193)	22,677

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(iii) Credit Risk (cont'd)

Ageing analysis (cont'd)

At the end of reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Financial assets that are past due but not impaired

The Group believes that no impairment allowance is necessary of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Financial assets that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

(iv) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The table below summarises the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

2011	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within One year RM'000	One to five years RM'000	Over five years RM'000
Group						
Financial liabilities						
Trade and other payables		4,647	4,647	4,647	-	-
Amount owing to directors		2,200	2,200	2,200	-	-
Trust receipts	8.10% - 8.60%	6,899	6,899	6,899	-	-
Bank overdrafts	8.10%	1,390	1,390	1,390	-	-
Term loans	5.60% - 7.10%	1,486	1,934	177	1,203	554
Hire purchase payables	5.10% - 8.25%	387	418	180	238	-
		17,009	17,488	15,493	1,441	554
Company						
Financial liabilities						
Other payables and accruals		1,766	1,766	1,766	-	-
Bank overdraft	8.10%	95	95	95	-	-
Term loan	7.10%	96	99	99	-	-
Hire purchase payable	5.10%	3	3	3	-	-
		1,960	1,963	1,963	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (cont'd)

(iv) Liquidity Risk (cont'd)

2010	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within One year RM'000	One to five years RM'000	Over five years RM'000
Group						
Financial liabilities						
Trade and other payables		13,812	13,812	13,812	-	-
Amount owing to directors		1,200	1,200	1,200	-	-
Bankers' acceptances	5.90%	2,691	2,691	2,691	-	-
Trust receipts	7.80% - 8.30%	12,048	12,048	12,048	-	-
Bank overdrafts	4.73% - 8.30%	5,278	5,278	5,278	-	-
Term loans	5.30% - 6.61%	7,857	8,098	7,061	1,037	-
Hire purchase payables	5.10% - 8.25%	512	562	212	350	-
		43,398	43,689	42,302	1,387	-
Company						
Financial liabilities						
Other payables and accruals		601	601	601	-	-
Bank overdraft	7.80%	93	93	93	-	-
Term loan	6.61%	224	240	140	100	-
Hire purchase payable	5.10%	36	37	34	3	-
		954	971	868	103	-

(b) Classification of Financial Instruments

Group	Loan and receivables RM'000	Financial Liabilities amortised cost RM'000	Total RM'000
2011			
Financial assets			
Trade and other receivables *	7,900	-	7,900
Fixed deposits with licensed banks	5,830	-	5,830
Cash and bank balances	295	-	295
	14,025	-	14,025

** Exclude prepayments*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of Financial Instruments (cont'd)

Group	Loan and receivables RM'000	Financial Liabilities amortised cost RM'000	Total RM'000
2011			
Financial Liabilities			
Trade and other payables	-	4,647	4,647
Amount owing to directors	-	2,200	2,200
Trust receipts	-	6,899	6,899
Bank overdrafts	-	1,390	1,390
Term loans	-	1,486	1,486
Hire purchase payabales	-	387	387
	-	17,009	17,009
2010			
Financial Assets			
Trade and other receivables *	28,505	-	28,505
Fixed deposits with licensed banks	5,983	-	5,983
Cash and bank balances	1,459	-	1,459
	35,947	-	35,947
Financial Liabilities			
Trade and other payables	-	13,812	13,812
Amount owing to directors	-	1,200	1,200
Bankers' acceptances	-	2,691	2,691
Trust receipts	-	12,048	12,048
Bank overdrafts	-	5,278	5,278
Term loans	-	7,857	7,857
Hire purchase payabales	-	512	512
	-	43,398	43,398

* Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of Financial Instruments (cont'd)

Company	Loan and receivables RM'000	Financial Liabilities amortised cost RM'000	Total RM'000
2011			
Financial Assets			
Amount owing by subsidiaries	6,448	-	6,448
Other receivables and deposits *	69	-	69
Cash and bank balances	5	-	5
	6,522	-	6,522
Financial Liabilities			
Trade and other payables	-	1,766	1,766
Bank overdrafts	-	95	95
Term loans	-	96	96
Hire purchase payables	-	3	3
	-	1,960	1,960
2010			
Financial Assets			
Amount owing by subsidiaries	12,635	-	12,635
Other receivables and deposits *	359	-	359
Cash and bank balances	5	-	5
	12,999	-	12,999
Financial Liabilities			
Trade and other payables	-	601	601
Bank overdrafts	-	93	93
Term loans	-	224	224
Hire purchase payables	-	36	36
	-	954	954

* Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values

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

The following summarises the method used to determine the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.

(ii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

36. SIGNIFICANT EVENTS

(a) On 13th April 2011, the Company announced the following (Collectively referred to as "Proposals"):-

(i) a revised proposed reduction in the par value of every existing ordinary share ofRM1.00 each in the Company entails the cancellation of RM0.85 of the par value, which will result in a reduction of the existing issued and paid-up share capital of the Company from RM154,800,002/- comprising 154,800,002 ordinary shares of RM1.00 each in the Company to approximately RM23,220,000/- comprising 154,800,002 ordinary shares of RM0.15 each in the Company;

(ii) a revised proposed renounceable rights issue ("Right Issue") of up to 193,500,002 new ordinary shares of RM0.15 each in the Company together with 38,700,000 free detachable new warrants on the basis of five right shares for every four existing ordinary shares of RM0.15 each held in the Company after the revised proposed reduction in par value;

(iii) a proposed increase in the authorised share capital of the Company from RM500,000,000/- comprising 490,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS") to RM550,000,000/- comprising 3,600,000,000 ordinary shares of RM0.15 each and 100,000,000 ICPS;

(iv) revised proposed amendments to the Memorandum and Articles of Association of the Company; and

(v) a proposed exemption for Dato' Lim Kim Huat under Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010 from an obligation to undertake a mandatory take-over offer for the remaining ordinary shares of RM0.15 each in the Company (after the revised proposed reduction in par value) not already held by him after the revised proposed rights issue.

On 30th May 2011, the Company announced that Bank Negara Malaysia had via its letter dated 24th May 2011, which was received on 30th May 2011, approved the issuance of the Warrants under the Proposed Rights Issue to entitled shareholders of Gefung who are non-residents.

On 31st May 2011, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 30th May 2011 approved the admission to the Official List of Bursa Securities and the listing of and quotation for up to 193,500,002 Rights Shares together with up to 38,700,000 new ordinary shares of RM0.15 each in Gefung pursuant to the exercise of the warrants and subject to certain conditions.

The Proposals have been approved by the shareholders of the Company at the Extraordinary General Meeting held on 6th July 2011.

On 22nd July 2011, the Company announced that the Company had, on 21st July 2011, received the sealed order dated 15th July 2011 from High Court of Malaya in Kuala Lumpur sanctioning the Proposed Reduction in Par Value pursuant to Section 64 of the Companies Act, 1965 in Malaysia. The sealed order will be lodged with the Registrar of Companies at a later date for the Proposed Reduction in Par Value to take effect.

On 9th August 2011, the Company announced that Securities Commission had vide its letter dated 9th August 2011 stated it has approved the application for the Proposed Exemption.

On 9th August 2011, the Company announced that Securities Commission had vide its letter dated 9th August 2011 stated it has approved the application for the Proposed Exemption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

36. SIGNIFICANT EVENTS (CONT'D)

(a) On 13th April 2011, the Company announced the following (Collectively referred to as "Proposals")(cont'd):-

On 12th December 2011 the sealed order of the High Court of Malaya in Kuala Lumpur confirming the par value reduction has been lodged with the Companies Commission of Malaysia.

On 27th January 2012, the Company announced that the additional 109,099,750 new ordinary shares of RM0.15 each and the 21,819,950 Warrants issued pursuant to the Rights Issue have been granted the listing and quotation with effect on 27th January 2012.

The above proposals have been completed on 27th January 2012.

(b) On 10th March 2011, the Company entered into a Memorandum of Understanding ("MOU") with PT Greenworld Development ("the Parties") to undertake a proposed joint venture arrangement in a mixed development project totalling approximately 50.74 acres located in the east of Jakarta, Indonesia ("Proposed Project").

On 9th March 2012, the Board of Directors of the Company announced that as the Parties could not reach an agreement on the terms and conditions for the Proposed Project, the Company and the Parties have mutually agreed to terminate the MOU with immediate effect.

(c) On 28th February 2012, the Company had entered into a sale and purchase agreement with LiuQuan Group Stocks Limited ("LQGS") for the disposal of the entire equity interest in Shanghai Ge Fung Marble & Granite Co Ltd ("SGMG") to LQGS for a total cash consideration of RMB69.0 million.

(d) On 28th March 2012, the Company acquired two ordinary shares of RM1/- each in Atlas Rhythm Sdn. Bhd. ("Atlas") representing the entire issued and paid-up capital in Atlas for a total cash consideration of RM2/-.

Atlas was incorporated in Malaysia on 8th February 2012 with an authorised capital of RM100,000/- divided into 100,000 ordinary shares of RM1/-, of which two ordinary shares of RM1/- each have been issued and fully paid-up. The Directors of Atlas are Dato' Lim Kim Huat and Loi Heng Sewn. None of the Directors or substantial shareholders or person connected with the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the said acquisition.

(e) On 29th March 2012, the Company had entered into a sale and purchase agreement with Eden Quest Sdn. Bhd., via its newly acquired wholly-owned subsidiary, Atlas Rhythm Sdn. Bhd., to acquire a parcel of vacant freehold land held under GM 289, Lot No. 1589, Mukim of Batu, District of Kuala Lumpur, State of Wilayah Persekutuan, measuring approximately 1.214 hectares or approximately 130,680 square feet for a cash consideration of RM27,312,500/-.

37. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

37. CAPITAL MANAGEMENT (CONT'D)

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	Group	
	2011 **RM'000**	**2010** **RM'000**
Term loans	1,486	7,857
Hire purchase payables	387	512
Trade and other payables	4,647	13,812
Amount owing to directors	2,200	1,200
Bankers' acceptances	-	2,691
Trust receipts	6,899	12,048
Bank overdrafts	1,390	5,278
Less: Fixed deposits with licensed banks	(5,830)	(5,983)
Less: Cash and bank balances	(295)	(1,459)
Financial liabilities, attributable to discontinued operation, net of cash and bank balances	22,727	-
Net debt	33,611	35,956
Equity attributable to the owners of the Company	43,893	82,239
Total capital	43,893	82,239
Debt-to-equity ratio	0.77	0.44

Under the requirement of Bursa Malaysia Practise Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

38. COMPARATIVE FIGURES

The comparative figures have been audited by another firm of chartered accountants other than Baker Tilly Monteiro Heng.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the reporting date, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31st December 2011 are as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained profits/ (accumulated losses)				
- realised	4,482	(52,606)	20,188	(68,297)
- unrealised	(352)	(6,076)	(293)	(593)
	4,130	(58,682)	19,895	(68,890)
Less: Consolidation adjustments	(6)	(18,433)	-	-
At 31st December	4,124	(77,115)	19,895	(68,890)

The determination of realised and unrealised profits is complied based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20th December 2010.

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

STATEMENT BY DIRECTOR

We, **DATO' LIM KIM HUAT** and **LOI HENG SEWN**, being two of the Directors of the Company, do hereby state that in the opinion of the Directors, the financial statements set out on pages 32 to 98 are properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 99 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

....
DATO' LIM KIM HUAT
Director

....
LOI HENG SEWN
Director

Kuala Lumpur

Date: 26th April 2012

STATUTORY DECLARATION

I, TAN CHING PDING, being the officer primarily responsible for the financial management of Gefung Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 32 to 98 and the supplementary information set out on page 99 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, l960.

....
TAN CHING PDING

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 26th April 2012.

Before me,

....
Arshad Abdullah (W550)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GEFUNG HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Gefung Holdings Berhad, which comprise the statements of financial position as at 31st December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 98.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Emphasis of matter

We draw attention to Note 2 to the financial statements, which disclose that the Directors of the Company are of the opinion that the uncertainty that gave rise to the emphasis of matter paragraph in the audit report for the financial year ended 31st December 2010 is no longer in existence as the completion of the fund raising exercise cum capital reduction has strengthened the financial position of the Group and the proposed disposal of the loss making business in China together with the proposed acquisition and diversification into property development and property investment is expected to contribute positively to the earnings of the Group moving forward.

We have considered these factors which are of significance, and draw your attention to it, but our opinion is not qualified in this respect.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GEFUNG HOLDINGS BERHAD

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 Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) Other than those subsidiaries without auditors' reports as disclosed in Note 5 to the financial statements, we have considered the financial statements of those subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) Other than those subsidiaries without audited financial statements as disclosed in Note 5 to the financial statements, we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) Other than those subsidiaries without auditors' reports as disclosed in Note 5 to the financial statements, the auditors' report on the financial statements of the subsidiary did not contain any qualification, or any adverse comments made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

(a) The financial statements of the Group and of the Company for the financial year ended 31st December 2010 were audited by another firm of chartered accountants whose report dated 28th April 2011, expressed an unmodified opinion and included the following emphasis of matter paragraph on those financial statements:-

"Without qualifying our opinion, we draw attention to Note 3(B) to the financial statements which discloses the premise upon which the Group and the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM56,798,000/- and RM33,333,000/-, respectively during the financial year ended 31st December 2010, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern."

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M.J. Monteiro
No. 828/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 26th April 2012

LIST OF PROPERTIES
AS AT 31 DECEMBER 2011

Location	Description and Existing Usage	Tenure	Approximate Area	Approximate Age of Building (Years)	Year of Acquisition	Net book Value as at 31.12.2011 RM'000
No. 5679, Bei Qing Road, Gu town, Qing Pu County, Shanghai, China 201706	Single storey factory cum warehouse and a four storey office	50 years leasehold, expiring in year 2053	34,759 m^2 (Land)/ 8,906 m^2 (Build-up)	12	1999	19,528
Suite 13-23, Zhongshan East Road, Feng Hua, Zhejiang Province, China	Shop Unit	40 years leasehold, expiring in year 2043	97.88 m^2 (Build-up)	3	2008	758
Lot No. 18-15, HS(M) 8806-HS(M) 8829, PT20412-PT20435, HS(M) 20856 PT27083 Mukim Kapar and GM 5802 Lot 1034 all of Mukim Kapar, Daerah Klang	Office Unit	Freehold	260 m^2 (Built-up)	4	2007	739
Suite 17, Zhongshan East Road, Feng Hua, Zhejiang Province, China	Office Unit	40 years leasehold, expiring in year 2043	108.08 m^2 (Built-up)	3	2008	450
AL 136, Kampung Baru Sungai Buloh, 47000 Selangor	Own constructed a single storey factory on a piece of leasehold land belonging to a third party	Renewed tenancy agreement to be expired in year 2013 with option to renew for further term	2,822 m^2 (Land)/ 1,632 m^2 (Built-up)	14	1997	469
Unit 2605, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	54.66 m^2 (Built-up)	4	2009	348
Unit 2215, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	55.38 m^2 (Built-up)	4	2009	341
Unit 2011, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	58 m^2 (Built-up)	4	2007	317
Unit 2007, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	58.26 m^2 (Built-up)	4	2010	385
Unit 2009, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	58.21 m^2 (Built-up)	4	2010	385
Unit 2015, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	55.38 m^2 (Built-up)	4	2010	367
Unit 2017, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	58.26 m^2 (Built-up)	4	2010	386
Unit 2023, No 4339 Bao'an Road, Anting Town, Jiading County, Shanghai, China	Hotel style service apartment	10 years leasehold, expiring in year 2018	58.21 m^2 (Built-up)	4	2010	385
B-13A-3, Seni Mont' Kiara, 2A, Cangkat Duta Kiara, Mont' Kiara, 50480 Kuala Lumpur	Condominium	Freehold	244 m2 (Build-up)	1	2011	1,631

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MAY 2012

SHARE CAPITAL

Authorised Capital	:	RM550,000,000 divided into 3,600,000,000 Ordinary Shares of RM0.15 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each
Issued and Paid Up Capital	:	RM39,584,962.80
Number of Shares Issued	:	263,899,752 Ordinary Shares of RM0.15 each
Class of Shares	:	Ordinary Shares of RM0.15 each and Irredeemable Convertible Preference Shares of RM0.10 each
Number of Shareholders	:	4,209 Ordinary Shareholders
Voting Rights	:	1 vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

(as per Record of Depositors)

Size of Shareholdings	No. of Holders	%	No. of Shares Held	% of Issued Share Capital
Less than 100 shares	53	1.26	2,052	0.01
100 to 1,000 shares	2,535	60.23	833,643	0.31
1,001 to 10,000 shares	719	17.08	3,491,266	1.32
10,001 to 100,000 shares	713	16.94	28,033,325	10.62
100,001 to less than 5% of issued shares	185	4.39	87,194,566	33.04
5% and above of issued shares	4	0.10	144,344,900	54.70
Total	**4,209**	**100.00**	**263,899,752**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(as per Register of Substantial Shareholders' Shareholdings)

		No. of Shares Held			
No.	Name	Direct	%	Indirect	%
1.	Dato' Lim Kim Huat	87,750,000	33.25	-	-
2.	Loi Heng Sewn	32,800,000 (a)	12.43	-	-
3.	Koperasi Permodalan Felda Berhad	14,794,900	5.61	-	-
4.	Golden Knights International Ltd	13,500,000 (b)	5.11	-	-

Note: (a) Held through OSK Nominees (Tempatan) Sdn Bhd
(b) Held through HSBC Nominees (Asing) Sdn Bhd

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

		No. of Shares Held			
No.	Name	Direct	%	Indirect	%
1.	Yeoh Chong Keat	-	-	-	-
2.	Wong Heang Fine	-	-	-	-
3.	Dato' Lim Kim Huat	87,750,000	33.25	-	-
4.	Loi Heng Sewn	32,800,000 (a)	12.43	-	-
5.	Cheong Marn Seng	9,000	negligible	-	-

Note: (a) Held through OSK Nominees (Tempatan) Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MAY 2012

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

(as per Record of Depositors)

No.	Name of Shareholders	No. of shares held	%
1.	Dato' Lim Kim Huat	87,750,000	33.25
2.	OSK Nominees (Tempatan) Sdn Berhad DMG & Partners Securities Pte Ltd for Loi Heng Sewn	28,300,000	10.72
3.	Koperasi Permodalan Felda Berhad	14,794,900	5.61
4.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-ASING)	13,500,000	5.12
5.	CitiGroup Nominees (Asing) Sdn Bhd UBS AG Hong Kong for Vivia Wealth Asset Ltd	11,250,000	4.26
6.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Loi Heng Sewn	4,500,000	1.71
7.	RHB Nominees (Tempatan) Sdn Bhd RHB Islamic Asset Management Sdn Bhd for Perbadanan Nasional Berhad	4,010,700	1.52
8.	Chan Chou Chian	2,925,000	1.11
9.	Seo Aik Leong	2,595,004	0.98
10.	Teo Chiang Hong	2,532,000	0.96
11.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Datuk Azizan Bin Abd Rahman (MY0531)	2,250,000	0.85
12.	Lifetime Learning Sdn Bhd	2,150,000	0.81
13.	Maybank Nominees (Tempatan) Sdn Bhd Tee Chor Gee	2,096,000	0.79
14.	Wang Sze Yao @ Wang Ming Way	2,067,975	0.78
15.	Wong Wai Cheng @ Mrs Lok Kok Onn	1,516,860	0.57
16.	Lim Gaik Bway @ Lim Chiew Ah	1,455,000	0.55
17.	Teng Pok Sang @ Teng Fook Sang	1,390,500	0.53
18.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Liong Yien	1,098,000	0.42
19.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah (BBRKLANG-CL)	1,067,500	0.40
20.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Ching Han @ Paul Ngan Ching Han (011)	1,000,000	0.38
21.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khoo Soo Chai (E-IMO)	950,000	0.36
22.	Sew Paul	885,000	0.34
23.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Bailey Kho Chung Siang	800,000	0.30
24.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Ah Kam	733,500	0.28
25.	Yau Siew Fun	700,000	0.27
26.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Cheang Phoy Ken (PB)	699,975	0.27
27.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ding Ring Diong (REM 628)	660,000	0.25
28.	Yeo Yip Jui	656,150	0.25
29.	Affin Nominees (Tempatan) Sdn Bhd Hou Siu Kee	650,000	0.25
30.	Tan Lee Chin	639,000	0.24

ANALYSIS OF WARRANTS HOLDINGS

AS AT 3 MAY 2012

Issued Size	:	21,819,950 Warrants 2012/2017
No. of Warrants Holders	:	299 Warrant Holders

DISTRIBUTION OF WARRANTS HOLDINGS

(as per Record of Depositors)

Size of Warrants Holdings	No. of Warrants Holders	%	No. of Warants Held	% of Issued Warrants
Less than 100 warrants	18	6.02	835	0.01
100 to 1,000 warrants	81	27.09	42,120	0.19
1,001 to 10,000 warrants	100	33.45	437,565	2.00
10,001 to 100,000 warrants	75	25.08	3,039,495	13.93
100,001 to less than 5% of issued warrants	22	7.36	5,799,935	26.58
5% and above of issued warrants	3	1.00	12,500,000	57.29
Total	**299**	**100.00**	**21,819,950**	**100.00**

DIRECTORS' WARRANTS HOLDINGS

(as per Register of Directors' Warrants Holdings)

No.	Name	No. of Warrants Held Direct	%	Indirect	%
1.	Yeoh Chong Keat	-	-	-	-
2.	Wong Heang Fine	-	-	-	-
3.	Dato' Lim Kim Huat	9,750,000	44.68	-	-
4.	Loi Heng Sewn	500,000 [(a)]	2.29	-	-
5.	Cheong Marn Seng	-	-	-	-

Note: (a) Held through OSK Nominees (Tempatan) Sdn Bhd

ANALYSIS OF WARRANTS HOLDINGS

AS AT 3 MAY 2012

LIST OF TOP THIRTY (30) LARGEST WARRANTS HOLDERS

(as per Record of Depositors)

No.	Name of Warrants Holders	No. of Warrants held	%
1.	Dato' Lim Kim Huat	9,750,000	44.68
2.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-ASING)	1,500,000	6.87
3.	CitiGroup Nominees (Asing) Sdn Bhd UBS AG Hong Kong for Vivia Wealth Asset Ltd	1,250,000	5.73
4.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Kok Kheang	1,007,220	4.62
5.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Loi Heng Sewn	500,000	2.29
6.	Maybank Nominees (Tempatan) Sdn Bhd Tee Chor Gee	475,600	2.18
7.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sun Ping	337,900	1.55
8.	Chan Chou Chian	325,000	1.49
9.	Chap Kar Kar	300,000	1.37
10.	Teo Chiang Hong	281,400	1.29
11.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Hon Charn (E-IMO)	260,000	1.19
12.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Datuk Azizan Bin Abd Rahman (MY0531)	250,000	1.15
13.	Lim Gaik Bway @ Lim Chiew Ah	238,680	1.09
14.	Wang Sze Yao @ Wang Ming Way	229,775	1.05
15.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah (BBRKLANG-CL)	207,500	0.95
16.	Tee Kok Kiat	200,000	0.92
17.	Wong Wai Cheng @ Mrs Lok Kok Onn	168,540	0.77
18.	Wong Peng Seong	160,000	0.73
19.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khoo Soo Chai (KO0004)	130,420	0.60
20.	Lai Sook Leong	130,000	0.60
21.	CitiGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seong Kwok Ching (471099)	125,000	0.57
22.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Siew Lin (REM 128)	125,000	0.57
23.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Liong Yien	122,000	0.56
24.	Chua Hui Ping	121,400	0.56
25.	Teng Pok Sang @ Teng Fook Sang	104,500	0.48
26.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Chuen (KON0167C)	100,000	0.46
27.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Fok Chou (013)	100,000	0.46
28.	Fong Siew Cheong	100,000	0.46
29.	Hew Tai Chin @ Hew Tai Moi	100,000	0.46
30.	Yang Sow Chaing	100,000	0.46

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of Gefung Holdings Berhad ("the Company") will be held at Atlanta East, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor on Friday, 22 June 2012 at 3.00 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note A**

2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2011. **(Resolution 1)**

3. To re-elect the following Director retiring pursuant to Article 83 of the Company's Articles of Association:-

   i Mr Yeoh Chong Keat **(Resolution 2)**

4. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:-

   i Dato' Lim Kim Huat **(Resolution 3)**
   ii Mr Loi Heng Sewn **(Resolution 4)**

5. To re-appoint Messrs Baker Tilly Monteiro Heng as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

   AUTHORITY FOR DIRECTORS TO ISSUE SHARES **(Resolution 6)**

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the nominal value of the total issued and paid-up share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:

   PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED MANDATE") **(Resolution 7)**

   "THAT subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature as stated in Section 2.4 of the Circular to Shareholders dated 31 May 2012 with the specified classes of related parties mentioned therein which are necessary for the Group's day-to-day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

THAT the approval shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed Mandate."

8. To consider and if thought fit, to pass the following special resolution, with or without modifications:

PROPOSED CHANGE OF COMPANY'S NAME **(Resolution 8)**

"THAT the name of the Company be changed from "Gefung Holdings Berhad" to "AbleGroup Berhad" with effect from the date of the Certificate of Incorporation on Change of Name to be issued by the Companies Commission of Malaysia ("Proposed Change of Name") and that the name of the Company wherever it appears in the Company's Memorandum and Articles of Association be amended to "AbleGroup Berhad" accordingly.

AND THAT the Directors and/or the Secretary of the Company be hereby authorised to deal with all matters relating to the Proposed Change of Name and to take all steps and do all acts and things in any manner as they may consider necessary or expedient to give effect to and complete the Proposed Change of Name, for and on behalf of the Company."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

LIM FEI CHIA (MAICSA 7036158)
Company Secretary

Kuala Lumpur
31 May 2012

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2012 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar (the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply).
3. A member shall be entitled to appoint more than one (1) proxy but up to a maximum of three (3) proxies to attend and vote at this meeting and where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.

Explanatory Note A

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

Explanatory Notes on Special Business:-

1. Resolution 6

This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate procured and approved in the preceding year 2011 which was not exercised by the Company during the year, will expire at the forthcoming Eighth Annual General Meeting of the Company.

With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

2. Resolution 7

This proposed resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 31 May 2012 despatched together with the Annual Report. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

3. Resolution 8

This proposed resolution, if passed, will take effect from the date of issuance of the Certificate of Incorporation on Change of Name by the Companies Commission of Malaysia.

In line with the intention of the Group to diversify its business into inter-alia property development and property investment, the approval of which would be sought from the shareholders at the Company's extraordinary general meeting to be convened, the new name of the Company will better reflect the Group's identity and provide greater flexibility in the undertaking of the business activities of the Group moving forward.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors standing for re-election at the Eighth Annual General Meeting of the Company

The Director retiring pursuant to Article 83 of the Company's Articles of Association and seeking re-election is as follows:-

i Mr Yeoh Chong Keat

The Directors retiring pursuant to Article 89 of the Company's Articles of Association and seeking re-election are as follows:-

i Dato' Lim Kim Huat
ii Mr Loi Heng Sewn

Details of the abovenamed Directors are set out on page 5 and page 7 of this Annual Report while their securities holdings in the Company are set out on page 30 of this Annual Report.

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GEFUNG HOLDINGS BERHAD (654188-H)
(Incorporated In Malaysia)

Number of ordinary shares held
Central Depository System Account No.

FORM OF PROXY

I/We ____

of ____

being a member of GEFUNG HOLDINGS BERHAD, hereby appoint ______________________________

______________________________ of ______________________________

____

or failing him/her ____

of ____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at Atlanta East, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor on Friday, 22 June 2012 at 3.00 p.m. or at any adjournment thereof.

My/Our Proxy(ies) is/are to vote as indicated below:-

No.	Resolutions	For	Against
1.	To approve the payment of Directors' fees in respect of the financial year ended 31 December 2011.		
2.	To re-elect Yeoh Chong Keat as Director.		
3.	To re-elect Dato' Lim Kim Huat as Director.		
4.	To re-elect Loi Heng Sewn as Director.		
5.	To re-appoint Messrs Baker Tilly Monteiro Heng as auditors of the Company and to authorised the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
7.	Proposed renewal of existing shareholders' mandates and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
8.	Proposed change of name of the Company		

(Please indicate with a " √ " in the space provided on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)

Dated this ___________ day of ____________ , 2012

____
Signature/Common Seal of Member

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Fold here

Affix
Stamp
here

Company Secretary

GEFUNG HOLDINGS BERHAD
(654188-H)

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

Fold here

Suite E-10-06, Level 10,
Block E, Plaza Mont' Kiara,
No.2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur,
Malaysia.

Tel: 603-6201 7786
Fax: 603-6201 7286
Website: www.gefung.com.my