THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. You should rely on your own evaluation to assess the merits and risks of the Proposed Acquisition (as defined herein).

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Bursa Securities has not perused Part B of this Circular in relation to the Proposed Amendments to the Articles of Association prior to its issuance.

KYM HOLDINGS BHD.
(Company No. 84303-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED ACQUISITION BY KYM HOLDINGS BHD. ("KYM"), OF 400,000 ORDINARY SHARES OF RM1.00 EACH IN HARTA MAKMUR SDN BHD ("HARTA MAKMUR") REPRESENTING 40% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HARTA MAKMUR FROM RAS SDN BHD FOR A PURCHASE CONSIDERATION OF RM41,000,000 ("PROPOSED ACQUISITION")

PART B

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice of the Extraordinary General Meeting ("EGM") of the Company to be held at KYM's office at No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur on Tuesday, 28 June 2011 at 9.30 a.m. together with the Form of Proxy, are enclosed herein.

The Form of Proxy must be lodged at the Registered Office of KYM at No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur not later than forty-eight (48) hours before the time fixed for the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Sunday, 26 June 2011 at 9.30 a.m.
Date and time of the EGM	:	Tuesday, 28 June 2011 at 9.30 a.m.

This Circular is dated 6 June 2011

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Act"	:	Companies Act, 1965
"Board"	:	Board of Directors of KYM
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"FYE"	:	Financial year ended
"GDC"	:	Gross development cost
"GDV"	:	Gross development value
"Harta Makmur"	:	Harta Makmur Sdn Bhd, a 60%-owned subsidiary of Tegas
"Harta Makmur Group"	:	Harta Makmur and its subsidiaries, collectively
"Harta Makmur Share(s)"	:	Ordinary share(s) of RM1.00 each in Harta Makmur
"km(s)"	:	Kilometre(s)
"KYM" or the "Company" or the "Purchaser"	:	KYM Holdings Bhd.
"KYM Group" or the "Group"	:	KYM and its subsidiaries, collectively
"KYM Share(s)"	:	Ordinary share(s) of RM0.50 each in KYM
"Listing Requirements"	:	Bursa Securities Main Market Listing Requirements
"LPD"	:	31 May 2011, the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"NA"	:	Net assets attributable to ordinary equity holders of KYM
"NBV"	:	Net book value
"NTA"	:	Net tangible assets attributable to ordinary equity holders of KYM
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Polypulp"	:	Polypulp Enterprises Sdn Bhd, a wholly-owned subsidiary of KYM
"Proposed Acquisition"	:	Proposed acquisition by KYM of 400,000 Harta Makmur Shares representing 40% of the issued and paid-up share capital of Harta Makmur from the Vendor for a purchase consideration of RM41,000,000
"Proposed Amendments"	:	Proposed amendments to the Articles of Association
"Purchase Consideration"	:	The purchase consideration of RM41,000,000 for the Proposed Acquisition to be satisfied in cash

"RAS" or the "Vendor"	:	RAS Sdn Bhd, being the remaining 40% shareholder of Harta Makmur and vendor for the Proposed Acquisition
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"Sale Shares"	:	400,000 Harta Makmur Shares representing 40% of the issued and paid-up share capital of Harta Makmur
"sm"	:	Square metre(s)
"SSA"	:	Conditional share sale agreement for the Proposed Acquisition dated 10 March 2011 entered into between KYM and the Vendor
"TD Aziz"	:	TD Aziz Sdn Bhd, the independent registered valuer
"Tegas"	:	Tegas Consolidated Sdn Bhd, a wholly-owned subsidiary of KYM
"Teluk Batik Lands"	:	Three (3) parcels of vacant leasehold land held under Lot No. 6917, Lot No. 6927 and PT 4116, Mukim of Lumut, District of Manjung, Perak Darul Ridzuan measuring approximately 311,253 sm, the remaining landed properties owned by the Harta Makmur Group.
"Vale International"	:	Vale International S.A.
"Vale Malaysia"	:	Vale Malaysia Manufacturing Sdn Bhd

Words denoting the singular number only shall include the plural and also vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include corporations, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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PART A

LETTER TO THE SHAREHOLDERS OF KYM IN RELATION TO THE PROPOSED ACQUISITION

KYM HOLDINGS BHD.
(Company No. 84303-A)
(Incorporated in Malaysia)

Registered Office:
No. 12, Lorong Medan Tuanku Satu
50300 Kuala Lumpur

6 June 2011

The Board of Directors:

Dato' Seri Dr. Isahak bin Yeop Mohamad Shar *(Executive Chairman and Chief Executive Officer)*
Dato' Chong Thin Choy *(Managing Director)*
Dato' Lim Kheng Yew *(Executive Director)*
Dato' Wira Abdul Rahman bin Haji Ismail *(Independent Non-Executive Director)*
Datuk Mansor bin Masikon *(Independent Non-Executive Director)*
Dato' Ir. Mohamad Othman bin Zainal Azim *(Independent Non-Executive Director)*
Dato' Rahadian Mahmud bin Mohammad Khalil *(Independent Non-Executive Director)*
Dato' Mohd Azmi bin Othman *(Independent Non-Executive Director)*
Chiam Tau Meng *(Independent Non-Executive Director)*

To: The Shareholders of KYM

Dear Sir/Madam,

PROPOSED ACQUISITION

---

1. INTRODUCTION

On 10 March 2011, the Board announced that KYM, had on even date entered into the SSA with the Vendor for the proposed acquisition of 400,000 Harta Makmur Shares representing the remaining 40% of the issued and paid-up share capital of Harta Makmur not owned by Tegas for a cash consideration of RM41,000,000.

The purpose of this Circular is to provide you with information in relation to the Proposed Acquisition and to seek your approval for the resolution to be tabled at the forthcoming EGM. The notice of EGM together with the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

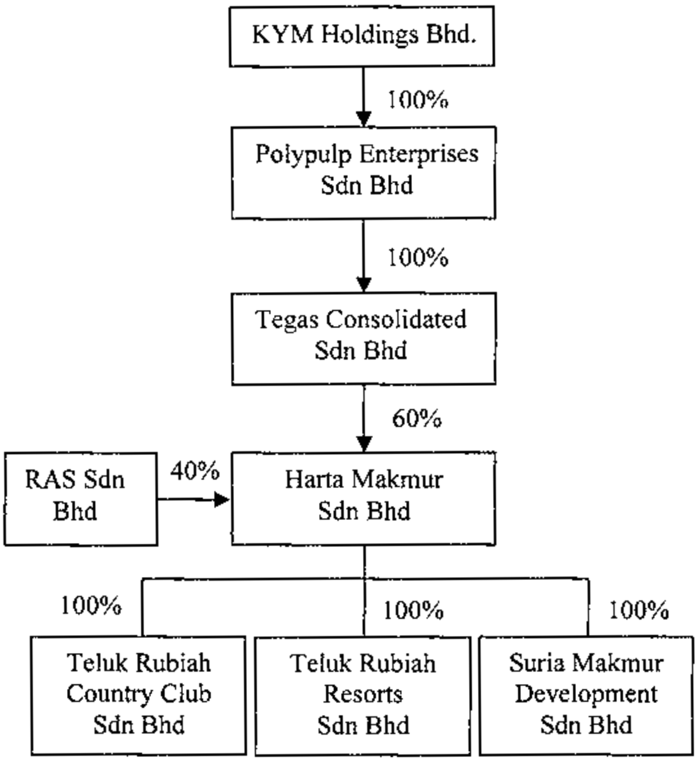
On 10 March 2011, KYM entered into the SSA with the Vendor for the Proposed Acquisition.

The Sale Shares will be acquired by KYM from the Vendor free from all liens, charges and encumbrances and with full legal and beneficial title, and with all rights attaching thereto (including all dividends and distributions (if any) declared in respect thereof) with effect from the date of the SSA and on the basis of the representations and warranties as stipulated in the SSA.

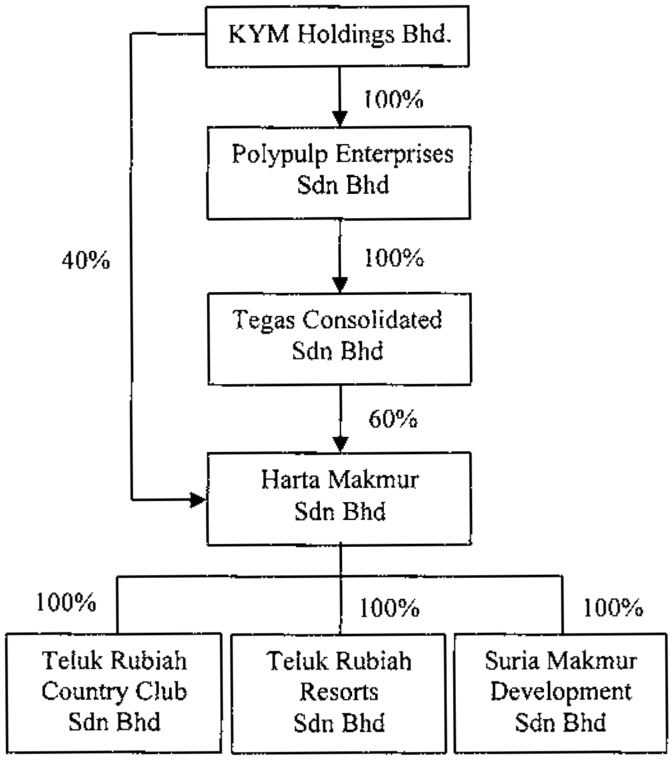
Harta Makmur is currently a 60%-owned subsidiary of Tegas, a wholly-owned subsidiary of Polypulp which in turn is a wholly-owned subsidiary of KYM. Following the completion of the Proposed Acquisition, Harta Makmur will then become a wholly-owned subsidiary of KYM.

The corporate structure of Harta Makmur before and after the Proposed Acquisition is illustrated below:

Before the Proposed Acquisition



After the Proposed Acquisition



The salient terms of the SSA are set out in Section 3 of Part A of this Circular.

2.2 Background information on Harta Makmur

Harta Makmur was incorporated in Malaysia as a private limited company under the Act on 11 January 1983. As at the LPD, Harta Makmur has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 1,000,000 Harta Makmur Shares have been issued and fully paid-up.

Harta Makmur is principally engaged in the business of property investment and development. Its subsidiaries were principally involved in property development, providing recreational and sports facilities and operating a golf course, and resort operator, namely Teluk Rubiah Beach & Golf Resort. However, its resort and golf course operations were discontinued pursuant to the disposal of sixteen (16) parcels of leasehold land (on which the said golf course was located) measuring approximately 409 acres (or 1,655,992 square metres) located at Mukim Lumut, District of Manjung, Perak Darul Ridzuan by Harta Makmur to Vale International for a total cash consideration of RM101,874,578.41 which was completed on 8 February 2010. Presently, Harta Makmur's principal activity is property development. However, there are no ongoing property development projects at present time and Harta Makmur has not undertaken any major property development projects in the past five (5) years.

The Directors of Harta Makmur are as follows:

(a) Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar;
(b) YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah;
(c) YTM Tunku Dato' Seri Kamel Bin Tunku Rijaludin;
(d) Dato' Wira Abdul Rahman Bin Haji Ismail;
(e) Dato' Chong Thin Choy;
(f) Lim Kheng Yee @ Lim Kheng Ee; and
(g) Dato' Wan Mohamed Yaacob Bin Dato' Wan Salaidin (alternate Director to YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah).

The shareholders of Harta Makmur and their respective shareholdings in Harta Makmur are set out as follows:

Name of shareholders	No. of shares held	%
Tegas	600,000	60.0
RAS	400,000	40.0
Total	**1,000,000**	**100.0**

Based on the latest audited financial statements of Harta Makmur, the audited NA of the Harta Makmur Group as at 31 January 2010 stood at approximately RM35.62 million and the audited PAT of the Harta Makmur Group for the FYE 31 January 2010 was approximately RM20.08 million.

Further details of Harta Makmur are set out in Appendix I of this Circular.

2.3 Background information on the Vendor

RAS was incorporated in Malaysia as a private limited company under the Act on 10 April 1980. As at the LPD, RAS has an authorised share capital of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 877,683 ordinary shares have been issued and fully paid-up.

RAS is principally engaged in property related services and investment holding. As at the LPD, RAS does not have any subsidiary or associated company.

The Directors of RAS are as follows:

(a) YTM Raja Dato' Seri Azureen Sultan Azlan Shah;
(b) YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah;
(c) YTM Raja Dato' Seri Eleena Binti Raja Azlan Shah; and
(d) YTM Raja Dato' Seri Yong Sofia Sultan Azlan Shah.

The shareholders of RAS and their respective shareholdings in RAS are set out as follows:

Name of shareholders	No. of shares held	%
DYMM Sultan Azlan Shah	877,183	99.94
YTM Tuanku Bainun Mohd Ali	499	0.06
YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah	1	-*
Total	**877,683**	**100.00**

* *Negligible*

(Source: Extracted from Companies Commission of Malaysia's search)

2.4 Details of the properties owned by Harta Makmur

Presently, Harta Makmur owns the Teluk Batik Lands which comprise three (3) parcels of vacant leasehold land measuring approximately 311,253 sm located at Lot 6917, Lot 6927 and PT 4116 (Lot 2000), Mukim of Lumut, District of Manjung, Perak Darul Ridzuan. The details of the Teluk Batik Lands are set out as follows:

Teluk Batik Lands	Lot 6917	Lot 6927	PT 4116 (Lot 2000)
Land area (sm)	286,746	21,699	2,808
Tenure	Leasehold interest for a term of 99 years expiring on 14 March 2089	Leasehold interest for a term of 99 years expiring on 14 March 2089	Leasehold interest for a term of 99 years expiring on 20 December 2089
Existing use	Vacant land	Vacant land	Vacant land

Teluk Batik Lands	Lot 6917	Lot 6927	PT 4116 (Lot 2000)
Category of land use	Building	Building	Building
Encumbrances	Nil	Nil	Nil
NBV (RM'000) (1)	9,204	561	55
Market value (RM'000)	14,000	1,130	100
Independent valuer	TD Aziz		
Date of valuation	9 March 2011		
Method of valuation	Comparison Method		

(1) Based on the audited financial statements of Harta Makmur as at 31 January 2010.

The valuation certificates dated 9 March 2011 relating to the Teluk Batik Lands prepared by TD Aziz are set out in Appendix II of this Circular.

As at the LPD, Harta Makmur has yet to submit any development plans for the Teluk Batik Lands but the company is planning to submit the plan to the relevant authorities by July 2011. Harta Makmur intends to develop the Teluk Batik Lands in the near future which may include, based on preliminary development plans, the following development project which is subject to change depending on prevailing property market conditions:

Proposed project name	To be determined later pending finalisation of the development/layout plan	
Type of development	Mixed development comprising multi-storey shop offices and residential development ie. condominium, apartment, semi-detached houses and bungalows, and commercial development	
Development components	**Development components**	**Units to be built**
	3 storey shop offices	55
	High cost apartment	458
	Apartment	1,869
	Commercial development	To be determined later
Estimated GDV	RM500 million	
Estimated GDC	RM350 million	
Estimated gross development profit	RM150 million	
Expected commencement date	1st quarter 2012	
Expected completion date	According to the stage of development over next three (3) to ten (10) years	
Stage of completion	Project has yet to commence	

The estimated GDV of approximately RM500 million was arrived at based on a market feasibility studies conducted by an independent registered valuer appointed by the Company while the estimated GDC of approximately RM350 million was arrived at based on the calculation conducted by a Chartered Quantity Surveyor according to the proposed development plan.

The estimated total GDC of approximately RM350 million is expected to be financed via a combination of internally generated funds and bank borrowings, the proportions of which would be determined at a later date. The Board and management of KYM, and Harta Makmur would provide more information to the shareholders on the above proposed development plan in due course.

However, in the event that the entire proposed development of the Teluk Batik Lands is financed by bank borrowings, it will result in an increase in the gearing level of the KYM Group from 0.25 times to 6.79 times upon completion of the Proposed Acquisition (assuming RM14 million out of the Purchase Consideration for the Proposed Acquisition is funded via bank borrowings). Part of the total estimated GDC of approximately RM350 million is to be financed by bridging finance which give flexibility to the Company to manage its gearing level. In addition, the proposed development of the Teluk Batik Lands will be implemented in stages and the gearing level of the KYM Group shall be monitored from time to time.

2.5 Basis and justification of the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition of RM41 million was agreed upon between KYM and the Vendor on a willing-buyer willing-seller basis after taking into consideration, amongst others, the following:

(a) the audited NTA of the Harta Makmur Group as at 31 January 2010 of approximately RM35.62 million of which 40% thereon would amount to about RM14.25 million. The Purchase Consideration of RM41 million represents a premium of approximately RM26.75 million or 187.7% to the RAS's portion of the audited NTA of the Harta Makmur Group as at 31 January 2010 of RM14.25 million.

(b) the computation of the revaluation surplus arising from the revaluation of the Teluk Batik Lands is as follows:

	RM'million
Market value of the Teluk Batik Lands	15.23
Audited NBV of the Teluk Batik Lands as at 31 January 2010	(9.82)
Provision for deferred taxation	(1.35)
Minority interest	(1.63)
Revaluation surplus	**2.43**

(c) the development potential of the Teluk Batik Lands is expected to contribute an estimated gross development profit of RM150 million to the KYM Group over the next ten (10) years as detailed in Section 2.4 of Part A of this Circular. Accordingly, the Board has taken into account the potential share of the said estimated gross development profit i.e. 40% thereon or approximately RM60 million prior to arriving at the purchase consideration of RM41 million. The design and layout of the proposed development will complement the pristine and natural surroundings, as well as, the resort nature of the area.

Based on the Kajian Struktur Negeri Perak 2002-2020, the District of Manjung, Perak Darul Ridzuan has a population of approximately 199,809. However, the total supply of residential units in the area as at 4th quarter 2010 was only 37,195 units, suggesting there is insufficient supply of and high demand for residential units within the locality.

The selling price of condominiums/medium cost apartments, semi-detached houses/detached houses and shop offices within 10 kms from the Teluk Batik Lands range between RM211 to RM232 per square foot, RM217 to RM300 per square foot and RM139 to RM172 per square foot respectively. In addition, the shop offices and residential houses within the locality of Teluk Batik Lands are75% to 80% occupied.

(Source: Management of KYM)

To date, there is no other alternative plan for the Teluk Batik Lands in the event that the relevant approvals for the proposed development of the Teluk Batik Lands are not obtained. Nevertheless, the Board is confident that the approval for the proposed development of the Teluk Batik Lands will be obtained as the Company has conducted preliminary consultations with the relevant authorities prior to the finalisation of the Proposed Acquisition.

2.6 Source of funds

The Purchase Consideration for the Proposed Acquisition will be satisfied entirely in cash, which will be financed via a combination of internally generated funds and bank borrowings, the proportions of which are likely to be approximately RM27 million and RM14 million respectively. Accordingly, the gearing ratio of the Company is expected to increase from 0.25 times (as at 31 January 2011) to 0.67 times.

2.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by KYM arising from the Proposed Acquisition.

2.8 Additional financial commitment

The estimated total gross development cost of RM350 million is expected to be financed via a combination of internally generated funds and bank borrowings, the proportions of which would be determined at a later date. The Board and management of KYM, and Harta Makmur would provide more information to the shareholders on the above proposed development plan in due course through the Company's website at www.kym.com.my.

Apart from the above, no additional financial commitment are expected to put the business of Harta Makmur on-stream.

3. SALIENT TERMS OF THE SSA

The salient terms of the SSA include, amongst others, the following:

3.1 Conditions precedent

3.1.1 Agreement conditional

The SSA is conditional upon the following being fulfilled or waived by mutual consent of the parties in writing, on or before the date falling five (5) months from the date of the SSA or such other date(s) as may be mutually agreed upon in writing between the parties from time to time ("Cut-Off Date"):

(a) the approval of the shareholders of the Vendor being obtained at a general meeting of the Vendor for the disposal of the Sale Shares; and

(b) the approval of the shareholders of KYM at an EGM for the Proposed Acquisition.

3.1.2 Conditions not satisfied

If any of the conditions precedent are not satisfied on or before the Cut-Off-Date, then any party will be entitled to issue a notice of termination to the other party to forthwith terminate the SSA, whereupon unless the fulfilment of the conditions precedent are waived by mutual consent of the parties hereto in writing on or before the Cut-Off-Date, the following shall apply:

(a) the Vendor shall refund and repay to KYM all moneys paid by KYM to the Vendor towards payment of the Purchase Consideration for the Sale Shares free of interest whatsoever;

(b) the Vendor must return all documents, if any, delivered to them by or on behalf of KYM, to KYM; and

(c) in exchange for the Vendor's simultaneous compliance with the provisions of paragraphs (a) and (b), KYM shall return all documents, if any, delivered to them by or on behalf of the Vendor, to the Vendor with the Vendor's rights, title and interest fully intact.

3.1.3 Unconditional date

This SSA shall become unconditional on the day on which the last of the conditions have been fulfilled or waived in accordance with the SSA and in any event on or before the Cut-Off-Date ("Unconditional Date").

3.2 Consideration and payment

3.2.1 Amount of consideration

The sale and purchase consideration for the Sale Shares is RM41,000,000.

3.2.2 Payment of consideration

(a) Upon execution of the SSA, KYM shall pay or caused to be paid to the Vendor the sum of RM8,200,000 as earnest money and part payment of the Purchase Consideration ("Earnest Money"), the receipt of which the Vendor had acknowledged. The said Earnest Money was paid on 10 March 2011 and the quantum of the Earnest Money is a negotiated term mutually agreed by both parties.

(b) The balance of the Purchase Consideration, being RM32,800,000, shall be paid by KYM to the Vendor in the following manner:

(i) the sum of RM18,900,000 by way of a banker's draft within two (2) days from the Unconditional Date ("First Payment Date"); and

(ii) the sum of RM13,900,000 ("Final Balance") by way of a banker's draft on or before six (6) months from the Unconditional Date ("Payment Date"). The date of full payment of the Final Balance on or before the Payment Date shall be the completion date ("Completion Date").

3.3 Completion

3.3.1 Completion

Completion of the sale and purchase of Sale Shares will take place at the office of the Vendor or the Vendor's solicitors on the Completion Date.

3.3.2 Delivery of documents

Upon execution of the SSA, the Vendor must deliver to the Vendor's solicitors as stakeholder:

(a) duly completed and signed transfers (in Form 32A of the Act) in favour of KYM together with the relevant share certificates in respect of the Sale Shares;

(b) the resignation of all the nominee directors of the Vendor in Harta Makmur together with a written acknowledgement from each of them that they have no claim against Harta Makmur in respect of any breach of contract, compensation for loss of office, redundancy or unfair dismissal or on any other grounds whatsoever; and

(c) a certified true copy of an extract of the resolution of the Board of Directors of the Vendor and shareholders of the Vendor at a general meeting, approving the transfer of the Sale Shares to KYM.

3.3.3 At completion

Simultaneously on the Payment Date and subject to the Vendor's receipt of the Final Balance, the Vendor's solicitors are irrevocably authorised to forthwith release to KYM or KYM's solicitors all documents delivered to them pursuant to clause 3.3.2 above.

3.3.4 Further assurance

Upon completion, each party must execute such documents and take such steps as the other party may reasonably require vesting the full title to the Sale Shares in KYM and giving KYM the full benefit of the SSA and the Sale Shares upon the terms and conditions of the SSA.

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4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is consistent with KYM's long-term plans to expand its property development business given that the KYM Group has been principally engaged in the property development since 1997. It represents an opportunity to KYM to undertake a strategic investment as it is expected to contribute positively to the earnings as well as the shareholders' value of the KYM Group in the medium to long term. The proposed development of the Teluk Batik Lands is envisaged to be a showcase project in Perak for future reference of the property development of the KYM Group. Based on the latest audited financial statements of KYM as at 31 January 2011, the property development business of the KYM Group has insignificant contribution to the KYM Group's turnover. Given the prospects of the Teluk Batik Lands as highlighted in Section 5.3 of Part A of this Circular, it is the intention of KYM to put more focus on the Property Development Division of the Company to broaden the source of income and profitability.

Originally, Harta Makmur's principal business was to develop its land in Teluk Rubiah, Perak Darul Ridzuan measuring approximately 1,242 acres of land into a major mixed resort development. However, Harta Makmur had on 11 June 2009 and 31 March 2010 disposed of a total of approximately 1,165 acres of the said land to Vale International and Vale Malaysia respectively. Upon completion of the said disposals on 8 February 2010 and 11 October 2010 respectively, the minority shareholder in Harta Makmur, namely RAS, has expressed its intention to sell their 40% equity investments in Harta Makmur since the initial objective of Harta Makmur being a resort development player is no longer there.

As at the date of this Circular, Harta Makmur still retains approximately 311,253 sm of land (or approximately 77 acres), in the form of the Teluk Batik Lands. The Proposed Acquisition will allow the KYM Group to change the original development plans for the Teluk Batik Lands from that of tourism related projects, which is capital intensive, to commercial and housing. Following the completion of the Proposed Acquisition, the Company would be able to fully consolidate its interest in Harta Makmur going forward. With the anticipated improvement in the general economy of the country and in particular, given the prospects of the Teluk Batik Lands as highlighted in Section 5.3 of Part A of this Circular and the property sector at the vicinity of Teluk Batik, Perak Darul Ridzuan, the KYM Group is expected to benefit from the positive contribution of any development launches in the future.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and prospects of the Malaysian economy

Malaysia's gross domestic products grew 4.6% in the first quarter of 2011 (Q4 2010: 4.8%) led by steady performance of the services and manufacturing sectors. The services sector expanded 5.9% (Q4 2010: 6.1%), mainly supported by the wholesale and retail trade, finance and insurance as well as real estate and business services sub-sectors. The manufacturing sector registered a positive growth of 5.4% (Q4 2010: 6.2%), despite contraction in the transport equipment and other manufacturers as well as electrical and electronics sub-sectors. The construction sector expanded 3.8% (Q4 2010: 5.6%) on account of higher activity in the residential and non-residential sub-sectors. The agriculture sector registered a smaller decline of 0.3% (Q4 2010: -3.9%) largely contributed by higher production of livestock, fishing and other agriculture sub-sectors. Meanwhile, the mining sector contracted 3.0% (Q4 2010: -1.2%), affected by lower production of crude oil.

Domestic demand remained robust, expanding by 6.6% (Q4 2010: 5.9%) during the quarter. This was attributed to buoyant consumer spending, strong private investment as well as higher public consumption.

Private consumption expenditure grew 6.7% (Q4 2010: 6.4%), backed by favourable labour market conditions and higher disposable income, following firm commodity prices and a vibrant stock market. Robust consumer spending was reflected by the strong performance of major consumption indicators such as sales of food, credit card spending and consumption credit disbursed. These indicators recorded a double-digit growth of 19.3%, 12.5% and 12.4% (Q4 2010: 28.5%; 14.2%; 27.2%), respectively. This was also reflected by the Consumer Sentiments Index which remained above the 100-point threshold at 108.2 points (Q4 2010: 117.2 points). Meanwhile, public consumption grew strongly by 6.1% (Q4 2010: 0.1%), led by higher expenditure on emoluments as well as supplies and services.

(Source: Malaysian Economy, First Quarter 2011, Ministry of Finance)

The Malaysia economy is expected to post robust growth this year, led by sturdy domestic demand and strong export performance. The positive projection also takes into account the implementation of macroeconomic policy initiatives, which spurred higher consumption activity and recovery in private investment. A stable employment market, moderate inflation as well as strong business and consumer confidence coupled with firm recovery in the region provided a conducive environment for the Malaysian economy to expand at a rapid pace of 9.55% in the first half of 2010 (January-June 2009: -5.1%). Going forward, while growth in advanced economies is expected to be slow and uneven in the second half of 2010, developments in emerging economies remain positive and will provide impetus to the export sector. On the domestic front, the strong fundamentals and revival of private investment will support domestic demand in the second half of the year. Accordingly, the economy is expected to expand 7.0% in 2010 (2009: -1.7%).

(Source: Economic Report 2010/2011)

5.2 Overview and prospects of the property/construction sector

Construction activities grew 3.8% (Q4 2010: 5.6%), spurred by the robust residential and non-residential sub-sectors. Growth in the residential sub-sector expanded strongly by 7.7% (Q4 2010: 1.0%) due to higher housing starts which increased sharply by 52.2% in the first quarter of 2011. This was due to the strong demand for housing in line with improved household income, easy financing and Government initiatives to encourage home ownership. The non-residential sub-sector grew 5.5% (Q4 2010: 18.8%), supported by the continued expansion in the construction of industrial, shop and office buildings in tandem with robust domestic economic activities. Meanwhile, the civil engineering and special trade sub-sector registered a growth of 2.2% (Q4 2010: 2.4%), partly backed by the commencement of infrastructure projects under the Tenth Malaysia Plan. In addition, construction of major ongoing civil engineering projects also contributed to the growth of the sub-sector. These include the Electrified Double Track Seremban - Gemas, East - Coast Jabur – Kuala Terengganu (Phase 2) Expressway and Bakun Hydroelectric Power Project.

(Source: Malaysian Economy, First Quarter 2011, Ministry of Finance)

The construction sector is envisaged to strengthen further by 6.3% during the first half of 2010 (January – June 2009: 2.9%). The expansion was largely led by increased civil engineering and non-residential activities following the speedy implementation of construction projects under the Ninth Malaysia Plan and the stimulus packages. Underpinned by sustained property demand, particularly for commercial buildings as well as positive business and consumer sentiments, the construction sector is envisaged to expand 4.9% in 2010 (2009: 5.8%).

Property transaction activity turned buoyant during the first six month of 2010 with volume expanding strongly by 19.0% to 184,675 transactions (January- June 2009: -9.5%; 155,190 transactions). Meanwhile, transaction value surged 48.0% to RM50.6 billion (January-June 2009: -26.5%; RM34.1 billion), reflecting rising property prices, particularly in the Klang Valley, Penang and Selangor. Residential properties continued to dominate market activity, accounting for 59.8% of total transactions, followed by agricultural (22.1%), commercial (10.3%), development (5.3%) and industrial (2.5%).

(Source: Economic Report 2010/2011)

Malaysia is currently faced by the challenge to ensure that there are enough houses for various segments of society. It is also about having houses in a safe, healthy and comfortable environment befitting the socio-economic status of the country.

The Government would also promote the adoption of the build-then-sell ("BTS") approach where housing developers are encouraged to adopt the BTS approach through the provision of additional incentives such as shortening the approval processes for land and building payments for licensing housing developments.

(Source: Tenth Malaysian Plan, 2011-2015)

5.3 The prospects of Harta Makmur

The Teluk Batik Lands are strategically located at the Teluk Batik tourism area which is nearby to the Marina Island Pangkor Second International Resort & Entertainment Island ("Marina Island Pangkor") and is next to the major development areas of Lumut, Manjung and Sitiawan with potential for commercial and housing developments. The Teluk Batik Lands are also strategically located next to the proposed development by Vale International of their RM9.0 billion iron ore distribution centre at the nearby Teluk Rubiah, Perak Darul Ridzuan, of which the Board understands that the said proposed development is expected to generate a population growth of approximately 5,000 workers and expatriates which will in turn create demand for more housing/commercial development in the area. With this development potential of the Teluk Batik Lands, the Proposed Acquisition is expected to contribute positively to the KYM Group's earnings in the future.

On 8 March 2011, the Prime Minister had announced an additional twenty-three (23) projects on the board of the Economic Transformation Programme which include, amongst others, the development of the new 110 acres Marina Island Pangkor with an investment worth RM600 million. These islands will be an extension of the existing island and will feature a World Class Integrated Passenger Seaport Transportation Hub and a World Class Waterfront Development. The Marina Island Pangkor will be a man-made island built on the coast of Teluk Muroh with total area of 316.9 acres, about 400 metres from the mainland's shoreline. The development of the Marina Island Pangkor for the next ten (10) to fifteen (15) years comprising of mixed development containing residential, commercial, leisure and entertainment components is expected to boost the tourism economy of Perak. Therefore, this development will act as a catalyst and as an enabler to help better position Pangkor and Lumut in Perak as one of the future International Tourism Destinations for Malaysia.

(Source: http://etp.pemandu.gov.my)

In addition, Vale International, the world's largest iron ore producer is expected to commence the initial construction work of its transhipment project this year. The project is situated at Teluk Rubiah, Perak Darul Ridzuan, approximately 2 kms south of the Teluk Batik Lands. The project will include an iron ore distribution centre and pellet plant and is expected to create job opportunities to 3,000 workers and 1,000 unskilled workers during the three (3) to five (5) year construction period. The project is expected to improve the economic growth of local companies especially those in the iron ore, steel fabrication, shipbuilding, canning and tin businesses. The Perak State Development Corporation has also started to plan a value-chain roadmap to promote foreign and domestic direct investments.

Pursuant to the above, the Board is of the view that the potential success of the development of the Marina Island Pangkor will increase investors' confidence in Teluk Batik including the proposed development of the Teluk Batik Lands. The creation of jobs through Vale International's transhipment project and efforts from the Perak State Government will be another key factor towards the success of the development of the Teluk Batik Lands. Foreign workers and/or expatriates are expected to reside within the region of the Teluk Batik Lands due to its strategic location situated on a hilly landscape next to Teluk Muroh Forest Reserve which provides a panoramic view of the Teluk Batik Resort and tranquil environment.

In addition, KYM Development (Perak) Sdn Bhd, an indirect wholly-owned subsidiary of KYM, had on 1 December 2010, entered into a Memorandum of Understanding ("MOU") with the Perak State development agency, Perbadanan Kemajuan Negeri Perak to undertake a feasibility study and develop a strategic plan for the development of the Perak Heavy Industry Park ("PHIP") centred on the iron and steel industries. The Perak State Government is desirous of setting up a Heavy Industrial Park in the State of Perak as part of its efforts to further promote industrial development in the state. Bagan Datoh has been identified as an area to initiate this project due to its strategic location near to the development by Vale International of their RM9.0 billion iron ore distribution centre which would be the source of materials for steel mills and other downstream industries.

Further to the MOU, Boston Consulting Group, a leading management consulting company has been engaged to undertake a feasibility study of the PHIP project and it indicates that the potential investment by major international steel mills, the related power, shipping, oil and gas industries in PHIP can potentially attract further investment into the area.

(Source: Management of KYM)

The Board of KYM is of the view that all of the above augurs well for the potential upside value for the Teluk Batik Lands in the near future.

6. RISK FACTORS

Save as disclosed below, as Harta Makmur is currently an operating 60%-owned subsidiary of Tegas, the Board does not foresee any additional risk that Tegas and/or KYM is not already exposed to pertaining to the increase in its shareholdings in Harta Makmur pursuant to the Proposed Acquisition.

6.1 Transaction risk

The completion of the Proposed Acquisition is conditional upon, inter-alia, the conditions precedent of the SSA as stated in Section 3.1 of Part A of this Circular being satisfied and/or waived as the case maybe.

There can be no assurance that the Proposed Acquisition will not be exposed to risks such as the inability to fulfil the conditions precedent of the SSA and/or inability to obtain the approvals from the shareholders of the Company. However, KYM will take and continue to take all reasonable steps to ensure completion of the Proposed Acquisition.

6.2 Business Risk

KYM Group is involved in the property development sector which is exposed to certain risks inherent in the property industry which include:

(a) changes in general economic conditions and political conditions, inflation, taxation, interest rates and exchange rates of foreign currencies and changes in business conditions such as, but not limited to, deterioration in prevailing market conditions, labour and material supply shortages as well as increase in costs of labour;

(b) fluctuations in the prices of building materials and other cost of construction;

(c) changes in the competitive environment; and

(d) adverse developments in political, economic and regulatory conditions in countries, where the KYM Group market their products such as changes in the general economy, government legislations and policies affecting developer, risks of wars, changes in political leadership, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates, methods of taxation and currency exchange controls.

Nevertheless, the KYM Group continues to keep abreast with the latest developments in the property development market and has an experienced, capable and dedicated management team in place to implement the Group's business plans and strategies to sustain future profitability of the Group. Although steps have been taken to mitigate the aforesaid business risks, no assurance can be given that any changes in these factors will not have any material adverse effect on the KYM Group.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Issued and paid-up share capital, and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital, and the substantial shareholders' shareholdings of the KYM Group as the Proposed Acquisition does not involve any issuance of new KYM Shares.

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7.2 NA and gearing

The proforma effects of the Proposed Acquisition on the audited NA and gearing of the KYM Group based on its audited consolidated financial statements of KYM for the FYE 31 January 2011 assuming that the Proposed Acquisition is completed on 31 January 2011, are as follows:

KYM Group	Audited as at 31 January 2011 (RM'000)	(I) After the Proposed Acquisition (RM'000)
Share capital	53,994	(1) & (2) 54,241
Share premium	22,913	(1) 23,083
Revaluation reserves	9,469	9,469
Capital reserves	9,902	9,902
Share option reserve	1,702	1,702
Retained profits/(Accumulated losses)	2,341	(3) & (4) (41,168)
Shareholders' funds / NA	**100,321**	**57,229**
No. of shares of RM0.50 each ('000)	107,988	108,482
NA per share (RM)	0.93	0.53
Total borrowings ('000)	24,620	(5) 38,620
Gearing (times) (6)	0.25	0.67

(1) A total of 424,000 employee share option scheme had been exercised at RM0.90 per share into 424,000 new KYM Shares.

(2) A total of 70,000 Warrants 2010/2013 had been exercised into 70,000 new KYM Shares at RM0.50 per share.

(3) After deducting the estimated expenses incidental to the Proposed Acquisition of approximately RM80,000.

(4) After adjusting the accounting effect resulting from the adoption of the Financial Reporting Standard 127 – Consolidated and Separate Financial Statements where changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent of which the amount recognised is approximately RM43.5 million.

(5) Assuming that RM14 million out of the Purchase Consideration for the Proposed Acquisition of RM41 million is funded by bank borrowings.

(6) The gearing ratio was derived by dividing the total borrowings with the shareholders' funds/NA of the KYM Group.

7.3 Earnings and earnings per share

The Proposed Acquisition would not have any material effect on the earnings of the KYM Group for the financial year ending 31 January 2012. Nevertheless, the Proposed Acquisition is expected to improve the earnings and earnings per share of the KYM Group in the future financial years if and when the Teluk Batik Lands are successfully developed.

8. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to, inter-alia, the approvals of the following:

(a) shareholders of KYM at an EGM to be convened for the Proposed Acquisition; and

(b) any other relevant authorities (if applicable).

The Proposed Acquisition is not conditional upon any other corporate exercises being undertaken by KYM (if any).

9. ESTIMATED TIME FRAME FOR COMPLETION

The Proposed Acquisition is expected to be completed by the end of 2011. The indicative timing of events leading up to the completion of the Proposed Acquisition is as follows:

Tentative timing	Events
28 June 2011	Convening of EGM and Proposed Acquisition becomes unconditional
End December 2011	Completion of the Proposed Acquisition

10. PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposed Acquisition, the Board confirms that there are no other outstanding corporate exercises which have been announced but pending implementation as at the date of this Circular.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

As at the LPD, save for YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah who is a Director of Harta Makmur as well as a Director and shareholder of RAS, none of the Directors and/or major shareholders of KYM and/or persons connected to them have any interest, direct and indirect, in the Proposed Acquisition. YTM Tunku Dato' Seri Kamel bin Tunku Rijaluddin, a Director of Harta Makmur, is the spouse of YTM Raja Dato' Seri Yong Sofia Sultan Azlan Shah, a Director of RAS. Both YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah and YTM Tunku Dato' Seri Kamel bin Tunku Rijaluddin are not Directors of KYM nor they hold any interest, direct or indirect, in the Company.

Pursuant to Paragraph 10.08(11)(n) of the Listing Requirements, a transaction between a listed issuer and another person where there are no other interested relationships except for a related party who is a director or major shareholder of a subsidiary of the listed issuer or person connected with such director or major shareholder having an interest in the transaction is not normally regarded as a related party transaction. Thus, the Proposed Acquisition is not deemed as a related party transaction.

12. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Acquisition including the rationale, fairness of the consideration, salient terms of the SSA and the financial effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company and not detrimental to the interest of the non-interested shareholders of KYM. The Board is of the view that the Proposed Acquisition is fair and reasonable.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held at the Company's office at No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur on Tuesday, 28 June 2011 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy for the EGM in accordance with the instructions printed thereon as soon as possible, so as to arrive at the registered office of KYM at No.12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the EGM or any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending the EGM and voting in person at the EGM should you subsequently wish to do so.

14. FUTHER INFORMATION

You are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors
KYM HOLDINGS BHD.

DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PART B

LETTER TO THE SHAREHOLDERS OF KYM IN RELATION TO THE PROPOSED AMENDMENTS

KYM HOLDINGS BHD.
(Company No. 84303-A)
(Incorporated in Malaysia)

Registered Office:
No. 12, Lorong Medan Tuanku Satu
50300 Kuala Lumpur

6 June 2011

The Board of Directors:

Dato' Seri Dr. Isahak bin Yeop Mohamad Shar *(Executive Chairman and Chief Executive Officer)*
Dato' Chong Thin Choy *(Managing Director)*
Dato' Lim Kheng Yew *(Executive Director)*
Dato' Wira Abdul Rahman bin Haji Ismail *(Independent Non-Executive Director)*
Datuk Mansor bin Masikon *(Independent Non-Executive Director)*
Dato' Ir. Mohamad Othman bin Zainal Azim *(Independent Non-Executive Director)*
Dato' Rahadian Mahmud bin Mohammad Khalil *(Independent Non-Executive Director)*
Dato' Mohd Azmi bin Othman *(Independent Non-Executive Director)*
Chiam Tau Meng *(Independent Non-Executive Director)*

To: The Shareholders of KYM

Dear Sir/Madam,

PROPOSED AMENDMENTS

1. INTRODUCTION

On 30 May 2011, the Board had announced that the Company intends to seek the shareholders' approval for the Proposed Amendments.

The purpose of this Circular is to provide you with information in relation to the Proposed Amendments and to seek your approval for the resolution to be tabled at the forthcoming EGM. The notice of EGM together with the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED AMENDMENTS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED AMENDMENTS

The details of the Proposed Amendments are set out in Appendix IV of this Circular.

3. RATIONALE FOR THE PROPOSED AMENDMENTS

The Proposed Amendments are to be consistent with the amendments to the Listing Requirements and other prevailing statutory and regulatory requirements and to facilitate the business and administration efficiencies of the Company.

4. EFFECT OF THE PROPOSED AMENDMENTS

The Proposed Amendments will not have any effects on the Company's share capital, substantial shareholders' shareholding, NA, gearing, earnings and EPS of the KYM Group.

5. APPROVALS REQUIRED

The Proposed Amendments are subject to the approvals of the shareholders of KYM at an EGM to be convened.

6. DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders or persons connected with them has any interest, direct or indirect, in the Proposed Amendments.

7. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Amendments, is of the opinion that the Proposed Amendments are in the best interest of the Group.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Amendments to be tabled at the forthcoming EGM.

8. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held at the Company's officeat No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur on Tuesday, 28 June 2011 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolution to give effect to the Proposed Amendments.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy for the EGM in accordance with the instructions printed thereon as soon as possible, so as to arrive at the registered office of KYM at No.12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the EGM or any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending the EGM and voting in person at the EGM should you subsequently wish to do so.

9. FUTHER INFORMATION

You are advised to refer to the attached Appendix V of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors
KYM HOLDINGS BHD.

DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

INFORMATION ON HARTA MAKMUR

1. HISTORY AND BUSINESS

Harta Makmur was incorporated in Malaysia as a private limited company under the Act on 11 January 1983. Harta Makmur is principally engaged in the business of property investment and development whilst its subsidiaries were principally involved in property development, providing recreational and sports facilities and operating a golf course, and resort operator, namely Teluk Rubiah Beach & Golf Resort. However, its resort and golf course operations were discontinued pursuant to the disposal of sixteen (16) parcels of leasehold land (on which the said golf course was located) measuring approximately 409 acres (or 1,655,992 square metres) located at Mukim Lumut, District of Manjung, Perak Darul Ridzuan by Harta Makmur to Vale International for a total cash consideration of RM101,874,578.41 which was completed on 8 February 2010. The results of the resort and golf course operations are presented separately on the consolidated income statement as discontinued operations. Presently, Harta Makmur is mainly involved in the property development activities.

Save for the Teluk Batik Lands, Harta Makmur does not own any other assets or businesses outside its principal activities.

The revenue of the Harta Makmur Group for the past three (3) financial years was as follows:

	FYE 31 January					
	2008		2009 *		2010 *	
Revenue	**RM**	**%**	**RM**	**%**	**RM**	**%**
Resort operations	982,765	59.88	-	-	-	-
Recreational and sports operations	658,588	40.12	-	-	-	-
Proceeds from sale of lands	-	-	-	-	^ 105,448,760	100.00
Total revenue	**1,641,353**	**100.00**	-	-	**105,448,760**	**100.00**

* *The audited financial statements of the Harta Makmur Group for the FYE 31 January 2009 was restated as Harta Makmur undertook the disposal of sixteen (16) parcels of leasehold land measuring approximately 409 acres (or 1,655,992 sm) located at Mukim of Lumut, District of Manjung, Perak Darul Ridzuan by Harta Makmur to Vale International for a total cash consideration of RM101,874,578.41 ("Disposal") which was completed on 8 February 2010. Upon completion of the Disposal, the turnover of approximately RM1.64 million and RM2.09 million which were mainly contributed from the resort, and recreational and sports operations for the FYE 31 January 2009 and 2010 respectively, were restated to zero and the net results from the resort, and recreational and sports operations was classified as discontinued operations.*

^ *The proceeds from sale of lands include the sale of land to Ascotsun Sdn. Bhd. of RM3,574,182 and the Disposal of RM101,874,578.41.*

2. SHARE CAPITAL

2.1 Authorised, and issued and paid-up share capital

The authorised, and issued and paid-up share capital of Harta Makmur as at the LPD are as follows:

Type	No. of Harta Makmur Shares	Par value (RM)	Amount (RM)
Authorised share capital	5,000,000	1.00	5,000,000
Issued and paid-up share capital	1,000,000	1.00	1,000,000

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of Harta Makmur and their respective shareholdings as at the LPD are as follows:

Name of shareholders	Nationality/Country of incorporation	Direct		Indirect	
		No. of Harta Makmur Shares	%	No. of Harta Makmur Shares	%
Tegas	Malaysia	600,000	60.0	-	-
RAS	Malaysia	400,000	40.0	-	-

4. BOARD OF DIRECTORS

The Board of Directors of Harta Makmur and their respective shareholdings as at the LPD are as follows:

Name of Directors	Nationality	Designation	Direct		Indirect	
			No. of Harta Makmur Shares	%	No. of Harta Makmur Shares	%
Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar	Malaysian	Director	-	-	-	-
YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah	Malaysian	Director	-	-	-	-
YTM Tunku Dato' Seri Kamel Bin Tunku Rijaludin	Malaysian	Director	-	-	-	-
Dato' Wira Abdul Rahman Bin Haji Ismail	Malaysian	Director	-	-	-	-
Dato' Chong Thin Choy	Malaysian	Director	-	-	-	-
Lim Kheng Yee @ Lim Kheng Ee	Malaysian	Director	-	-	-	-
Dato' Wan Mohamed Yaacob Bin Dato' Wan Salaidin (Alternate to YTM Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah)	Malaysian	Director	-	-	-	-

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred which upon becoming enforceable may have an impact on the profits or NA of the Harta Makmur Group.

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6. SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, the subsidiaries of Harta Makmur are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Teluk Rubiah Country Club Sdn Bhd	9 April 1991 Malaysia	RM2 divided into 2 ordinary shares of RM1.00 each	100	Providing recreational and sports facilities and operating a golf course
Teluk Rubiah Resorts Sdn Bhd	25 July 1991 Malaysia	RM25,000 divided into 25,000 ordinary shares of RM1.00 each	100	Resort operator and presently ceased its operations
Suria Makmur Development Sdn Bhd	21 April 2004 Malaysia	RM250,000 divided into 250,000 ordinary shares of RM1.00 each	100	Property development and presently dormant

As at the LPD, Harta Makmur does not have any associated companies.

7. SUMMARY OF FINANCIAL INFORMATION

	Audited FYE 31 January			Unaudited
Harta Makmur Group	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)	FYE 31 January 2011
Turnover	1,641	(2) -	(3) 105,449	(4) 300
PBT/(Loss) before tax but after minority interest ("MI")	(1) (6,902)	(2) (10,568)	(3) 13,272	(4) 9,898
PAT/(Loss) after tax and MI	(1) (6,902)	(2) (9,867)	(3) 20,085	(4) 18,127
Gross EPS/(Loss) per share (RM)	(6.90)	(10.57)	13.27	9.90
Net EPS/(LPS) (RM)	(6.90)	(9.87)	20.09	18.13
Paid-up share capital	1,000	1,000	1,000	1,000
Shareholders' funds/NA	24,681	15,535	35,620	(6,273)
NA per share (RM)	24.68	15.54	35.62	(6.27)
Current ratio (times)	0.60	0.16	4.21	0.16
Total borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-

(1) *The loss before tax but after MI of the Harta Makmur Group had increased approximately RM5.0 million or 263.16% from approximately RM1.90 million for the FYE 31 January 2007 to approximately RM6.90 million for the FYE 31 January 2008. The increase was mainly due to higher finance cost of the Harta Makmur Group charged by the ultimate holding company, namely KYM, of approximately RM3.30 million from RM1.78 million for the FYE 31 January 2007 to RM5.08 million for the FYE 31 January 2008. The finance cost charged by KYM is in respect of a term loan taken and extended by KYM to Harta Makmur.*

This has translated to similar increase to the loss after tax and MI of the Harta Makmur Group of 265.08% to approximately RM6.90 million from approximately RM1.89 million in the preceding year.

(2) *The audited financial statements of the Harta Makmur Group for the FYE 31 January 2009 was restated as Harta Makmur undertook the Disposal which was completed on 8 February 2010. Upon completion of the Disposal, the turnover which were mainly contributed from resort operations, and recreational and sports operations were restated to zero and the net results from the resort operations, and recreational and sports operations was classified as discontinued operations.*

The loss before tax but after MI of the Harta Makmur Group has increased by approximately RM3.67 million or 53.12% from approximately RM6.90 million for the FYE 31 January 2008 to approximately RM10.57 million for the FYE 31 January 2009. The increase was mainly due to higher finance cost of the Harta Makmur Group charged by the ultimate holding company, namely KYM, of approximately RM4.70 million from RM6.07 million for the FYE 31 January 2008 to RM10.77 million for the FYE 31 January 2009. The finance cost charged by KYM is in respect of a term loan taken and extended by KYM to Harta Makmur. The lower finance cost in the FYE 31 January 2008 was due to waiver of approximately RM4.4 million granted by the lenders resulting from the restructuring exercise.

This has translated to similar increase to the loss after tax and MI of the Harta Makmur Group of 42.96% to approximately RM9.87 million from approximately RM6.90 million in the preceding year.

(3) *The turnover of the Harta Makmur Group for the FYE 31 January 2010 represented part of the sale proceeds receivable from the sale of land, i.e. the Disposal. The turnover figure has been restated as part of the sale proceeds from the sale of land has been classified to other income as it is an investment income.*

The PBT but after MI of the Harta Makmur Group has increased by approximately RM23.84 million mainly due to higher other income of RM45.6 million which was mainly derived from the waiver of debt granted by KYM of approximately RM45.5 million and rental income of approximately RM0.1 million. The amount of waiver granted by KYM to Harta Makmur was based on the waiver granted to the particular loan of which the term loan was taken and extended by KYM to Harta Makmur.

KYM had on 11 December 2009 entered into a Debt Settlement Agreement with the lenders concerned consented to the sale of sixteen (16) parcels of leasehold land measuring approximately 409 acres and thirteen (13) parcels of leasehold land measuring approximately 756 acres located at Mukim of Lumut and Mukim of Setiawan, District of Manjung, Perak by Harta Makmur to Vale International for a cash consideration of RM101,874,578.41 and Vale Malaysia for a cash consideration of RM93,762,467.44 respectively, and accepted the payment of RM120 million as full and final settlement of the outstanding sum due and payable by KYM to the lenders amounting to approximately RM221.3 million ("Debt Restructuring Exercise"). The interest waiver granted by KYM lenders amounted to approximately RM59.1 million for the FYE 31 January 2010 and approximately RM42.2 million for the FYE 31 January 2011 was pursuant to the Debt Restructuring Exercise undertaken by KYM. As a result of the Debt Restructuring Exercise, the waiver of debt which is about 72% of the total waiver was also allocated to Harta Makmur and effected in its books accordingly.

There has no peculiar accounting policy adopted by Harta Makmur during the periods under review. There has also been no audit qualification on the financial statement of Harta Makmur during the periods under review.

(4) *The turnover of the Harta Makmur Group for the FYE 31 January 2011 represented part of the sale proceeds received from the sale of land, i.e. the disposal of thirteen (13) parcels of leasehold land located at Mukim of Lumut and Mukim of Setiawan, District of Manjung, Perak Darul Ridzuan measuring approximately 756 acres (or 3,016,372 sm) by Harta Makmur to Vale Malaysia for a total cash consideration of RM93,762,467.44 which was completed on 11 October 2010.*

The PBT but after MI of the Harta Makmur Group had decreased by approximately RM3.37 million mainly due to higher other income of approximately RM45.6 million which was mainly derived from the waiver of debt granted by KYM of approximately RM45.5 million and rental income of approximately RM0.1 million. The waiver of debt granted by KYM to Harta Makmur was directly resulted from the waiver granted by KYM lenders in respect of a specific term loan taken and extended by KYM to Harta Makmur.

8. AUDITED FINANCIAL STATEMENTS

The audited financial statements (together with the notes to the financial statements) and the Auditors' Report thereon of Harta Makmur for the FYE 31 January 2010 are attached in the ensuing pages.

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

HARTA MAKMUR SDN. BHD.

(Incorporated in Malaysia)
Company No : 95640 - V

Report on the Financial Statements

We have audited the financial statements of Harta Makmur Sdn. Bhd., which comprise the balance sheets as at 31 January 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 57.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

HARTA MAKMUR SDN. BHD. (CONT'D)

(Incorporated in Malaysia)
Company No : 95640 - V

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 January 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Chartered Accountant

Kuala Lumpur

19 MAY 2010

HARTA MAKMUR SDN. BHD.

(Incorporated in Malaysia)
Company No : 95640 - V

BALANCE SHEETS AT 31 JANUARY 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	7	-	-	2	250,004
Property, plant and equipment	8	988,638	13,670,834	3	3
Land held for property development	9	9,820,861	185,250,890	9,820,861	185,250,890
		10,809,499	198,921,724	9,820,866	185,500,897
CURRENT ASSETS					
Property development costs	10	-	1,471,394	-	-
Inventories	11	8,961	838,345	-	824,729
Trade receivables	12	65,887	786,345	-	703,139
Other receivables, deposits and prepayments	13	101,919,375	95,969	101,874,578	-
Amount owing by immediate holding company	14	1,482,780	1,480,195	1,482,780	1,480,195
Amount owing by subsidiaries	15	-	-	1,459,067	14,471,451
Amount owing by related companies	16	323	323	-	-
Cash and bank balances		31,608	44,681	3,799	7,678
		103,508,934	4,717,252	104,820,224	17,487,192
Non-current asset classified as held for sale	17	102,480,351	-	102,480,351	-
		205,989,285	4,717,252	207,300,575	17,487,192
TOTAL ASSETS		216,798,784	203,638,976	217,121,441	202,988,089
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Revaluation reserve	19	35,158,530	56,074,239	35,158,530	57,997,139
(Accumulated losses)/ Retained profit	20	(537,902)	(41,538,951)	2,674,163	(42,858,768)
TOTAL EQUITY		35,620,628	15,535,288	38,832,693	16,138,371
NON-CURRENT LIABILITIES					
Amount owing to ultimate holding company	21	131,093,966	141,321,238	131,093,966	141,321,238
Hire purchase payable	22	58,238	71,184	-	-
Deferred tax liabilities	23	1,067,587	17,391,588	1,067,587	18,088,896
		132,219,791	158,784,010	132,161,553	159,410,134

BALANCE SHEETS AT 31 JANUARY 2010 (CONT'D)

		The Group		The Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
CURRENT LIABILITIES					
Trade payables	24	1,532,449	1,522,988	709,204	665,334
Other payables and accruals	25	17,064,013	6,312,673	15,185,964	5,345,032
Amount owing to ultimate holding company	21	19,448,952	19,684,262	19,448,952	19,684,262
Amount owing to related companies	16	1,750,071	1,749,803	1,744,956	1,744,956
Amount owing to related parties	26	16,226	-	-	-
Amount owing to a director	27	95,593	37,010	-	-
Hire purchase payable	22	12,942	12,942	-	-
		39,920,246	29,319,678	37,089,076	27,439,584
Liability directly associated with asset classified as held for sale	17	9,038,119	-	9,038,119	-
		48,958,365	29,319,678	46,127,195	27,439,584
TOTAL LIABILITIES		181,178,156	188,103,688	178,288,748	186,849,718
TOTAL EQUITY AND LIABILITIES		216,798,784	203,638,976	217,121,441	202,988,089

HARTA MAKMUR SDN. BHD.

(Incorporated in Malaysia)
Company No : 95640 - V

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
CONTINUING OPERATIONS	NOTE	RM	RM (Restated)	RM	RM
REVENUE	28	105,448,760	-	105,448,760	-
COST OF SALES		(103,341,959)	-	(103,341,959)	-
GROSS PROFIT		2,106,801	-	2,106,801	-
OTHER INCOME	29	45,568,930	420,921	45,781,481	420,921
		47,675,731	420,921	47,888,282	420,921
ADMINISTRATIVE EXPENSES		(392,592)	(31,474)	(387,851)	(23,863)
OTHER EXPENSES		(1,477,878)	(188,040)	(256,486)	(480,000)
FINANCE COSTS	30	(32,532,813)	(10,769,759)	(32,532,813)	(10,769,759)
PROFIT/(LOSS) BEFORE TAXATION	31	13,272,448	(10,568,352)	14,711,132	(10,852,701)
INCOME TAX EXPENSE	32	7,285,882	1,203,273	7,983,190	1,203,273
PROFIT/(LOSS) FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		20,558,330	(9,365,079)	22,694,322	(9,649,428)
LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	17	(472,990)	(502,077)	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		20,085,340	(9,867,156)	22,694,322	(9,649,428)
ATTRIBUTABLE TO:-					
Equity holders of the Company		20,085,340	(9,867,156)	22,694,322	(9,649,428)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2010

	SHARE CAPITAL RM	REVALUATION RESERVE RM	(ACCUMULATED LOSSES)/ RETAINED PROFIT RM	TOTAL RM
THE GROUP				
Balance at 1.2.2008	1,000,000	56,075,177	(32,394,571)	24,680,606
Realisation of revaluation reserve	-	(938)	938	-
Net gain not recognised in the income statements: - effect of change in tax rate on deferred tax	-	-	721,838	721,838
Loss after taxation for the financial year	-	-	(9,867,156)	(9,867,156)
Balance at 31.1.2009/1.2.2009	1,000,000	56,074,239	(41,538,951)	15,535,288
Realisation of revaluation reserve	-	(20,915,709)	20,915,709	-
Profit after taxation for the financial year	-	-	20,085,340	20,085,340
Balance at 31.1.2010	1,000,000	35,158,530	(537,902)	35,620,628
THE COMPANY				
Balance at 1.2.2008	1,000,000	57,997,139	(34,014,855)	24,982,284
Net gain not recognised in the income statement: - effect of change in tax rate on deferred tax	-	-	805,515	805,515
Loss after taxation for the financial year	-	-	(9,649,428)	(9,649,428)
Balance at 31.1.2009/1.2.2009	1,000,000	57,997,139	(42,858,768)	16,138,371
Realisation of revaluation reserve	-	(22,838,609)	22,838,609	-
Profit after taxation for the financial year	-	-	22,694,322	22,694,322
Balance at 31.1.2010	1,000,000	35,158,530	2,674,163	38,832,693

HARTA MAKMUR SDN. BHD.

(Incorporated in Malaysia)
Company No : 95640 - V

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2010

	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation from:					
- Continuing operations		13,272,448	(10,568,352)	14,711,132	(10,852,701)
- Discontinued operations	17	(472,990)	(502,077)	-	-
Adjustments for:-					
Bad debts written off		709,623	-	709,623	-
Depreciation of property, plant and equipment		386,045	228,798	-	-
Development costs written off		1,471,394	187,340	-	-
Impairment loss on investment in a subsidiary		-	-	250,000	25,000
Interest expense		32,537,603	10,771,879	32,532,813	10,769,759
Inventories written off		824,729	-	824,729	-
Gain on disposal of property, plant and equipment		(9,996)	-	-	-
(Gain)/Loss on strikeoff of a subsidiary	33	(6,484)	-	2	-
(Writeback)/Writedown of amount owing by subsidiaries		-	-	(219,035)	455,000
Deposits forfeited		-	(66,902)	-	-
Waiver of debt		(42,760,085)	-	(42,760,085)	-
Waiver of profits payable		(2,662,881)	-	(2,662,881)	-
Reversal of service charge		(399,737)	-	(399,737)	-
Operating profit before working capital changes		2,889,669	50,686	2,986,561	397,058
Decrease in inventories		4,655	5,067	-	-
Decrease in land held for property development		72,949,678	-	72,949,678	-
(Increase)/Decrease in trade and other receivables	34	(88,287,479)	20,263	(88,349,486)	13,612
Increase/(Decrease) in trade and other payables	35	13,842,301	393,882	12,947,420	(40,505)
CASH FROM OPERATIONS		1,398,824	469,898	534,173	370,165
Interest paid		(4,790)	(2,120)	-	-
NET CASH FROM OPERATING ACTIVITIES CARRIED FORWARD		1,394,034	467,778	534,173	370,165

HARTA MAKMUR SDN. BHD.

(Incorporated in Malaysia)
Company No : 95640 - V

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2010 (CONT'D)

	NOTE	THE GROUP 2010 RM	THE GROUP 2009 RM	THE COMPANY 2010 RM	THE COMPANY 2009 RM
NET CASH FROM OPERATING ACTIVITIES BROUGHT FORWARD		1,394,034	467,778	534,173	370,165
CASH FLOWS FOR INVESTING ACTIVITIES					
Additional investment in a subsidiary		-	-	-	(24,998)
Advances to immediate holding company		(2,585)	(3,046)	(2,585)	(3,046)
Advances to subsidiaries	36	-	-	(300,157)	(436,627)
Advances to related companies		-	(140)	-	-
Proceeds from disposal of equipment		10,000	-	-	-
Purchase of property, plant and equipment	37	(1,241,343)	(575,397)	-	-
NET CASH FOR INVESTING ACTIVITIES		(1,233,928)	(578,583)	(302,742)	(464,671)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
(Repayment to)/Advances from ultimate holding company	38	(235,310)	70,996	(235,310)	96,106
Advances from/ (Repayment to) related companies		268	(230)	-	-
Advances from related parties		16,226	-	-	-
Advances from a director		58,583	37,010	-	-
Repayment of hire purchase obligations		(12,946)	(3,389)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(173,179)	104,387	(235,310)	96,106
NET (DECREASE)/ INCREASE IN CASH AND BANK BALANCES		(13,073)	(6,418)	(3,879)	1,600
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR		44,681	51,099	7,678	6,078
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR		31,608	44,681	3,799	7,678

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business is at 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 May 2010.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of property investment and development. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANIES

The immediate and ultimate holding companies are Tegas Consolidated Sdn. Bhd. and KYM Holdings Bhd., respectively. Both the aforesaid holding companies are incorporated in Malaysia.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activities are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have material foreign currency transactions, assets or liabilities and hence is not exposed to any significant foreign currency risks.

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

The Group obtains financing mainly through borrowings from its ultimate holding company as disclosed in Note 21 to the financial statements and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

(iii) Price Risk

The Group does not have any quoted investments and hence is not exposed to price risks.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

The Group manages its exposure to credit risks by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances to support its daily operations and the availability of funding mainly through borrowings from its ultimate holding company.

5. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

The Group has not applied in advance the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011

5. BASIS OF PREPARATION (CONT'D)

FRSs/IC Interpretations (Cont'd)	**Effective date**
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

5. BASIS OF PREPARATION (CONT'D)

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method' currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

5. BASIS OF PREPARATION (CONT'D)

Amendments to FRS 5 requires assets and liabilities of a subsidiary to be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

IC Interpretation 15 supersedes FRS 201_{2004} Property Development Activities and addresses how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue and when revenue from the construction of real estate should be recognised. Currently, the Group recognises revenue on property development activities using the percentage of completion method. Upon adoption of this Interpretation, the Group will be required to assess whether the sale and purchase agreements entered are construction service contracts or sale of goods and whether the percentage of completion method is appropriate for some agreements whilst for others, revenue is recognised only at the point the constructed goods are delivered to the customers. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. In particular, the directors will be considering the extent to which information is available for retrospective application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

6. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses 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.

(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 period in which such determination is made.

(iii) Impairment of 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 flows.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(iv) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(v) Revaluations of Properties

The Group's properties which are reported at valuation are based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group or the Company becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

Financial instruments are offset when the Group or the Company have a legally enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 January 2010.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year 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 taken to the income statement.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Expenditure incurred in relation to the development of the chalets, golf course and its building are capitalised.

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:-

Chalets	2%
Golf course, club house, driving range and related development expenditure	1% to 2%
Golf equipment and accessories	20%
Motor vehicles	20%
Office equipment, furniture and fittings	20%
Renovation and electrical installation	20%

Properties are revalued periodically, at least once in every five years.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (Cont'd)

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital 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 capital work-in-progress includes direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put 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 included in the income statement in the year the asset is derecognised.

(g) Impairment of Assets

The carrying values of assets other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Assets under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 6(f) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

(i) Land Held For Property Development

The Group has carried its land held for property development at its revalued amount, as allowed under FRS 201 - Property Development Activities. The Group continues to retain the revalued amount of the land (and subsequently, its carrying costs) as its surrogate cost.

Land held for property development is classified as non-current asset where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to the income statement as incurred unless such costs are directly identifiable to the consequent property development activity.

Land held for property development is transferred to current asset when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(j) Property Development Costs

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

Property development costs that are not recognised as an expense are recognised as an asset and carried at the lower of cost and net realisable value.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenues and expenses recognised in the income statement are determined by reference to the stage of completion of development activity at the balance sheet date.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Property Development Costs (Cont'd)

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

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense immediately, including costs to be incurred over the defects liability period.

(k) Progress Billings/Accrued Billings

In respect of progress billings, where revenue recognised in the income statement exceeds the billings to purchasers, the balance is shown as accrued billings under current assets, and where billings to purchasers exceed the revenue recognised to the income statement, the balance is shown as progress billings under current liabilities.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

When necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Payables

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

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, 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.

(p) Provisions

(i) General Provisions

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

(ii) Provision for Liquidated and Ascertained Damages

Liquidated and ascertained damages are compensation for late delivery of property in accordance with the respective sale and purchase agreement. Provisions for liquidated and ascertained damages are recognised in the year in which the Group becomes legally or constructively committed to payment.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Interest-bearing Borrowings

Interest-bearing borrowings from the ultimate holding company are recorded at the amount of proceeds received, net of transaction costs.

Interest cost relating to development properties is capitalised during the year of active development until the properties are ready for their intended use. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(r) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(s) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period in which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revaluation Reserve

Surpluses arising from the revaluation of properties are credited to the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

The net increase arising from revaluation of the properties, if adjusted, is credited to a revaluation reserve. A net decrease, to the extent that it is not supported by any previous revaluation is charged to the income statement.

In the year of disposal of the revalued asset, the attributable remaining revaluation surplus is transferred from the revaluation reserve to retained earnings.

(v) Related Parties

A party is related to an entity if:-

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

(b) the party is an associate of the entity;
(c) the party is a joint venture in which the entity is a venturer;
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) 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 (d) or (e); or
(g) 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 influenced by, that individual in their dealings with the entity.