

Annual Report **2012**




**NAGAMAS**

**Nagamas International Berhad**  
(111365-U)

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Board of Directors

**Dato' Ng Kek Kiong**  
(Executive Chairman)

**Shaik Rizal Bin Shaik Sulaiman**  
(Group Managing Director and Chief Executive Officer)

**Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman**  
(Non-Independent Non-Executive Director)

**Dato' Chen Oyan Yun Shai**  
(Non-Independent Non-Executive Director)

**Lee Yun Choong**  
(Independent Non-Executive Director)

**Fathi Ridzuan Bin Ahmad Fauzi**  
(Independent Non-Executive Director)

**Company Secretary**  
Tua Yan Khim (MAICSA 7046902)

**Registered Office**  
Suite 9-13A, Level 9, Wisma UOA II,  
Jalan Pinang  
50450 Kuala Lumpur  
Telephone : 03-2166 3845  
Facsimile : 03-2166 8303

**Corporate Address**  
2F Wisma Malaysia-Beijing  
33 Jalan Maharajalela  
50150 Kuala Lumpur  
Telephone : 03-2141 8818  
Facsimile : 03-2144 2868

Board Committees

**Audit Committee**  
Fathi Ridzuan Bin Ahmad Fauzi (Chairman)  
Lee Yun Choong  
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman

**Remuneration Committee**  
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Chairman)  
Dato' Ng Kek Kiong  
Lee Yun Choong

**Nomination Committee**  
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Chairman)  
Lee Yun Choong  
Fathi Ridzuan bin Ahmad Fauzi

**Auditors**  
Tam & Associates (AF1356)  
Chartered Accountants  
18-5, Block M, Jalan 3/93A  
Warisan Cityview, Off Batu 2 ½  
Jalan Cheras  
56100 Kuala Lumpur  
Telephone : 03-9200 8980  
Facsimile : 03-9200 5981

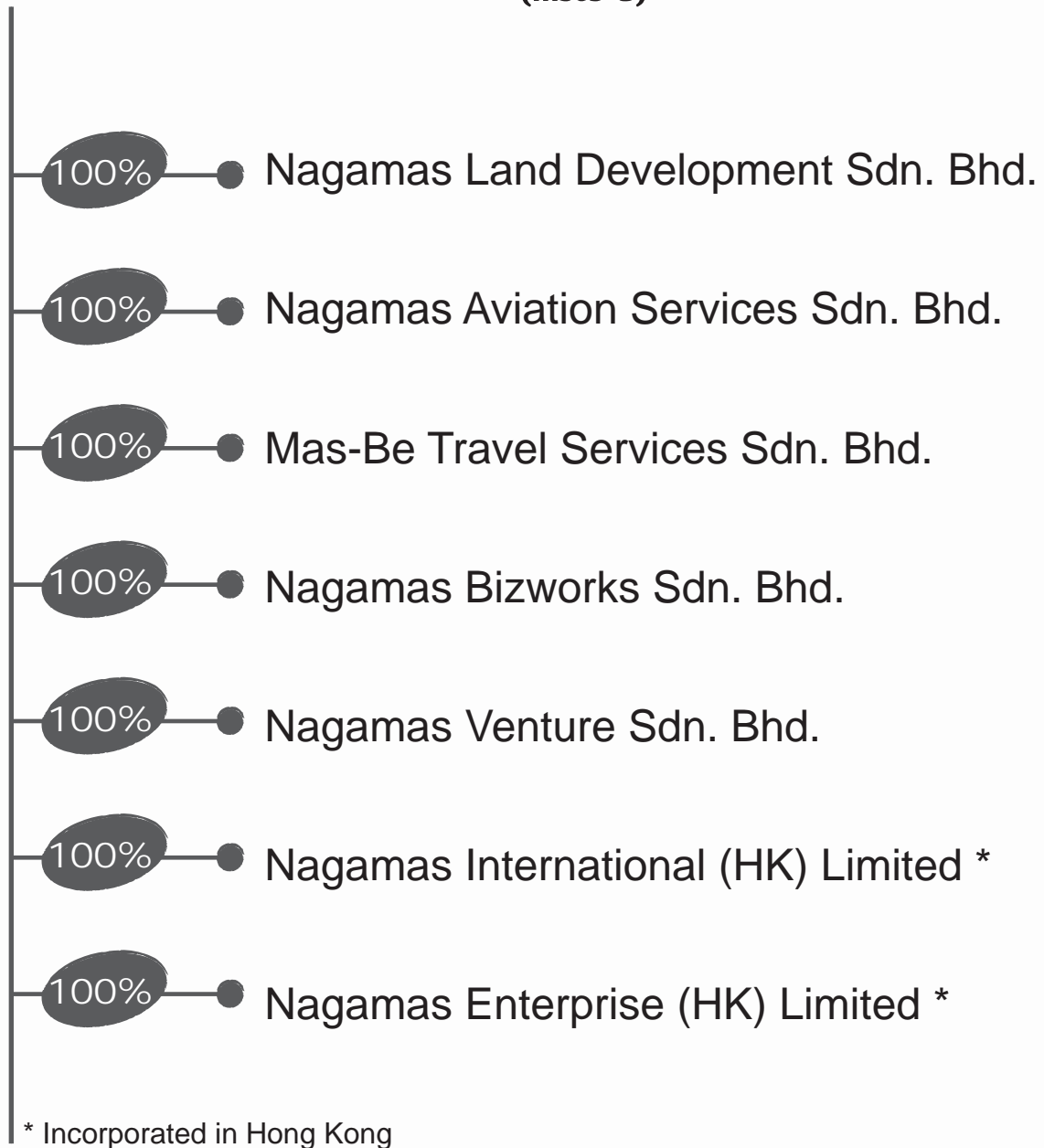
**Share Registrars**  
Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone : 03-2264 3883  
Facsimile : 03-2282 1886

**Principal Bankers**  
CIMB Bank Berhad  
RHB Bank Berhad  
Public Bank Berhad  
Public Bank (Hong Kong) Ltd

**Stock Exchange Listing**  
Main Market of Bursa Malaysia  
Securities Berhad  
Sector : Trading  
Stock Number : 8923  
Stock Short Name : Nagamas



## **Nagamas International Berhad** (111365-U)



**Dato' Ng Kek Kiong • Executive Chairman**

Dato' Ng Kek Kiong, Malaysian, aged 61, was appointed to the Board on December 8, 2006 as a Non-Independent Non-Executive Director. Dato' Ng was re-designated as Executive Director on September 7, 2007 and on March 26, 2010, Dato' Ng was re-designated as Executive Chairman of the Company and was appointed as a member to the Remuneration Committee.

Dato' Ng started his career with Singer Sewing Machine Shop. He then joined the Ministry of Housing and Local Government as a New Village Development Officer for the State of Negeri Sembilan. Later, he became the Special Assistant to the then Minister of Housing and Local Government, Tan Sri Dato' Michael Chen Wing Sum.

Dato' Ng ventured into business in the early 80s, and has since been doing business in China for more than three (3) decades. Dato' Ng is the founder of Malaysia-Beijing Group of Companies. He has vast experience in other business fields including air cargo, real estate, plantation, and trading.

Dato' Ng is also actively involved in various guilds and associations. Currently, he is the President of Federation of Fui Chiu Association Malaysia, President of World Chinese Merchants Union Association (Malaysia), President of Malaysia Chinese Surname Association, President of Asean-China Economic Trade Development and Promotion Association Malaysia, Advisor to Fui Chiu Association Selangor & Kuala Lumpur and Advisor to Malaysia-China Chamber of Commerce.

Dato' Ng is not a director of any other public companies. He is not related to any major shareholder save and except the indirect interest of 13,621,225 shares held through MB Longji Sdn Bhd which is a substantial shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

**Shaik Rizal Bin Shaik Sulaiman • Group Managing Director & CEO**

Mr Shaik Rizal Bin Shaik Sulaiman, Malaysian, aged 41, was appointed to the Board on February 27, 2012 as an Executive Director and re-designated as Group Managing Director & CEO on April 20, 2012.

Mr Shaik Rizal graduated from Purdue University, Indiana USA with a degree in Bachelor of Science Management (Finance & Marketing) in 1994 and subsequently with an MBA (International Business) from University of Bristol, UK in 1996. He has more than 15 years experience in strategic management; start up businesses and corporate restructuring in Malaysia and abroad.

Mr Shaik Rizal started his career in 1996 with Dentsu, Young & Rubicam, an international brand communications company as a Business Development Manager before joining Aims Worldwide Sdn Bhd, an investment holding company as its General Manager, Executive Chairman's Office. Between 1998 and 2000, he was Managing Director & Founder of Vision Courier Sdn Bhd. He was appointed in 2000 as Adviser to Mimos Bhd, the national IT company and subsequently in 2001, he was made the CEO of DRB-HICOM Information Technologies Sdn Bhd responsible for the KOMNAS National Project.

Mr Shaik Rizal was actively involved with corporate advisory and turnaround management after leaving DRB-Hicom group in 2003 and was a director for Arianworks Sdn Bhd since 2003, Cagamodal Bhd since 2006 and Digivest Sdn Bhd since 2009. During this time, he was also made the Country Adviser for Sindicatum Carbon Capital Ltd UK and ICG Group Ltd UK. In 2011, he was appointed as Adviser to Syarikat Prasarana Negara Bhd before assuming the Group Managing Director & CEO position in Nagamas International Berhad.

Mr Shaik Rizal is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

**Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman • Non-Independent Non-Executive Director**

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman, Malaysian, aged 80, was appointed to the Board on March 26, 2010 as a Non-Independent Non-Executive Director. He is the Chairman of both the Nomination Committee and the Remuneration Committee, and is also a member of the Audit Committee.

Tan Sri Abdul Aziz is a Fellow of Chartered Institute of Transport, United Kingdom, Fellow of Institute of Management Malaysia, Fellow of Institute of Directors Malaysia, Fellow of Institute of Public Relations Malaysia and Fellow of Asian Institute of Management Science.

Tan Sri Abdul Aziz is an advocate and solicitor and partner in the law firm of Nik Saghir & Ismail, Kuala Lumpur. He has more than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in the judicial and legal service of the Federal Government. He served as Magistrate, President Sessions Court, Federal Counsel and Assistant Parliamentary Draftsman. His last government appointment was as Federal Counsel and Legal Officer of the National Operation Council (NOC) during the Emergency of 1969.

Tan Sri Abdul Aziz subsequently served Malaysian Airlines from its inception in 1971 as company secretary and Director of Legal Affairs. He retired in late 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years. He was responsible for its vast expansion and had turned MAS into a profitable and leading player in the world of aviation.

Tan Sri Abdul Aziz has presented many papers at seminars and conferences on aviation, airline, management and tourism, in Malaysia and abroad. He is a fellow of several institutes and for several years served as the President of the Chartered Institutes of Transport Malaysia. He served as the President of the International Council of the Chartered Institute of Transport with its headquarters in London for one term. This was the first time an Asian was accorded such a privilege by election.

Tan Sri Abdul Aziz writes regularly on management issues and was an Adjunct Professor in the Faculty of Management of University Utara Malaysia. He wrote a book entitled "Management Philosophy and Techniques" in 1992.

Tan Sri Abdul Aziz sits on the Board of Majuperak Holdings Bhd and BTM Resources Bhd. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

**Dato' Chen Oyan Yun Shai • Non-Independent Non-Executive Director**

Dato' Chen Oyan Yun Shai, Malaysian, aged 57, was appointed to the Board on August 19, 2011 as an Executive Director. She was re-designated as Non-Independent Non-Executive Director on February 27, 2012.

Dato' Oyan holds a Bachelor of Business degree from the National Taiwan University, Taiwan. She has more than 30 years experience in the tourism public relations consultancy, event planning, multimedia advertising, promotion of culture, friendship and other bilateral activities of governments and private sectors between China and Malaysia. She has vast experience in other business fields including property development, construction, IT, healthcare and deep-sea fishing.

Dato' Oyan is presently the Chairman of Longold Group in Malaysia and the Director of Asia Pacific Tourism Organization in China. The group of companies under Dato' Oyan has been Malaysian Ministry of Tourism's Asia Region Publicity Agent and Asia Pacific PR Consultant for more than 10 years. Dato' Oyan is also the Chairman of Hong Kong Fuji Property Management Co Ltd, which is Malaysian Ministry of Foreign Affairs' special property management company in Hong Kong assigned to manage properties of Malaysian government in Hong Kong.

Dato' Oyan is presently the Honorary Chairman of Malaysia-China Friendship Association. She was also the Chairman of Preparatory Committee of Malaysia Pavilion Shanghai World Expo 2010, to oversee the successful execution of the Malaysia Pavilion in the mega event of World Expo 2010, Shanghai, China.

Dato' Oyan is not a director of any other public companies. She does not have any family relationship with any Director and/or major shareholder of the Company. She has a direct interest of 900,000 shares in the Company and an indirect interest of 300,000 shares in the Company held through her son, Mr Chin Fook Kwon. She has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.

**Lee Yun Choong • Independent Non-Executive Director**

Mr Lee Yun Choong, Malaysian, aged 41, was appointed to the Board on March 16, 2012 as an Independent Non-Executive Director. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr Lee is a Chartered Accountant by profession and has been a member of the Malaysia Institute of Accountants ("MIA") since 2000 and the Association of Chartered Certified Accountants, UK ("ACCA") since 1999.

Mr Lee has 15 years working experience in several accounting firms specializing in auditing companies in various industries, both private and public listed companies. His former employers were K.S. Lam & Co (from 1993 to 1994), C.H. Lim & Co (from 1994 to 1997), Tor & Co (from 1997 to 2000) and Anuarul, Azizan, Chew & Co (from 2001 to 2003).

Currently, Mr Lee is the sole proprietor of his own audit and tax practice, YC Lee & Co, after founding it in 2003. He is also a director of three special purpose vehicle companies; namely, Special Power Vehicle Berhad, Premium Commerce Berhad and Serba Tiara Sdn Bhd.

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

**Mr Fathi Ridzuan Bin Ahmad Fauzi • Independent Non-Executive Director**

Mr Fathi Ridzuan Bin Ahmad Fauzi, Malaysian, aged 48, was appointed to the Board on April 20, 2012 as an Independent Non-Executive Director. He is the Chairman of Audit Committee and a member of the Nomination Committee.

Mr Fathi Ridzuan holds a degree in B. Sc. Accounting & Financial Analysis from the School of Industrial and Business Studies, University of Warwick, Coventry, United Kingdom in 1988. He has more than 20 years experience, including 15 years in the capital market and 3 years in the Business Process Outsourcing ("BPO") industry.

Mr Fathi Rizuan started his career in 1989 with Malaysian National Reinsurance Berhad as Accounts Executive before joining American International Assurance Co Ltd in 1990 as Assistant Accountant. In 1991, he joined the Kuala Lumpur Stock Exchange ("KLSE") Group and had held several positions including Accountant with Malaysian Central Depository Sdn Bhd ('MCD') (1991-1995); Senior Manager, Finance & Administration (1996-1997); Senior Vice President, Finance & Administration with Malaysian Exchange for Securities Dealing and Automated Quotation Berhad ("MESDAQ") (1997-1998); Senior Vice President, Finance & Administration for the clearing house with Securities Clearing Automated Network Services Sdn Bhd (1999-2001); General Manager for MCD (2002-2003); Head of Information Services Business with Bursa Malaysia in 2003; and Head, Exchanges Division, responsible for the development and operations of three exchanges owned by Bursa Malaysia, namely Bursa Malaysia Securities, Bursa Malaysia Derivative and Labuan Financial Exchange Inc. in 2004.

In 2007, Mr Fathi Rizuan joined VADS Berhad as Chief Financial Officer and later joined Maybank Investment Bank Berhad in July 2009 as Chief Operating Officer/Chief Financial Officer, responsible for financial, administrative, legal, information technology, risk management and stockbroking operations of the bank.

Currently, Mr Fathi Rizuan is the Managing Director of IX.Com Sdn Bhd, a BPO Consulting company involved in providing consultancy and training for call centres and sit on the board of other private company.

Mr Fathi Ridzuan is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten (10) years.



On behalf of the Board of Directors of Nagamas International Berhad, I'm pleased to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ("FY") ended 31 December 2012.

### Financial Review

For FY2012, the Group recorded a turnover of RM10.29 million (FY2011: turnover of RM15.33 million) and an after tax loss of RM1.59 million (FY2011: after tax loss of RM1.26 million).

The decrease in turnover recorded in FY2012 was attributable to the dismal performance of the Group's air cargo and airline ticketing businesses, which suffered when China's export and tourism business slowed down. The drop in turnover was also due to the Group's only second year's venture into property development, which usually has a gestation period of about 2 to 3 years before the business begins to show any significant results.

The after tax loss recorded in FY2012 was due to the stiff competition and thin profit margin encountered by the Group in the aviation business. In addition, the Group's forays into property development still required more time to bring in results. The property development sector is now the Group's main focus.

### Review of Operations

#### **1. Property**

FY2012 proved to be a very challenging year because the Group was only in its second year's venture into property sector, which took some time to realize any form of income. The Group is looking into embarking on a few Joint Venture ("JV") type arrangements with landowners and currently also developing its own site in Mantin, Negeri Sembilan. This inaugural development project in Mantin was launched in 2010 and most of the sales were achieved in the last 2 years.

The Group, through its wholly owned subsidiary, Nagamas Venture Sdn Bhd, entered into a Project Delivery Agreement on 9 June 2012, to act as Project Delivery Partner for the Silverlakes project located in Batu Gajah, Perak. The Silverlakes project is a 511-acre secluded lake and flatland 5Rs mixed development project which encompasses:

- 1st R – Alorie Cocoon Silverlakes (Resort)
- 2nd R – Silverlakes Brand Outlet (Retail)
- 3rd R – High End Residences (Residence)
- 4th R – Retirement Enclave (Retirement)
- 5th R – Recreational activities including water sports, arts & culture, tourism, etc (Recreation)

The Silverlakes project is expected to contribute positively to the earnings of the Group in the future years. It is a destination development and is set to turn the Group around with a potential GDV close to RM1 billion over a period of 5 years, subject to market supply and demand conditions on the sale and marketing of the development. The Group is embarking on very credible and exciting partnerships with industry experts for collaboration success in the project.

#### **2. Aviation**

The aviation business suffered when China's export and tourism business between Malaysia and China slowed down, thus severely reducing the performance of the Group's air cargo and airline ticketing businesses. The Group is relooking into this sector of business and will focus on a specific segment of the industry that is more sustainable ie airport redevelopment and management.

### Prospects

In line with the Group's long-term strategic vision, the Group plans to continue with its forays into property development focusing on structured and branded mixed development segment in Malaysia and China.

## Corporate Social Responsibility

The Group recognizes the importance of Corporate Social Responsibility and during the FY under review, the Group has on several occasions engaged in charitable fund raising and sponsorship activities by contributing to selected associations in Kuala Lumpur and Selangor that operate conscientiously and are committed to the well being of the needy and less privileged in the community.

## Acknowledgement

On behalf of the Board, I would like to thank our valued shareholders, customers, business associates, financiers, the regulatory authorities and members of the community, for their continued support and trust in our Group. I would also like to record our sincere appreciation to the management team and all employees of the Group for their invaluable contributions and tireless efforts throughout the year.

To my fellow directors, I would like to express my gratitude for their counsel, contributions, support and guidance.

Dato' Ng Kek Kiong  
Executive Chairman

The Board of Directors (“the Board”) of Nagamas International Berhad (“the Company” or “Nagamas”) recognises the importance of the role of good Corporate Governance throughout the Group as a fundamental part of discharging their fiduciary duties and responsibilities, so as to enhance shareholders’ value and to protect the interests of shareholders. The Board is committed to ensure Corporate Governance adopted by the Company is in line with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“the Code”).

The application of the Code and the extent of compliance with the recommendations of corporate governance are as follows:-

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### **Clear functions of the Board and those delegated to Management**

The Board provides overall stewardship over the management of the Group and reserves appropriate strategic, financial and organisational matters for its collective decision. Key matters such as approval of annual and quarterly results, acquisition and disposals of material investments, material agreements, major capital expenditures, budgets and long term plans and succession planning for top management are reserved for the Board.

The Board comprises professional persons of calibre, credibility and has the necessary skills and experience to come to an independent judgement. With their combined experience and knowledge, they provide sound advice and impartial judgement for the benefits of the Company, its shareholders and stakeholders.

### **Clear Roles and Responsibilities in Discharging Fiduciary and Leadership Functions**

The Board provides stewardship to the Group’s strategic direction and operations, and ultimately the enhancement of long-term shareholders’ value. The Board is primarily responsible for:

- Adopting and monitoring progress of the Company’s strategies, budgets, plans and policies;
- Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;
- Succession planning including appointing and reviewing the compensation of the top management;
- Overseeing the development and implementation of a shareholder communication policy;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Reviewing the adequacy and integrity of the Company’s internal control systems and management information systems for compliance with applicable laws, regulations, rules, directive and guidelines.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

### **Code of Ethics**

The Directors shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Directors shall observe the Code of Ethics in performance of their duties.

### **Strategies Promoting Sustainability**

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognizance of the global environmental, social, governance and sustainability agenda.

### Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

### Qualified and Competent Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

### Board Charter

The Board Charter is being drafted and will be posted on the Company's website after the Board's approval.

### PRINCIPLE 2 – STRENGTHEN COMPOSITION

#### Nomination Committee

The Board has established a Nomination Committee and exclusively of Non-Executive Directors, a majority of whom must be independent. The present members are:-

- Chairman : Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Appointed on 16/03/2012)
- Member : Fathi Ridzuan Bin Ahmad Fauzi (Appointed on 20/04/2012)
- Member : Lee Yun Choong (Appointed on 16/03/2012)

The Past Nomination Committee Members as follows:-

- 1) *Yeoh Chong Keat (Chairman) resigned on 27/02/2012*
- 2) *Ian Ghee Eik Kai resigned on 13/03/2012*
- 3) *Ong Eng Choon resigned on 23/03/2012*

The Nomination Committee is responsible for reviewing the Board's structure, size and composition regularly, as well as making recommendations to the Board with regards to changes that are deemed necessary. It also recommends the appointment of Directors to committees of the Board and reviews the required mix of skills, experience, competence and other qualities which Non-Executive Directors should bring to the Board. For this purpose, the Nomination Committee meets at least once a year or at such other times as the Chairman of the Nomination Committee decides.

#### Appointments to the Board

The NC makes independent recommendations for appointments to the Board. In making these recommendations, the NC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

## Re-election of Directors and re-appointment of Directors who are over the age of 70

In accordance with the Articles of Association of the Company, at least one third of the Board shall retire from office at least once in every three (3) years, but shall be eligible for re-election, and that the retiring Director shall retain office until the close of the annual general meeting at which he retires. This is also in compliance with Main Market Listing Requirements of Bursa Securities.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years become vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

## Gender Diversity

The Board does not have any gender diversity policies and targets or any set measures to meet any target. Nevertheless, the Board has appointed Dato' Chen Oyan Yun Shai, 19/08/2011 and re-designated from Executive Director to Non-Independent Non- Executive Director on 27/2/2012 as part of its effort in encouraging the gender diversity in Boardroom. In addition, the Group is an equal opportunity employer and all appointments and employments

## Remuneration Policies

The Board has established a Remuneration Committee. Its members are mainly of Non-Executive Directors. The present members of the Remuneration Committees are:-

- Chairman : Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Appointed on 16/03/2012)
- Member : Dato' Ng Kek Kiong
- Member : Lee Yun Choong (Appointed on 16/03/2012)

The Past Remuneration Committee Members as follows:-

- 1) *Ian Ghee Eik Kai (Chairman) resigned on 13/03/2012*
- 2) *Ong Eng Choon resigned on 23/03/2012*

The remuneration package are structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors depends on their contribution to the Group in terms of their knowledge and experience.

The Remuneration Committee recommends to the Board the policy framework of executive remuneration and its cost, and the remuneration package for each executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. For this purpose, the Remuneration Committee meets at least once a year or at such other times as the Chairman of the Remuneration Committee decides. The range of the Directors' Remuneration is disclosed on page 52 of the Annual Report.

## PRINCIPLE 3 – REINFORCE INDEPENDENCE

### 1. Annual Assessment of Independence

The Board, through the NC, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

## 2. Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the Independent Non-Executive Directors served more than 9 years in the Company.

## 3. Shareholders' Approval for the Continuance Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

## 4. Separation of the Positions of the Chairman and Group Managing Director and Chief Executive Officer ("CEO")

The positions of Chairman and CEO are held by two different individuals, the Executive Chairman and Group Managing Director & CEO. The Chairman is responsible for the leadership of the Board and ensures effectiveness of the Board while the CEO, guided by the Executive Chairman, manages the day-to-day business and operations and also implements the Board's directive, strategies and policies. The distinct and separate roles, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

## Composition of the Board

During the financial year under review, the Board of Nagamas currently comprises six (6) Board members, which includes one (1) Executive Chairman, one (1) Group Managing Director and Chief Executive Officer, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The profile of the Directors is presented from pages 4 to 7 of the Annual Report.

The two (2) Independent Directors represent compliance with the requirement for one-third (1/3) Independent Directors in the Board, pursuant to Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the adoption of best practices set out in the Code.

The members of the Board are professionals with calibre and entrepreneurs equipped with a mix of industry specific knowledge with broad business and commercial experience. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise required to discharge the Board's duties and responsibilities.

## PRINCIPLE 4 – FOSTER COMMITMENT

### Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. The Board met five (5) times during the year under review and all Directors attended more than 50% of the total Board meetings held during the financial year ended 31 December 2012, thus fulfilling the requirement of the Main Market Listing Requirements of Bursa Securities.

During these meetings, the Board reviews, amongst others, the Group's quarterly financial results, reports and updates on the Group's operations, minutes of meetings of Board Committees and any other strategic issues relating to the Group's businesses.

In advance of and during each Board Meeting, members are each provided with relevant documents and information to enable them to make an informed decision. All proceedings at the Board meetings are minuted and recorded including the issues discussed and decisions arrived at.

The attendance of the Directors at the Board Meetings held during the financial year ended 31 December 2012 are as follows:-

| <b>Director</b>  | <b>Position</b>                                     | <b>No. of Board Meetings Attended</b> |
|--|---|---------------------------------------|
| Dato' Ng Kek Kiong   | Executive Chairman                                  | <b>5/5</b>                            |
| Shaik Rizal Bin Shaik Sulaiman<br><i>(Appointed on 27/02/2012 and re-designated from Executive Director to Group Managing Director and Chief Executive Officer on 20/4/2012)</i> | Group Managing Director and Chief Executive Officer | <b>4/4</b>                            |
| Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman   | Non-Independent Non-Executive Director              | <b>5/5</b>                            |
| Dato' Chen Oyan Yun Shai<br><i>(Appointed on 19/08/2011 and re-designated from Executive Director to Non-Independent Non- Executive Director on 27/2/2012)</i>                   | Non-Independent Non-Executive Director              | <b>4/5</b>                            |
| Lee Yun Choong<br><i>(Appointed on 16/3/2012)</i>  | Independent Non-Executive Director                  | <b>4/4</b>                            |
| Fathi Ridzuan Bin Ahmad Fauzi<br><i>(Appointed on 20/04/2012)</i>  | Independent Non-Executive Director                  | <b>4/4</b>                            |
| Ng Fung Mo<br><i>(Resigned on 01/08/2012)</i>  | Non-Independent Non-Executive Director              | <b>2/3</b>                            |
| Liu Xiuqing<br><i>(Resigned on 01/08/2012)</i>   | Independent Non-Executive Director                  | <b>2/3</b>                            |
| Ian Ghee Eik Kai<br><i>(Resigned on 13/3/2012)</i>   | Independent Non-Executive Director                  | <b>1/1</b>                            |
| Yeoh Chong Keat<br><i>(Resigned on 27/02/2012)</i>   | Non-Independent Non-Executive Director              | <b>1/1</b>                            |
| Ong Eng Choon<br><i>(Resigned on 23/03/2012)</i>   | Independent Non-Executive Director                  | <b>1/1</b>                            |

| Director  | Position                           | No. of Board Meetings Attended |
|---|------------------------------------|--------------------------------|
| Mok Ah Yoke @ Mok Yok Chang<br>(Resigned on 15/03/2012) | Independent Non-Executive Director | 1/1                            |

### Directors' Training

All Directors have attended the Mandatory Accreditation Programme. The Directors shall be committed to continuous education to equip themselves with the knowledge and understanding of various provisions, rules, regulations and the latest development in the industries to effectively discharge their duties and obligations.

The Directors are briefed by the Company Secretary on the letters and circulars issued by Bursa Securities at every Board Meeting. The Directors also will continue to undergo training and education programmes in order to keep themselves abreast on the various issues facing the changing business environment within which the company operates in order to discharge their duties and responsibilities more effectively.

Updates on the Code, Companies Act, 1965 and the Bursa Securities Listing Requirements were given by the Company Secretary to all Directors to facilitate knowledge enhancement in the areas of the Corporate Governance and relevant compliance areas.

All Directors have full opportunity to attend seminars, trainings, workshops and conference to update their knowledge and skills to contribute and to carry out their roles and duties in line with the directors' responsibility.

The following are the trainings attended by the Directors during the financial year:-

- 1) Trade Within & Outside Malaysia
- 2) 15th Asia 8 Top Speakers On Success & Wealth
- 3) National Tax Conference 2012
- 4) Budget 2013 highlights on Tax changes and Its implications on Business

## PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board take responsibility to present a balanced and meaningful assessment of the Group's position and prospect and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 1965 and applicable accounting standards in Malaysia. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to Main Market Listing Requirements of Bursa Securities is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the Audit Committee has been assured that no material issue and major deficiency had been detected which posed a high risk to the overall internal control under review.

### Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee Report is set out in pages 22 to 25 of this Annual Report.



## PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

**Sound Framework to Manage Risk**

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The Audit Committee oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation.

The Audit Committee also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks. The Company continues to maintain and review its internal control procedures to safeguard its assets and businesses.

**Internal Audit Function**

The Company has outsourced its internal audit function to a professional services firm namely Sterling Business Alignment Consulting Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on page 19 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2012.

## PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

**Corporate Disclosure Policies**

The Board shall ensure that all communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

The CEO are responsible for determining the materiality of the information and ensuring timely, complete, and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of the necessary announcement. The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

**Leverage on Information Technology for Effective Dissemination of Information**

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. The announcement of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

## PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN AND SHAREHOLDERS

**Encourage Shareholder Participation at General Meetings**

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman shall ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

Nagamas encloses the Annual Report and Notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also the qualification of proxy.

To further promote participation of members through proxies, which is in line with the insertion of Paragraph 7.21 of the Main Market Listing Requirements, the Company proposed to amend its Articles of Association to allow the appointment of proxy whom is not a member of the Company; he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Company and include explicitly the right of proxies to speak at general meetings.

**Encourage Poll Voting**

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

**Effective Communication and Proactive Engagement**

The Board acknowledges the need of its shareholders and potential investors to be informed of the Group's performance and major developments. As such, the Company ensures that the quarterly announcements of the Group's financial are made on timely basis to provide its shareholders with an overview of the Group's performance and operations. In addition, general announcements and press releases were made to update the shareholders on any significant developments.

The Company also maintain a website at <http://www.nagamasinternational.com> from which shareholders and stakeholders can access for information.

## COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers that the Statement on Corporate Governance provides the information necessary to enables shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Company has fulfilled its obligation under the Code, the LR of Bursa Securities and all applicable laws and regulations throughout the financial year ended 31 December 2012.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 April 2013.

The Directors are required to lay before the Company (“Nagamas International Berhad”) at its Annual General Meeting, the financial statements, which includes the consolidated statement of financial position and the consolidated statement of comprehensive income of the Company and its subsidiaries (“the Group”) for each financial year made out in accordance with the applicable approved accounting standards and the provisions of the Act. This is also in line with Paragraph 15.26(a) of Main Market Listing Requirements of Bursa Securities.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year ended 31 December 2012.

The financial statements of the Company and the Group for the financial year under review are set out from pages 27 to 63 of this Annual Report.

During the preparation of financial statements, the Directors have considered the following:-

- Appropriate accounting policies have been used and are consistently applied;
- Reasonable and prudent judgments and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are required under the Companies Act, 1965 to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

## INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities requires the Board of Directors of the Company to make a statement in this Annual Report about the state of risk management and internal control in the Company as a Group. The Board is pleased to provide the following Statement on Internal Control which has been prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies”.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity to safeguard shareholders’ investment and the Company’s assets. The review of the Group’s system of internal control is a concerted and continuing process. In the pursuit of this objective, the Directors are aware that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group’s objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## KEY ELEMENTS OF INTERNAL CONTROL

### CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

- Organization structure with clearly defined lines of responsibility, authority and accountability;
- Clearly defined authorization limits at appropriate levels are set out in an authority matrix for controlling and managing business operations;
- Experienced and competent staff are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group’s system of internal control;
- Policies and procedures for key business processes are formalized and documented for implementation and continuous improvements. These policies are subject to regular reviews to meet new business requirements.

### MONITORING AND COMMUNICATION

- Regular Board and management meetings are held where information is provided to the Board and management covering financial performances and operations;
- Regular visits to operating subsidiaries by members of the Board and senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls by the independent internal auditor. Reports on findings of the internal audit are presented to the Audit Committee of the Board for consideration.
- Management accounts and reports are prepared regularly for monitoring of actual performance.

## RISK MANAGEMENT

Risk management forms an integral part of the Group’s business operations. The process of identifying, evaluating, monitoring and managing significant risks is embedded in the various work processes and procedures of the respective operational functions and management team. Any significant issues and controls implemented were discussed at the regular operations and management meetings.

The Board has received assurance from the Group Managing Director that the Group’s risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

## INTERNAL AUDIT FUNCTIONS

The Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to undertake its internal audit function. The independent consulting firm acts as internal auditor and reports directly to the Audit committee. During the financial year, the internal auditor

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

Follow-up visits were also carried out to ensure weaknesses identified have been or are being addressed. Periodic audit reports and status report on follow up actions were tabled to the Audit Committee and Board during its quarterly meetings. For the financial year ended 31 December 2012, the total costs incurred for the outsourced internal audit function is RM 23,703.20.

## **CONCLUSION**

**For the year under review, the Board is of the opinion that the internal control system currently in place is adequate and effective to safeguard the Group's interests and assets. The Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.**

## **REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS**

The external auditors have reviewed this Statement on Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

**1. MATERIAL CONTRACTS**

There were no material contracts of the Company or its subsidiaries involving the directors' or major shareholders' interest which were still subsisting at the end of the financial year, entered into since the end of the previous financial year.

**2. SHARE BUY-BACK**

The Company did not enter into any share buy-backs transactions during the financial year.

**3. OPTIONS OR CONVERTIBLE SECURITIES**

The Company did not issue any options or convertible securities during the financial year.

**4. DEPOSITORY RECEIPT PROGRAMME**

The Company did not sponsor any depository receipt programme during the financial year.

**5. SANCTIONS AND/OR PENALTIES**

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management by relevant regulatory bodies arising from any significant breach of rules/guidelines/legislation during the financial year ended 31 December 2012.

**6. NON-AUDIT FEE**

There was no non-audit fees paid to the External Auditors during the financial year.

**7. VARIATION IN RESULTS**

There was no material variations between the results for the financial year and the unaudited results previously announced. The Company did not make any profit estimate, forecast or projection for the financial year.

**8. PROFIT GUARANTEE**

The Company did not provide any profit guarantee during the financial year.

**9. RECURRENT RELATED PARTY TRANSACTION ("RRPT") OF REVENUE OR TRADING NATURE**

The details of the transactions with related parties undertaken by the Group during the financial year are disclosed in Note 25 from pages 54 to 56 of this Annual Report.

| Company in the Nagamas Group involved | Transacting party                                   | Nature of Transaction          | Related Parties and Nature of Interests  | Actual value transacted during the financial year (RM) |
|---------------------------------------|---|--------------------------------|--|--|
| Mas-Be Travel Services Sdn. Bhd.      | Malaysia-Beijing Travel Services Sdn. Bhd. ("MBTS") | Ticketing Purchase Outsourcing | <ol style="list-style-type: none"> <li>Dato Ng Kek Kiong, being the Director and Major Shareholder of Nagamas, is also a Director and substantial shareholder of MBTS</li> <li>Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman, being the Director and shareholder of Nagamas, is a substantial shareholder of MBTS.<br/><i>(Ceased to be shareholder of MBTS on 4 February 2013 and NIB on 20 June 2012 )</i></li> </ol> | 1,274,313.41   |

The Board of Directors of Nagamas International Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

## MEMBERS OF AUDIT COMMITTEE

The Audit Committee ("AC" or "Committee") consists of three (3) members, majority of whom are Independent Non-Executive Directors. The present members of the AC are: -

| Director  | Position                               |
|---|--|
| Fathi Ridzuan Bin Ahmad Fauzi (Chairman)<br>(Appointed on 20/04/2012)       | Independent Non-Executive Director     |
| Lee Yun Choong<br>(Appointed on 16/3/2012)                                  | Independent Non-Executive Director     |
| Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman<br>(Appointed on 16/03/2012) | Non-Independent Non-Executive Director |

The Past Audit Committee Members as follows:-

- 1) Ong Eng Choon (Chairman) resigned on 23/03/2012
- 2) Ian Ghee Eik Kai resigned on 13/03/2012
- 3) Mok Ah Yoke @ Mok Yok Chang resigned on 15/03/2012
- 4) Yeoh Chong Keat resigned on 27/02/2012

## TERMS OF REFERENCE

### 1. Constitution

The Board of Directors have constituted and established a committee of the Board to be known as the Audit Committee.

### 2. Composition

- (a) The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent.
- (b) At least one (1) member of the Committee shall be a member of the Malaysian Institute of Accountants; or if not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967 ("said Schedule") or he must be a member of one (1) of the associations of accountants specified in Part II of the said Schedule; or has a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance or is a member of a professional accountancy organisation which has been admitted as full members of the International Federation of Accountants and at least three (3) years' post qualification experience in accounting or finance; or at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- (c) No alternate director shall be appointed as a member of the Committee.
- (d) The members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Director.
- (e) In the event of any vacancy in the Committee resulting in the non-compliance of subparagraph 15.09(1) of the Listing Requirements of Bursa Securities, the Board shall fill the vacancy within three (3) months from the date of the vacancy.
- (f) The Board shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

**3. Authority**

- (a) The Committee is authorised by the Board to review and/or investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.
- (b) The Committee is authorised by the Board to obtain external legal or independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.
- (c) The Committee shall have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.
- (d) The Committee shall be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Committee and the External Auditors or the Internal Auditors or both, to discuss problems and reservations and any other matter the External Auditors or Internal Auditors may wish to bring up to the attention of the Committee.
- (e) The Committee is not authorised to implement its recommendations on behalf of the Board but report its recommendations back to the Board for its consideration and implementation. Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee is authorised to promptly report such matters to the Exchange.

**4. Functions of the Committee shall be amongst others:-**

- (a) To consider the audit fee of the External Auditors, any questions of resignation or dismissal of the External Auditors and appointment of new External Auditors to replace outgoing auditor, and whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment; and to recommend the nomination of a person or persons as External Auditors;
- (b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- (c) To act as an intermediary between Management or other employees, and the External Auditors;
- (d) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
- (i) any changes in or implementations of major accounting policies and practices;
  - (ii) significant adjustments arising from audits;
  - (iii) significant and unusual events;
  - (iv) litigation that could affect results materially;
  - (v) the going concern assumption; and
  - (vi) compliance with accounting standards regulatory and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (f) To review matters arising from the audit with the External Auditors including any report or management letter and Management's response;
- (g) To do the following where an internal audit function exists:-
- (i) review the adequacy of the scope, functions and resources and competency of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit programme, process and results of the internal audit programme, process and/or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;



- (iii) to ensure the internal audit function of the Company reports directly to the Committee;
  - (iv) review any appraisal or assessment of the performance of the internal audit function;
  - (v) to review the independence of the internal audit function;
  - (vi) approve any appointment or termination of Internal Auditors; and
  - (vii) provide the Internal Auditors an opportunity to submit reasons for resigning.
- (h) Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (i) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity;
- (j) To consider the major findings of internal investigations and Management's response;
- (k) To prepare the annual Committee report to the Board which includes the composition of the Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit function and summary activities of internal audit function for inclusion in the Annual Report;
- (l) To review the Board's statement in compliance with the Malaysian Code on Corporate Governance for inclusion in the Annual Report;
- (m) To carry out such other functions as may be agreed to by the Committee and the Board.

#### **5. Meetings & Minutes**

- (a) The Committee shall meet at least four (4) times annually. However, at least once a year, the Committee shall meet with the External Auditors without the Executive Directors being present.
- (b) A quorum shall be two (2) members, majority of whom must be Independent Directors.
- (c) Other than in circumstances which the Chairman considers inappropriate, the Chief Accountant and/or Chief of Finance and the representatives of the External Auditors and Internal Auditors shall attend all meetings of the Committee to make known their views on any matter under consideration by the Committee, or which in their opinion, should be brought to the attention of the Committee. The Committee may, as and when necessary, invite other members of the Board and members of Senior Management to attend the meetings.
- (d) The Company Secretary shall be the Secretary of the Committee and will record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection, if required. The Committee shall report to the Board and its minutes tabled and noted by the Board.

#### **Meetings held during the financial year ended 31 December 2012**

The Committee met five (5) times during the financial year ended 31 December 2012 and the details of attendance are as follows:-

| <b>Director</b>  | <b>Total meetings attended</b> |
|--|--------------------------------|
| Fathi Ridzuan Bin Ahmad Fauzi (Chairman)<br><i>(Appointed on 20/04/2012)</i>       | 4/4                            |
| Lee Yun Choong<br><i>(Appointed on 16/3/2012)</i>                                  | 4/4                            |
| Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman<br><i>(Appointed on 16/03/2012)</i> | 4/4                            |
| Ong Eng Choon (Chairman)<br><i>(Resigned on 23/3/2012)</i>                         | 1/1                            |

| <b>Director</b>   | <b>Total meetings attended</b> |
|---|--------------------------------|
| Ian Ghee Eik Kai<br><i>(Resigned on 13/3/2012)</i>            | 1/1                            |
| Mok Ah Yoke @ Mok Yok Chang<br><i>(Resigned on 15/3/2012)</i> | 1/1                            |
| Yeoh Chong Keat<br><i>(Resigned on 27/2/2012)</i>             | 1/1                            |

Other Board members, Director of Corporate Affairs, Chief Administrative Office, Finance Manager and representatives of the External Auditors and Internal Auditors were present by invitation to brief the Committee on specific issues, as and when necessary, with the Company Secretaries in attendance.

## **SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

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

- Reviewed the unaudited quarterly financial results and annual audited financial statements of the Group to ensure compliance with approved accounting standards and adherence to other regulatory requirements prior to submission to the Board for consideration and approval;
- Reviewed and assessed the significant issues set out in the management letter arising from the audit of the Group by the External Auditors for the financial year and seeks clarification and explanations from Management of the Company on issues noted in the audit reports.
- Reviewed the Audit Plan and timetable with the External Auditors.
- Reviewed report of the Internal Auditors on the Company and its subsidiaries.
- Reviewed the assistance provided by Management to the External Auditors during the course of their audit.
- Reviewed the audit fees for the External Auditors in respect of their audit of the Group and the Company
- Considered and recommended the re-appointment of the External Auditors to the shareholders for approval.
- Reviewed the internal control system of the Group and made recommendations to the Board and Management on improvement of internal controls, procedures and systems and other matters noted by the Committee.
- Reviewed the recurrent related party transactions.

## GROUP FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Revenue      | Loss Before Taxation | Loss After Taxation | Shareholders' Fund | Loss Per Share |
|--------------|----------------------|---------------------|--------------------|----------------|
| RM10,291,455 | RM1,593,922          | RM1,593,922         | RM14,988,515       | 3.1 sen        |

## FIVE YEARS' FINANCIAL PERFORMANCE

| Revenue             | RM          |
|---------------------|-------------|
| Apr 2008 – Dec 2008 | 78,646,829  |
| Jan 2009 – Dec 2009 | 109,266,343 |
| Jan 2010 – Dec 2010 | 29,897,127  |
| Jan 2011 – Dec 2011 | 15,336,190  |
| Jan 2012 – Dec 2012 | 10,291,455  |

| Profit/ (Loss) Before Taxation | RM           |
|--------------------------------|--------------|
| Apr 2008 – Dec 2008            | 663,090      |
| Jan 2009 – Dec 2009            | (1,168,731)  |
| Jan 2010 – Dec 2010            | (23,920,980) |
| Jan 2011 – Dec 2011            | (1,321,624)  |
| Jan 2012 – Dec 2012            | (1,593,922)  |

| Shareholders' Fund | RM         |
|--------------------|------------|
| 31 Dec 2008        | 44,760,089 |
| 31 Dec 2009        | 42,429,932 |
| 31 Dec 2010        | 17,888,816 |
| 31 Dec 2011        | 16,901,066 |
| 31 Dec 2012        | 14,988,515 |

| Earnings/ (Loss) Per Share (Sen) | Sen    |
|----------------------------------|--------|
| Apr 2008 – Dec 2008              | 0.9    |
| Jan 2009 – Dec 2009              | (4.2)  |
| Jan 2010 – Dec 2010              | (47.2) |
| Jan 2011 – Dec 2011              | (2.5)  |
| Jan 2012 – Dec 2012              | (3.1)  |

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

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and providing management services to its subsidiary companies.

The principal activities of the subsidiary companies are property development, project management, tour and travel agency and provision of management services for air cargo transportation businesses.

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

### FINANCIAL RESULTS

|                                     | Group<br>RM      | Company<br>RM |
|-------------------------------------|------------------|---------------|
| Net comprehensive loss for the year | <u>1,593,922</u> | <u>38,922</u> |

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the financial year ended 31 December 2012.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

### BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

### CURRENT ASSETS

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

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which would secure the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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

### **CHANGE OF CIRCUMSTANCES**

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

### **ITEMS OF AN UNUSUAL NATURE**

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

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

### **DIRECTORS**

The directors who have held office since the date of last report are:-

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman

Dato' Ng Kek Kiong

Dato' Chen Oyan Yun Shai

Shaik Rizal Bin Shaik Sulaiman

Lee Yun Choong

Fathi Ridzuan Bin Ahmad Fauzi

Liu Xiuqing

(Resigned on 01.08.12)

Ng Fung Mo

(Resigned on 01.08.12)

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman retires pursuant to Article 95 of the Company's Articles of Association and Section 129 of the Companies Act, 1965, and seeks re-election and re-appointment as director to hold office until the next Annual General Meeting of the Company.

### **DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### **ISSUE OF SHARES**

There was no share issued during the financial year.

### **DIRECTORS' INTEREST IN SHARES**

According to the register of directors' shareholdings, particulars of interests of directors in office at the end of the financial year in shares in the Company were as follow:-

|   | <u>Number of ordinary shares of RM1 each</u> |               |             | <u>Balance at<br/>31.12.12</u> |
|---|--|---------------|-------------|--------------------------------|
|   | <u>Balance at<br/>01.01.12</u>               | <u>Bought</u> | <u>Sold</u> |                                |
| Direct interest                                   |  |               |             |                                |
| Tan Sri Dato' (Dr) Abdul Aziz Bin<br>Abdul Rahman | 2,000,000                                    | -             | (2,000,000) | -                              |
| Dato' Chen Oyan Yun Shai                          | 900,000                                      | -             | -           | 900,000                        |
| Indirect interest                                 |  |               |             |                                |
| Dato' Ng Kek Kiong                                | 13,621,225                                   | -             | -           | 13,621,225                     |
| Dato' Chen Oyan Yun Shai                          | 300,000                                      | -             | -           | 300,000                        |

By virtue of his interest of more than 15% in the shares in the Company, Dato' Ng Kek Kiong is deemed to be interested in the shares in all the subsidiary companies to the extent that the Company has an interest.

None of the other directors had any interest in the Company and its related corporation during the financial year.

#### AUDITORS

The auditors, Tam & Associates, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2013

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman  
Director

Dato' Ng Kek Kiong  
Director

Kuala Lumpur

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

We, Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman and Dato' Ng Kek Kiong, being two of the directors of NAGAMAS INTERNATIONAL BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2012 and of the financial performances and the cash flows of the Group and the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2013

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman  
Director

Dato' Ng Kek Kiong  
Director

Kuala Lumpur

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

I, Dato' Ng Kek Kiong, the director primarily responsible for the financial management of NAGAMAS INTERNATIONAL BERHAD, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Dato' Ng Kek Kiong

Subscribed and solemnly declared by the abovenamed Dato' Ng Kek Kiong at Kuala Lumpur in Wilayah Persekutuan on 22 April 2013, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF NAGAMAS INTERNATIONAL BERHAD (111365 U)

**Report on the Financial Statements**

We have audited the financial statements of NAGAMAS INTERNATIONAL BERHAD which comprise the statements of financial position as at 31 December 2012 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 63.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 Group's and the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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.

*Opinion*

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF NAGAMAS INTERNATIONAL BERHAD (111365 U)

**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 have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment under Section 174 (3) of the Act other than those disclosed in Note 6 to the financial statements.

**Other Matters**

The supplementary information set out in Note 27 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Loss in the Content of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

TAM & ASSOCIATES  
No. AF-1356  
Chartered Accountants

TAM KOK MENG  
No. 1875/02/14 (J/PH)  
Partner of the firm

Kuala Lumpur  
Date: 22 April 2013

|   | Note | Group             |                   | Company           |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 2012<br>RM        | 2011<br>RM        | 2012<br>RM        | 2011<br>RM        |
| <b>Non-current assets</b>                   |      |                   |                   |                   |                   |
| Property, plant and equipment               | 4    | 8,784,979         | 153,097           | 75,999            | 102,630           |
| Goodwill                                    | 5    | -                 | -                 | -                 | -                 |
| Investment in subsidiary companies          | 6    | -                 | -                 | 12,563,000        | 12,563,000        |
|   |      | <u>8,784,979</u>  | <u>153,097</u>    | <u>12,638,999</u> | <u>12,665,630</u> |
| <b>Current Assets</b>                       |      |                   |                   |                   |                   |
| Amount due from customers on contract works | 7    | 131,109           | -                 | -                 | -                 |
| Property development costs                  | 8    | 3,709,351         | 3,431,771         | -                 | -                 |
| Accrued billings                            |      | 1,110,784         | 504,289           | -                 | -                 |
| Trade receivables                           | 9    | 1,807,679         | 500,833           | -                 | -                 |
| Non-trade receivables                       | 10   | 5,085,055         | 14,951,070        | 230,894           | 2,283,862         |
| Amount due from subsidiary companies        | 11   | -                 | -                 | 8,729,894         | 5,908,876         |
| Tax recoverable                             |      | -                 | 39,637            | -                 | 39,637            |
| Cash and bank balances                      |      | 394,233           | 419,410           | 2,711             | 8,802             |
|   |      | <u>12,238,211</u> | <u>19,847,010</u> | <u>8,963,499</u>  | <u>8,241,177</u>  |
| <b>Total assets</b>                         |      | <u>21,023,190</u> | <u>20,000,107</u> | <u>21,602,498</u> | <u>20,906,807</u> |
| <b>Equity</b>                               |      |                   |                   |                   |                   |
| Share capital                               | 12   | 50,895,000        | 50,895,000        | 50,895,000        | 50,895,000        |
| Reserves                                    | 13   | (35,906,485)      | (33,993,934)      | (31,824,431)      | (31,785,509)      |
| <b>Total Equity</b>                         |      | <u>14,988,515</u> | <u>16,901,066</u> | <u>19,070,569</u> | <u>19,109,491</u> |
| <b>Non-current liability</b>                |      |                   |                   |                   |                   |
| Bank borrowing - secured                    | 14   | 2,183,450         | 1,000,000         | -                 | -                 |
| <b>Current liabilities</b>                  |      |                   |                   |                   |                   |
| Progress billings                           |      | 727,315           | 246,376           | -                 | -                 |
| Trade payables                              | 15   | 459,935           | 754,215           | -                 | -                 |
| Non-trade payables                          | 16   | 2,663,975         | 1,098,450         | 1,604,230         | 651,611           |
| Amount due to subsidiary companies          | 11   | -                 | -                 | 927,699           | 1,145,705         |
|   |      | <u>3,851,225</u>  | <u>2,099,041</u>  | <u>2,531,929</u>  | <u>1,797,316</u>  |
| <b>Total liabilities</b>                    |      | <u>6,034,675</u>  | <u>3,099,041</u>  | <u>2,531,929</u>  | <u>1,797,316</u>  |
| <b>Total equity and liabilities</b>         |      | <u>21,023,190</u> | <u>20,000,107</u> | <u>21,602,498</u> | <u>20,906,807</u> |

The accompanying notes form an integral part of this statement.

# Statements Of Comprehensive Income For The Year Ended

31 December 2012

|   | Note | Group              |                  | Company         |                  |
|---|------|--------------------|------------------|-----------------|------------------|
|   |      | 2012<br>RM         | 2011<br>RM       | 2012<br>RM      | 2011<br>RM       |
| Revenue   | 17   | 10,291,455         | 15,336,190       | -               | -                |
| Cost of sales   | 18   | (7,902,560)        | (13,766,622)     | -               | -                |
| Gross profit  |      | 2,388,895          | 1,569,568        | -               | -                |
| Other income  | 19   | 9,896              | 3,033,800        | 2,549,527       | 3,056,902        |
| Administrative expenses   |      | (3,860,604)        | (5,823,685)      | (2,588,449)     | (4,071,398)      |
| Operating loss  |      | (1,461,813)        | (1,220,317)      | (38,922)        | (1,014,496)      |
| Finance costs   | 20   | (132,109)          | (101,307)        | -               | -                |
| Loss before tax   | 21   | (1,593,922)        | (1,321,624)      | (38,922)        | (1,014,496)      |
| Tax   | 23   | -                  | 58,111           | -               | 58,111           |
| Comprehensive loss for the year   |      | (1,593,922)        | (1,263,513)      | (38,922)        | (956,385)        |
| <b>Other comprehensive (loss) / income</b>  |      |                    |                  |                 |                  |
| Foreign currency translation differences  |      | (318,629)          | 275,763          | -               | -                |
| Total comprehensive loss for the year attributable to the owners of the Company       |      | <u>(1,912,551)</u> | <u>(987,750)</u> | <u>(38,922)</u> | <u>(956,385)</u> |
| Loss per share for the year attributable to the owners of the Company (sen per share) | 24   | <u>(3.13)</u>      | <u>(2.48)</u>    |                 |                  |

The accompanying notes form an integral part of this statement.

|   | Share<br>capital<br>RM | Foreign<br>currency<br>translation<br>reserve<br>RM | Accumulated<br>losses<br>RM | Total<br>RM       |
|---|------------------------|---|-----------------------------|-------------------|
| Balance as at 01.01.12                              | 50,895,000             | (438,289)   | (33,555,645)                | 16,901,066        |
| Total comprehensive<br>loss for the year            | -                      | (318,629)   | (1,593,922)                 | (1,912,551)       |
| Balance as at 31.12.12                              | <u>50,895,000</u>      | <u>(756,918)</u>                                    | <u>(35,149,567)</u>         | <u>14,988,515</u> |
| Balance as at 01.01.11                              | 50,895,000             | (714,052)   | (32,292,132)                | 17,888,816        |
| Total comprehensive income /<br>(loss) for the year | -                      | 275,763   | (1,263,513)                 | (987,750)         |
| Balance as at 31.12.11                              | <u>50,895,000</u>      | <u>(438,289)</u>                                    | <u>(33,555,645)</u>         | <u>16,901,066</u> |

The accompanying notes form an integral part of this statement.

**Statement Of Changes In Equity For The Year Ended**  
31 December 2012

|                                       | Share<br>capital<br>RM | Accumulated<br>losses<br>RM | Total<br>RM       |
|---------------------------------------|------------------------|-----------------------------|-------------------|
| Balance as at 01.01.12                | 50,895,000             | (31,785,509)                | 19,109,491        |
| Total comprehensive loss for the year | -                      | (38,922)                    | (38,922)          |
| Balance as at 31.12.12                | <u>50,895,000</u>      | <u>(31,824,431)</u>         | <u>19,070,569</u> |
| Balance as at 01.01.11                | 50,895,000             | (30,829,124)                | 20,065,876        |
| Total comprehensive loss for the year | -                      | (956,385)                   | (956,385)         |
| Balance as at 31.12.11                | <u>50,895,000</u>      | <u>(31,785,509)</u>         | <u>19,109,491</u> |

The accompanying notes form an integral part of this statement.

# Statements Of Cash Flows For The Year Ended

31 December 2012

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2012<br>RM  | 2011<br>RM  | 2012<br>RM  | 2011<br>RM  |
| <b>Cash flows from operating activities</b>                   |             |             |             |             |
| Loss before tax   | (1,593,922) | (1,321,624) | (38,922)    | (1,014,496) |
| Adjustments for:-   |             |             |             |             |
| Allowance for impairment loss on trade receivables            | -           | 269,294     | -           | -           |
| Allowance for impairment loss on non-trade receivables        | 82,435      | -           | -           | -           |
| Bad debts written off   | 146,360     | 9,100       | 144,098     | -           |
| Depreciation  | 47,429      | 36,235      | 29,986      | 29,934      |
| Impairment on investment in subsidiary companies              | -           | -           | -           | 764,804     |
| Interest expense  | 132,109     | 101,307     | -           | -           |
| Interest income   | (7,880)     | (1,791)     | -           | -           |
| Impairment of goodwill  | -           | 69,455      | -           | -           |
| Operating (loss) / profit before working capital changes      | (1,193,469) | (838,024)   | 135,162     | (219,758)   |
| (Increase) / Decrease in property development costs           | (277,580)   | 260,421     | -           | -           |
| (Increase) / Decrease in receivables                          | (1,043,533) | (1,554,031) | 1,908,870   | 1,052,087   |
| Increase in payables  | 1,752,184   | 732,961     | 952,619     | 513,004     |
| Net changes in related company balance                        | -           | -           | (2,400,000) | -           |
| Cash (utilised in) / generated from operating activities      | (762,398)   | (1,398,673) | 596,651     | 1,345,333   |
| Interest received   | 7,880       | 1,791       | -           | -           |
| Tax refunded  | 39,637      | 58,111      | 39,637      | 58,111      |
| Net cash (utilised in) / generated from operating activities  | (714,881)   | (1,338,771) | 636,288     | 1,403,444   |
| <b>Cash flows from investing activity</b>                     |             |             |             |             |
| Purchase of property, plant and equipment                     | (43,008)    | (68,512)    | (3,355)     | (11,744)    |
| <b>Cash flows from financing activities</b>                   |             |             |             |             |
| Drawdown of bank borrowings                                   | 1,500,000   | 1,000,000   | -           | -           |
| Interest paid   | (132,109)   | (101,307)   | -           | -           |
| Net advances to subsidiary companies                          | -           | -           | (639,024)   | (1,656,004) |
| Repayment of bank borrowings                                  | (316,550)   | -           | -           | -           |
| Net cash generated from / (utilised in) financing activities  | 1,051,341   | 898,693     | (639,024)   | (1,656,004) |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | 293,452     | (508,590)   | (6,091)     | (264,304)   |
| <b>Effect of translation differences</b>                      | (318,629)   | 275,763     | -           | -           |
| <b>Cash and cash equivalents at beginning of year</b>         | 419,410     | 652,237     | 8,802       | 273,106     |
| <b>Cash and cash equivalents at end of year</b>               | 394,233     | 419,410     | 2,711       | 8,802       |

The accompanying notes form an integral part of this statement.

## 1. GENERAL

Nagamas International Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The Company is listed on the main market of Bursa Malaysia.

The Company is principally engaged in investment holding and providing management services to its subsidiary companies.

The principal activities of the subsidiary companies are property development, project management, tour and travel agency and provision of management services for air cargo transportation businesses.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and comply with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

### 2.2 Change in accounting policies

The significant accounting policies adopted are consistent with those applied in the annual audited financial statements for the financial year ended 31 December 2011, except for the adoption of the following Amendments to FRSs and revised FRS issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial year beginning 1 January 2012:-

|                       |  |
|-----------------------|--|
| Amendments to FRS 7   | Disclosures – Transfers of Financial Assets  |
| Amendments to FRS 112 | Deferred Tax – Recovery of Underlying Assets |
| FRS 124               | Related Party Disclosures                    |

Adoption of the above standards and interpretations did not have any significant effect on the financial performances and positions of the Group and the Company.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued the Malaysian Financial Reporting Standards ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the MFRS Framework for an additional one year. Therefore, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group of which the Company is the holding company falls within the scope definition of Transitioning Entities, and accordingly, the Company will be required to prepare financial statements using the MFRS Framework for the year ending 31 December 2014. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The adjustments required on first time application of MFRS will be made, retrospectively, against opening retained earnings or accumulated losses.

As the date of these financial statements, the Group and the Company have not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessments by the

management. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

## 2.3 Basis of consolidation

### 2.3.1 Subsidiary companies

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to year end.

A subsidiary company is a company where the Group has control through the power to govern the financial and operating policies of the company so as to obtain benefits there from. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting rights of the company.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions, balances and resulting unrealised gains are eliminated on consolidation.

The excess of the purchase price over the fair value of the net assets of subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill arising on consolidation.

Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The deficiency of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition is allocated over non-monetary assets in proportion to their fair value.

## 2.4 Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Group and the Company operates (its functional currency). The functional currency of the Group and the Company and presentation currency for the financial statements is Ringgit Malaysia ("RM").

Transactions in currencies other than the Group's and the Company's functional currency are recognised at exchange rates ruling at transaction dates. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated at exchange rates ruling at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

## 2.5 Property, plant and equipment and depreciation

2.5.1 Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

2.5.2 The principal annual depreciation rates are as follows:-

|                                |           |
|--------------------------------|-----------|
| Furniture and office equipment | 10% - 20% |
| Electrical installation        | 20%       |
| Renovation                     | 25%       |

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the statements of comprehensive income.

## 2.6 Impairment of assets

At the statement of financial position date, the Group and the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

## 2.7 Investments in subsidiary companies

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

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

## 2.8 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the loans and receivables category. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### 2.8.1 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the



allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### 2.8.2 Decognition of financial assets

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### 2.9 Financial liabilities and equity instruments issued by the Group and the Company

#### 2.9.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

#### 2.9.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

#### 2.9.3 Financial liabilities

Financial liabilities are classified as financial liabilities other than at fair value through profit or loss ('FVTPL').

#### 2.9.4 Financial liabilities other than at FVTPL

Financial liabilities other than at FVTPL including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities other than at FVTPL are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### 2.9.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### 2.10 Employee benefits

#### 2.10.1 Short term benefits

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

2.10.2 Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the comprehensive income as incurred.

2.11 Revenue recognition

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

2.11.1 Revenue from administrative, management and aviation services are recognised upon performance of services.

2.11.2 Revenue from sale of development properties is recognised on percentage of completion method, when the outcome of development projects can be reliably estimated.

2.12 Property development costs

Land on which development has commenced and is expected to be completed within the normal operating cycle is included in property development costs under current assets. Property development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion of costs incurred to date bears to the estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs.

Where the outcome of a development cannot be reasonably estimated, development revenue is recognised to the extent of development costs incurred that is probable will be recoverable.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the income statement irrespective of whether development work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated development projects.

The excess of revenue recognised in the income statement over billings to purchasers of properties is recognised as accrued billings under current assets.

The excess of billings to purchasers over revenue recognised in the income statement is recognised as progress billings under current liabilities.

2.13 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the percentage of completion method. The stage of completion is measured by reference to the proportion of costs incurred to date bears to the estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs.

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

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

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

#### 2.14 Income tax

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of net profit or loss for the year.

On statement of financial position, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantively enacted by the statement of financial position date that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or different period, directly to equity.

#### 2.15 Segment information

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Key sources of estimation uncertainty

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

##### 3.1 Useful lives of property, plant and equipment

The Group and the Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed annually, and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in the estimates brought about by the factors mentioned above. A reduction in the estimates of useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets. The carrying amount of the Group's and the Company's plant and equipment at the statement of financial position date is disclosed in Note 4.

### 3.2 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This required an estimation of the value-in-use of the cash generating units (“CGU”) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at the statement of financial position date is disclosed in Note 5.

### 3.3 Recognition of revenue of property development projects

Significant judgement is required in determining the percentage of completion of the development projects, the extent of the development project costs incurred, the estimated total revenue and total costs and the recoverability of the costs of development projects. In making these judgements, management relies on past experience and the work of specialists.

### 3.4 Recognition of revenue of contract projects

Significant judgement is required in determining the percentage of completion of the contract projects, the extent of the contract project costs incurred, the estimated total revenue and total costs and the recoverability of the costs of the contract projects. In making these judgements, management relies on past experience.

### 3.5 Impairment of receivables

The Group and the Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Objective evidence of impairment which the Group and the Company will consider includes factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group’s and the Company’s receivable at the reporting date is disclosed in Note 9.

## 4.PROPERTY, PLANT AND EQUIPMENT

| <b>2012<br/>Group</b>            | <b>Leasehold<br/>land and<br/>buildings<br/>RM</b> | <b>Furniture<br/>and office<br/>equipment<br/>RM</b> | <b>Electrical<br/>installation<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Total<br/>RM</b> |
|----------------------------------|--|--|---|--------------------------|---------------------|
| Cost                             |  |  |   |                          |                     |
| As at 01.01.12                   | -  | 231,509  | 11,720                                    | 26,205                   | 269,434             |
| Additions                        | -  | 24,298   | -   | 18,710                   | 43,008              |
| Reclassified from<br>prepayment  | 8,636,303  | -  | -   | -                        | 8,636,303           |
| As at 31.12.12                   | 8,636,303  | 255,807  | 11,720                                    | 44,915                   | 8,948,745           |
| Accumulated depreciation         |  |  |   |                          |                     |
| As at 01.01.12                   | -  | 111,150  | 1,774                                     | 3,413                    | 116,337             |
| Charges                          | -  | 34,589   | 2,362                                     | 10,478                   | 47,429              |
| As at 31.12.12                   | -  | 145,739  | 4,136                                     | 13,891                   | 163,766             |
| Net book value<br>as at 31.12.12 | 8,636,303  | 110,068  | 7,584                                     | 31,024                   | 8,784,979           |
| <b>2011</b>                      |  |  |   |                          |                     |
| <b>Group</b>                     | <b>Leasehold<br/>land and<br/>buildings<br/>RM</b> | <b>Furniture<br/>and office<br/>equipment<br/>RM</b> | <b>Electrical<br/>installation<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Total<br/>RM</b> |
| Cost                             |  |  |   |                          |                     |
| As at 01.01.11                   | -  | 192,112  | 3,800                                     | 5,010                    | 200,922             |
| Additions                        | -  | 39,397   | 7,920                                     | 21,195                   | 68,512              |
| As at 31.12.11                   | -  | 231,509  | 11,720                                    | 26,205                   | 269,434             |
| Accumulated depreciation         |  |  |   |                          |                     |
| As at 01.01.11                   | -  | 78,708   | 602                                       | 792                      | 80,102              |
| Charges                          | -  | 32,442   | 1,172                                     | 2,621                    | 36,235              |
| As at 31.12.11                   | -  | 111,150  | 1,774                                     | 3,413                    | 116,337             |
| Net book value<br>as at 31.12.11 | -  | 120,359  | 9,946                                     | 22,792                   | 153,097             |

| <b>2012<br/>Company</b>          | <b>Furniture<br/>and office<br/>equipment<br/>RM</b> | <b>Electrical<br/>installation<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Total<br/>RM</b> |
|----------------------------------|--|---|--------------------------|---------------------|
| Cost                             |  |   |                          |                     |
| As at 01.01.12                   | 203,856  | 3,800                                     | 5,010                    | 212,666             |
| Additions                        | 3,355  | -   | -                        | 3,355               |
| As at 31.12.12                   | 207,211  | 3,800                                     | 5,010                    | 216,021             |
| Accumulated depreciation         |  |   |                          |                     |
| As at 01.01.12                   | 107,761  | 982                                       | 1,293                    | 110,036             |
| Charges                          | 29,105   | 380                                       | 501                      | 29,986              |
| As at 31.12.12                   | 136,866  | 1,362                                     | 1,794                    | 140,022             |
| Net book value<br>as at 31.12.12 | 70,345   | 2,438                                     | 3,216                    | 75,999              |

| <b>2011<br/>Company</b>          | <b>Furniture<br/>and office<br/>equipment<br/>RM</b> | <b>Electrical<br/>installation<br/>RM</b> | <b>Renovation<br/>RM</b> | <b>Total<br/>RM</b> |
|----------------------------------|--|---|--------------------------|---------------------|
| Cost                             |  |   |                          |                     |
| As at 01.01.11                   | 192,112  | 3,800                                     | 5,010                    | 200,922             |
| Additions                        | 11,744   | -   | -                        | 11,744              |
| As at 31.12.11                   | 203,856  | 3,800                                     | 5,010                    | 212,666             |
| Accumulated depreciation         |  |   |                          |                     |
| As at 01.01.11                   | 78,708   | 602                                       | 792                      | 80,102              |
| Charges                          | 29,053   | 380                                       | 501                      | 29,934              |
| As at 31.12.11                   | 107,761  | 982                                       | 1,293                    | 110,036             |
| Net book value<br>as at 31.12.11 | 96,095   | 2,818                                     | 3,717                    | 102,630             |

## 5. GOODWILL

|                        | Group      |            |
|------------------------|------------|------------|
|                        | 2012<br>RM | 2011<br>RM |
| Net book value         |            |            |
| As at 1 January        | -          | 69,455     |
| Impairment             | -          | (69,455)   |
| As at 31 December      | -          | -          |
| As at 1 January        | 69,455     | 69,455     |
| Accumulated impairment | (69,455)   | (69,455)   |
| As at 31 December      | -          | -          |

The recoverable amount of the investment in subsidiary companies and goodwill are assessed by discounting the future cash flows projected based on actual operating results and management's assessment of future trends in respective industries of the subsidiary companies. Impairment loss was recognised in prior year as the recoverable amount is lower than the carrying amount.

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

|                                      | Company    |            |
|--------------------------------------|------------|------------|
|                                      | 2012<br>RM | 2011<br>RM |
| Unquoted shares at cost in Malaysia  | 4,330,004  | 4,330,004  |
| Unquoted shares at cost in Hong Kong | 8,997,800  | 8,997,800  |
| Accumulated impairment               | (764,804)  | (764,804)  |
|                                      | 12,563,000 | 12,563,000 |

The subsidiary companies as at 31 December 2012:-

| <u>Name of company</u>              | <u>Place of incorporation</u> | <u>Equity holdings</u> |             | <u>Principal activities</u>   |
|-------------------------------------|-------------------------------|------------------------|-------------|---|
|                                     |                               | <u>2012</u>            | <u>2011</u> |   |
| Nagamas Land Development Sdn Bhd    | Malaysia                      | 100%                   | 100%        | Property development  |
| ^Mas-Be Travel Services Sdn Bhd     | Malaysia                      | 100%                   | 100%        | Tour and travel agency  |
| ^ Nagamas Aviation Services Sdn Bhd | Malaysia                      | 100%                   | 100%        | Provision of management services for air cargo transportation business  |
| ^Nagamas Bizworks Sdn Bhd           | Malaysia                      | 100%                   | 100%        | Providing public relation consulting services and deal with agents, corporate, local authorities and government, and other related public relation consulting works |

|                                  |           |      |      |  |
|----------------------------------|-----------|------|------|--|
| ^ Nagamas Venture Sdn Bhd        | Malaysia  | 100% | 100% | Provision of project management services |
| *^ Nagamas Enterprise (HK) Ltd   | Hong Kong | 100% | 100% | Agency of air cargo transportation       |
| * Nagamas International (HK) Ltd | Hong Kong | 100% | 100% | Property development                     |

^ The audit reports of these subsidiary companies contain emphasis of matter relating to the appropriateness of going concern basis of accounting used in the preparation of their financial statements which presumes continued financial support to be given by the Company.

\* These subsidiary companies are audited by a firm other than Tam & Associates.

## 7. AMOUNT DUE FROM CUSTOMERS ON CONTRACT WORKS

|  | Group   |      |
|--|---------|------|
|  | 2012    | 2011 |
|  | RM      | RM   |
| Construction contract costs incurred to date | 131,109 | -    |
| Represented by:-                             |         |      |
| Amount due from customers on contract works  | 131,109 | -    |

## 8. PROPERTY DEVELOPMENT COSTS

|  | Group       |             |
|--|-------------|-------------|
|  | 2012        | 2011        |
|  | RM          | RM          |
| As at 1 January                                      |             |             |
| - freehold land                                      | 4,073,000   | 4,073,000   |
| - development costs                                  | 4,347,758   | 1,585,192   |
|  | 8,420,758   | 5,658,192   |
| Costs incurred during the year                       |             |             |
| - development costs                                  | 1,390,186   | 2,762,566   |
| As at 31 December                                    | 9,810,944   | 8,420,758   |
| Cost recognised in statement of comprehensive income |             |             |
| - prior year   | (4,988,987) | (1,966,000) |
| - current year                                       | (1,112,606) | (3,022,987) |
|  | (6,101,593) | (4,988,987) |
|  | 3,709,351   | 3,431,771   |

The freehold land under development is pledged as security for the bank borrowing referred to in Note 14 to the financial statements.

## 9. TRADE RECEIVABLES

Included in trade receivables is RM Nil (2011: RM208,329) owing by a company in which a director of the Company has substantial interest as disclosed in Note 25.

The credit period of trade receivables range from 30 to 90 days (2011: 30 to 90 days).

Allowance for impairment loss is considered on a debtor by debtor basis and in compliance with the Group's credit control and accounting policy. All debtors under financial difficulties are fully provided as disclosed in Note 28.



## 10. NON-TRADE RECEIVABLES

|                     | Group            |                   | Company        |                  |
|---------------------|------------------|-------------------|----------------|------------------|
|                     | 2012<br>RM       | 2011<br>RM        | 2012<br>RM     | 2011<br>RM       |
| Deposits paid for   |                  |                   |                |                  |
| undertaken projects | 4,441,050        | 3,405,000         | -              | -                |
| Other deposits      | 612,411          | 999,661           | 208,816        | 343,998          |
| Other non-trade     |                  |                   |                |                  |
| receivables         | 31,594           | 2,067,080         | 22,078         | 1,939,864        |
| Prepayment for      |                  |                   |                |                  |
| properties under    |                  |                   |                |                  |
| construction        | -                | 8,461,775         | -              | -                |
| Others              | -                | 17,554            | -              | -                |
|                     | <u>5,085,055</u> | <u>14,951,070</u> | <u>230,894</u> | <u>2,283,862</u> |

Included in the other deposits are amounts of RM379,518 (2011: RM630,400) and RM5,500 (2011: RM5,500) due from a corporation to the Group and the Company respectively in which a director of the Group has substantial interest as disclosed in Note 25. The amounts are unsecured, interest free and have no fixed terms of repayment.

Prepayment for properties under construction is reclassified to property, plant and equipment following the completion of the construction and obtaining of title deeds to the properties.

## 11. AMOUNT DUE FROM / TO SUBSIDIARY COMPANIES

The amount due from / to the subsidiary companies are unsecured advances, interest free and have no fixed terms of repayment.

## 12. SHARE CAPITAL

|                            | Number of ordinary<br>share of RM1 each |                      | RM                   | RM                   |
|----------------------------|---|----------------------|----------------------|----------------------|
| Authorised:-               |   |                      |                      |                      |
| As at 31 December          | <u>1,000,000,000</u>                    | <u>1,000,000,000</u> | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| Issued and fully paid up:- |   |                      |                      |                      |
| As at 31 December          | <u>50,895,000</u>                       | <u>50,895,000</u>    | <u>50,895,000</u>    | <u>50,895,000</u>    |

### 13.RESERVES

|                              | Group             |                   | Company           |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | 2012              | 2011              | 2012              | 2011              |
|                              | RM                | RM                | RM                | RM                |
| Foreign currency translation | 756,918           | 438,289           | -                 | -                 |
| Accumulated losses           | 35,149,567        | 33,555,645        | 31,824,431        | 31,785,509        |
|                              | <u>35,906,485</u> | <u>33,993,934</u> | <u>31,824,431</u> | <u>31,785,509</u> |

#### Foreign currency translation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the subsidiary companies with functional currencies other than RM.

### 14.BANK BORROWING - SECURED

The interest rate of the bank borrowing is base lending rate of the lending bank plus 1.75% (2011: 1.75%) per annum.

The bank borrowing is secured by:-

- i. Freehold land under property development (Note 8)
- ii. Corporate guarantee from the Company
- iii. Jointly and severally guaranteed by a director of the Company and a director of a subsidiary.

This bank borrowing is repayable three years from the first drawdown on 23rd August 2011 or via redemption of properties sold at 35% of the sales value, whichever is earlier.

### 15.TRADE PAYABLES

The credit period of trade payables range from 30 to 45 days.

The trade payables as at the statement of financial position date are past due.

### 16.NON-TRADE PAYABLES

|                          | Group            |                  | Company          |                |
|--------------------------|------------------|------------------|------------------|----------------|
|                          | 2012             | 2011             | 2012             | 2011           |
|                          | RM               | RM               | RM               | RM             |
| Accruals                 | 731,369          | 604,586          | 157,209          | 271,770        |
| Amount due to directors  | 937,966          | 146,856          | 937,966          | 146,856        |
| Deposit received         | 150,000          | -                | -                | -              |
| Other non-trade payables | 844,640          | 347,008          | 509,055          | 232,985        |
|                          | <u>2,663,975</u> | <u>1,098,450</u> | <u>1,604,230</u> | <u>651,611</u> |

Included in the accruals are amounts of RM176,231 (2011: RM76,723) and RM81,231 (2011: RM38,723) due to a corporation by the Group and the Company respectively in which a director of the Company has substantial interest as disclosed in Note 25. The amounts are unsecure, interest free and have no fixed terms of repayment.

**17. REVENUE**

|  | Group             |                   | Company  |          |
|--|-------------------|-------------------|----------|----------|
|  | 2012              | 2011              | 2012     | 2011     |
|  | RM                | RM                | RM       | RM       |
| Aviation-related services              | 6,906,881         | 11,075,352        | -        | -        |
| Management and<br>consultancy services | 2,200,000         | -                 | -        | -        |
| Property development                   | 1,184,574         | 4,260,838         | -        | -        |
|  | <u>10,291,455</u> | <u>15,336,190</u> | <u>-</u> | <u>-</u> |

**18. COST OF SALES**

|                           | Group            |                   | Company  |          |
|---------------------------|------------------|-------------------|----------|----------|
|                           | 2012             | 2011              | 2012     | 2011     |
|                           | RM               | RM                | RM       | RM       |
| Aviation-related services | 6,789,954        | 10,743,635        | -        | -        |
| Property development      | 1,112,606        | 3,022,987         | -        | -        |
|                           | <u>7,902,560</u> | <u>13,766,622</u> | <u>-</u> | <u>-</u> |

**19. OTHER INCOME**

|   | Group        |                  | Company          |                  |
|---|--------------|------------------|------------------|------------------|
|   | 2012         | 2011             | 2012             | 2011             |
|   | RM           | RM               | RM               | RM               |
| Bank interest income                            | 7,880        | 1,791            | -                | -                |
| Management fee                                  | -            | 3,056,902        | 2,400,000        | 3,056,902        |
| Rental income                                   | 1,755        | -                | -                | -                |
| Unrealised (loss) / gain on<br>foreign exchange | -            | (25,065)         | 149,527          | -                |
| Others  | 261          | 172              | -                | -                |
|   | <u>9,896</u> | <u>3,033,800</u> | <u>2,549,527</u> | <u>3,056,902</u> |

**20.FINANCE COSTS**

|                         | Group          |                | Company  |          |
|-------------------------|----------------|----------------|----------|----------|
|                         | 2012           | 2011           | 2012     | 2011     |
|                         | RM             | RM             | RM       | RM       |
| Bank borrowing interest | 130,926        | 22,882         | -        | -        |
| Other interest          | 1,183          | 78,425         | -        | -        |
|                         | <u>132,109</u> | <u>101,307</u> | <u>-</u> | <u>-</u> |

**21.LOSS BEFORE TAX**

|   | Group          |                  | Company        |                  |
|---|----------------|------------------|----------------|------------------|
|   | 2012           | 2011             | 2012           | 2011             |
|   | RM             | RM               | RM             | RM               |
| This is stated after charging:-                       |                |                  |                |                  |
| Allowance for impairment of trade receivables         | -              | 269,294          | -              | -                |
| Allowance for impairment of non-trade receivables     | 82,435         | -                | -              | -                |
| Auditors remuneration:-                               |                |                  |                |                  |
| - current year  | 68,178         | 63,838           | 28,000         | 28,000           |
| - underprovision in prior year                        | 1,265          | 6,000            | -              | -                |
| Bad debt written off                                  | 146,360        | 9,100            | 144,098        | -                |
| Depreciation  | 47,429         | 36,235           | 29,986         | 29,934           |
| Directors' remuneration                               |                |                  |                |                  |
| - Directors' fees                                     | 79,638         | 223,200          | 79,638         | 223,200          |
| - Directors' emoluments other than fees               | 1,286,100      | 569,568          | 1,286,100      | 439,200          |
| Impairment loss on investment in subsidiary companies | -              | -                | -              | 764,804          |
| Rental of motor vehicles                              | 132,000        | 132,000          | -              | -                |
| Rental of premises                                    | 124,282        | 116,279          | 18,000         | 21,190           |
| Staff costs   | <u>806,150</u> | <u>1,467,627</u> | <u>558,514</u> | <u>1,071,317</u> |

Included in the staff costs are contributions made by the Group and Company to the Employees' Provident Fund amounting to RM76,139 and RM51,744 (2011: RM206,603 and 147,157) respectively.

## 22. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and the Company are as follows:-

|                                 | Group            |                | Company          |                |
|---------------------------------|------------------|----------------|------------------|----------------|
|                                 | 2012             | 2011           | 2012             | 2011           |
|                                 | RM               | RM             | RM               | RM             |
| <b>Directors' remuneration</b>  |                  |                |                  |                |
| <b>Executive</b>                |                  |                |                  |                |
| - Fees                          | 2,000            | 28,000         | 2,000            | 28,000         |
| - Salaries and other emoluments | 1,264,500        | 512,400        | 1,264,500        | 396,000        |
| - Defined contribution plans    | 21,600           | 57,168         | 21,600           | 43,200         |
|                                 | <u>1,288,100</u> | <u>597,568</u> | <u>1,288,100</u> | <u>467,200</u> |
| <b>Non-executive</b>            |                  |                |                  |                |
| - Fees                          | 77,638           | 195,200        | 77,638           | 195,200        |
|                                 | <u>1,365,738</u> | <u>792,768</u> | <u>1,365,738</u> | <u>662,400</u> |

The number of directors whose total remuneration during the financial year falls within the following bands is analysed below:-

|                                  | Number of directors |           |
|----------------------------------|---------------------|-----------|
|                                  | 2012                | 2011      |
| <b>Executive directors:-</b>     |                     |           |
| - RM300,000 and less             | -                   | 2         |
| - RM300,001 and above            | 2                   | 1         |
| <b>Non-executive directors:-</b> |                     |           |
| - RM100,000 and less             | 8                   | 7         |
| Total                            | <u>10</u>           | <u>10</u> |

## 23. TAX

The details of remuneration receivable by directors of the Group and the Company are as follows:-

|                              | Group    |                 | Company  |                 |
|------------------------------|----------|-----------------|----------|-----------------|
|                              | 2012     | 2011            | 2012     | 2011            |
|                              | RM       | RM              | RM       | RM              |
| Over provision in prior year |          |                 |          |                 |
| - real property gain tax     | -        | (58,111)        | -        | (58,111)        |
|                              | <u>-</u> | <u>(58,111)</u> | <u>-</u> | <u>(58,111)</u> |

A reconciliation of income tax expense applicable to income / loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

|  | <b>Group</b>       |                    | <b>Company</b>  |                    |
|--|--------------------|--------------------|-----------------|--------------------|
|  | <b>2012</b>        | <b>2011</b>        | <b>2012</b>     | <b>2011</b>        |
|  | <b>RM</b>          | <b>RM</b>          | <b>RM</b>       | <b>RM</b>          |
| Loss before tax                                    | <u>(1,593,922)</u> | <u>(1,321,624)</u> | <u>(38,922)</u> | <u>(1,014,496)</u> |
| Tax at Malaysian statutory tax of 25%              | (321,388)          | (330,406)          | (9,731)         | (253,624)          |
| Effect of different tax rates in other countries   | (25,886)           | 7,408              | -               | -                  |
| Effect of expenses not deductible for tax purposes | 159,025            | 567,690            | 77,701          | 473,940            |
| Effect of income not subject to tax                | (37,382)           | -                  | (37,382)        | -                  |
| Effect of unabsorbed tax losses not recognised     | 258,971            | 30,852             | -               | -                  |
| Effect of utilising previously unrecognised losses | (28,643)           | (270,916)          | (23,641)        | (208,505)          |
| Over provision of real property gains tax          | -                  | (58,111)           | -               | (58,111)           |
| Others   | <u>(4,697)</u>     | <u>(4,628)</u>     | <u>(6,947)</u>  | <u>(11,811)</u>    |
|  | <u>-</u>           | <u>(58,111)</u>    | <u>-</u>        | <u>(58,111)</u>    |

#### 24. LOSS PER SHARE

The calculation of basic loss per share, which is based on loss attributable to the owners of the Company and weighted average number of ordinary shares outstanding during the financial year, is as follows:-

|   | <b>Group</b>       |                    |
|---|--------------------|--------------------|
|   | <b>2012</b>        | <b>2011</b>        |
|   | <b>RM</b>          | <b>RM</b>          |
| Loss from continuing operations, net of tax         | <u>(1,593,922)</u> | <u>(1,263,513)</u> |
| Weighted average number of ordinary shares in issue | <u>50,895,000</u>  | <u>50,895,000</u>  |
| Loss for the year (sen per share)                   | <u>(3.13)</u>      | <u>(2.48)</u>      |

## 25. RELATED PARTY DISCLOSURES

### Identities of related parties

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

The Company has related party relationships with its subsidiary companies and directors.

Malaysia-Beijing Travel Services Sdn Bhd is a related party in which Dato' Ng Kek Kiong, a director and a shareholder of the Company, has substantial interest.

The following transactions were carried out by the Group and the Company with related parties:-

#### 25.1 Trading transactions

|  | Group     |           | Company |      |
|--|-----------|-----------|---------|------|
|  | 2012      | 2011      | 2012    | 2011 |
|  | RM        | RM        | RM      | RM   |
| Malaysia-Beijing Travel Services Sdn Bhd:- |           |           |         |      |
| - Sales of services                        | 1,274,313 | 4,269,263 | -       | -    |
| - Purchase of services                     | 1,185,408 | 3,971,407 | -       | -    |

#### 25.2 Non-trade transactions

|  | Group   |        | Company   |        |
|--|---------|--------|-----------|--------|
|  | 2012    | 2011   | 2012      | 2011   |
|  | RM      | RM     | RM        | RM     |
| Administrative fees:-                      |         |        |           |        |
| - Nagamas Venture Sdn Bhd                  | -       | -      | 2,400,000 | -      |
| Rental of premises:-                       |         |        |           |        |
| - Malaysia-Beijing Travel Services Sdn Bhd | 114,009 | 75,000 | 18,000    | 21,190 |

The following balances were outstanding at the statement of financial position date:-

25.3 Amount due from related parties

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2012<br>RM | 2011<br>RM | 2012<br>RM | 2011<br>RM |
| Non-trade with subsidiary companies:-      |            |            |            |            |
| - Mas-Be Travel Services Sdn Bhd           | -          | -          | 631,330    | 1,208,673  |
| - Nagamas Aviation Services Sdn Bhd        | -          | -          | 748,266    | 746,217    |
| - Nagamas Bizworks Sdn Bhd                 | -          | -          | 58,626     | 46,956     |
| - Nagamas Enterprise (HK) Ltd              | -          | -          | 278,729    | 275,986    |
| - Nagamas Venture Sdn Bhd                  | -          | -          | 7,012,943  | 3,631,044  |
| Non-trade with related party:-             |            |            |            |            |
| - Malaysia-Beijing Travel Services Sdn Bhd | 379,518    | 630,400    | 5,500      | 5,500      |
| Trade with related party:-                 |            |            |            |            |
| - Malaysia-Beijing Travel Services Sdn Bhd | -          | 208,329    | -          | -          |

25.4 Amount due to related parties

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2012<br>RM | 2011<br>RM | 2012<br>RM | 2011<br>RM |
| Non-trade with subsidiary companies        |            |            |            |            |
| - Nagamas International (HK) Ltd           | -          | -          | 346,361    | 973,392    |
| - Nagamas Land Development Sdn Bhd         | -          | -          | 581,338    | 172,313    |
| Non-trade with related party:-             |            |            |            |            |
| - Malaysia-Beijing Travel Services Sdn Bhd | 176,231    | 76,723     | 81,231     | 38,723     |



## 25.5 Compensation of key management personnel

|                     | Group            |                  | Company          |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2012             | 2011             | 2012             | 2011             |
|                     | RM               | RM               | RM               | RM               |
| Short-term benefits | <u>1,821,373</u> | <u>1,822,707</u> | <u>1,656,003</u> | <u>1,384,645</u> |

**26. OPERATING SEGMENT**

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segment as follows:-

By Business Segment

The Group's operations comprise the following main business segments:-

|                                     |   |
|-------------------------------------|---|
| Aviation Services                   | Agency of air-cargo transportation and tour and travel agency |
| Management and consultancy services | Provision of management, marketing and consultancy services   |
| Property development                | Property development  |

Management monitors operating results of its business unit separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financial (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

| 2012                       | Aviation services |    | Management and consultancy services |    | Property development |    | Elimination |    | Per consolidated financial statement |             |
|----------------------------|-------------------|----|-------------------------------------|----|----------------------|----|-------------|----|--------------------------------------|-------------|
|                            | RM                | RM | RM                                  | RM | RM                   | RM | RM          | RM | Total                                | RM          |
| Revenue                    |                   |    |                                     |    |                      |    |             |    |                                      |             |
| External sales             | 6,906,881         |    | 2,200,000                           |    | 1,184,574            |    | -           |    |                                      | 10,291,455  |
| <b>Results</b>             |                   |    |                                     |    |                      |    |             |    |                                      |             |
| Segment results (external) | (129,320)         |    | (745,525)                           |    | (719,077)            |    | -           |    |                                      | (1,593,922) |
| Tax                        |                   |    |                                     |    |                      |    |             |    |                                      | -           |
| Loss after tax             |                   |    |                                     |    |                      |    |             |    |                                      | (1,593,922) |
| <b>Segment assets</b>      |                   |    |                                     |    |                      |    |             |    |                                      |             |
|                            | 385,313           |    | 14,519,752                          |    | 6,118,125            |    | -           |    |                                      | 21,023,190  |
| <b>Segment liabilities</b> |                   |    |                                     |    |                      |    |             |    |                                      |             |
|                            | 1,610,744         |    | 487,164                             |    | 3,936,767            |    | -           |    |                                      | 6,034,675   |

| 2011                       | Aviation services<br>RM | Property development<br>RM | Elimination<br>RM | Per consolidated financial statement |             |
|----------------------------|-------------------------|----------------------------|-------------------|--------------------------------------|-------------|
|                            |                         |                            |                   | Total<br>RM                          | Total<br>RM |
| <b>Revenue</b>             |                         |                            |                   |                                      |             |
| External sales             | 11,075,352              | 4,260,838                  | -                 |                                      | 15,336,190  |
| <b>Results</b>             |                         |                            |                   |                                      |             |
| Segment results (external) | (359,940)               | (961,684)                  | -                 |                                      | (1,321,624) |
| Tax                        |                         |                            |                   |                                      | 58,111      |
| Loss after tax             |                         |                            |                   |                                      | (1,263,513) |
| <b>Segment assets</b>      | 15,240,701              | 4,759,406                  | -                 |                                      | 20,000,107  |
| <b>Segment liabilities</b> | 927,964                 | 2,171,077                  | -                 |                                      | 3,099,041   |

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

## 27. SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and the Company as at 31 December 2012 into realised and unrealised (losses) / profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accounts on 20 December 2010.

|  | Group               |                     | Company             |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2012                | 2011                | 2012                | 2011                |
|  | RM                  | RM                  | RM                  | RM                  |
| Total accumulated losses of the Company and its subsidiary companies |                     |                     |                     |                     |
| - Total realised losses  | (36,019,902)        | (34,514,520)        | (31,824,431)        | (31,785,509)        |
| - Total unrealised profits   | 149,527             | 119,034             | -                   | -                   |
|  | <u>(35,870,375)</u> | <u>(34,395,486)</u> | <u>(31,824,431)</u> | <u>(31,785,509)</u> |
| Add: consolidation adjustments                                       | 720,808             | 839,841             | -                   | -                   |
|  | <u>(35,149,567)</u> | <u>(33,555,645)</u> | <u>(31,824,431)</u> | <u>(31,785,509)</u> |

## 28. FINANCIAL INSTRUMENTS

### 28.1 Capital risk management

The Group manages its capital to ensure that the group of companies will be able to continue as going concern while maximising the return to their shareholders through the optimisation of the debt and equity balance.

|                              | Group             |                   | Company           |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | 2012              | 2011              | 2012              | 2011              |
|                              | RM                | RM                | RM                | RM                |
| Trade and non-trade payables | 3,851,225         | 2,099,041         | 2,531,929         | 1,797,316         |
| Bank borrowing - secured     | 2,183,450         | 1,000,000         | -                 | -                 |
| Cash and bank balances       | (394,233)         | (419,410)         | (2,711)           | (8,802)           |
| Net debt                     | <u>5,640,442</u>  | <u>2,679,631</u>  | <u>2,529,218</u>  | <u>1,788,514</u>  |
| Total equity                 | <u>14,988,515</u> | <u>16,901,066</u> | <u>19,070,569</u> | <u>19,109,491</u> |
| Debt-to-equity ratio         | <u>0.38</u>       | <u>0.16</u>       | <u>0.13</u>       | <u>0.09</u>       |

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

The Group and the Company are not subject to any externally imposed capital requirements.

## 28.2 Categories of financial instruments

|                          | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2012             | 2011             | 2012             | 2011             |
|                          | RM               | RM               | RM               | RM               |
| Financial assets         |                  |                  |                  |                  |
| Loan and receivables     | 6,892,734        | 15,491,540       | 8,960,788        | 8,232,375        |
| Cash and bank balances   | <u>394,233</u>   | <u>419,410</u>   | <u>2,711</u>     | <u>8,802</u>     |
| Financial liabilities    |                  |                  |                  |                  |
| Financial liabilities at |                  |                  |                  |                  |
| amortised cost           | <u>6,034,675</u> | <u>3,099,041</u> | <u>2,531,929</u> | <u>1,797,316</u> |

## 28.3 Financial risk management

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

The Group and the Company have exposure to the following risks from their financial instruments:-

- Credit risk
- Liquidity risk
- Market risk

## 28.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiary companies.

### Receivables

Risk management objectives, policies and processes for managing the risk  
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit. The Group does not normally requires collateral from its customers.

Exposure to credit risk, credit quality and collateral

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

The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

*Impairment losses*

The ageing of receivables as at the end of the reporting period is:-

| <b>Group</b>               | <b>Individual</b> |                   | <b>Net</b>       |
|----------------------------|-------------------|-------------------|------------------|
|                            | <b>Gross</b>      | <b>impairment</b> |                  |
| <b>2012</b>                | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        |
| Not past due               | 129,863           | -                 | 129,863          |
| Past due more than 90 days | 1,677,816         | -                 | 1,677,816        |
|                            | <u>1,807,679</u>  | <u>-</u>          | <u>1,807,679</u> |

| <b>Group</b>               | <b>Individual</b> |                   | <b>Net</b>     |
|----------------------------|-------------------|-------------------|----------------|
|                            | <b>Gross</b>      | <b>impairment</b> |                |
| <b>2011</b>                | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      |
| Not past due               | 292,504           | -                 | 292,504        |
| Past due more than 90 days | 477,623           | (269,294)         | 208,329        |
|                            | <u>770,127</u>    | <u>(269,294)</u>  | <u>500,833</u> |

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

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly.

Exposure to credit risk and credit quality

As at the end of the reporting period, there was no indication that the advances to the subsidiary companies were not recoverable. The Company does not specially monitor the ageing of the advances to the subsidiary companies.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

Cash and cash equivalents are placed with licensed banks.

Exposure to credit risk and credit quality

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

*Impairment loss*

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

## 28.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group's and the Company's exposures to liquidity risk arise principally from their payables.

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

Summary of the maturity profile of the Group and the Company's liabilities at the reporting date is as follows:

| 2012                  | Contractual      |                  |                        |                  |                  |
|-----------------------|------------------|------------------|------------------------|------------------|------------------|
|                       | Carrying amount  | interest rate    | Contractual cash flows | Under 1 year     | More than 1 year |
| Group                 | RM               | RM               | RM                     | RM               | RM               |
| Payables and accruals | 3,851,225        | -                | 3,851,225              | 3,851,225        | -                |
| Bank borrowing        | <u>2,183,450</u> | <u>2,183,450</u> | <u>-</u>               | <u>-</u>         | <u>2,183,450</u> |
| <b>Company</b>        |                  |                  |                        |                  |                  |
| Payables and accruals | <u>2,531,929</u> | <u>-</u>         | <u>2,531,929</u>       | <u>2,531,929</u> | <u>-</u>         |
| 2011                  | Contractual      |                  |                        |                  |                  |
|                       | Carrying amount  | interest rate    | Contractual cash flows | Under 1 year     | More than 1 year |
| Group                 | RM               | RM               | RM                     | RM               | RM               |
| Payables and accruals | 2,099,041        | -                | 2,099,041              | 2,099,041        | -                |
| Bank borrowing        | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u>               | <u>-</u>         | <u>1,000,000</u> |
| <b>Company</b>        |                  |                  |                        |                  |                  |
| Payables and accruals | <u>1,797,316</u> | <u>-</u>         | <u>1,797,316</u>       | <u>1,797,316</u> | <u>-</u>         |

28.6 Market risk

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

28.6.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's primary interest rate risk relates to interest-bearing borrowings.

The Group manages its interest rate exposure by actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets.

Interest rate sensitivity

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

|  | 2012<br>RM      | 2011<br>RM      |
|--|-----------------|-----------------|
| Borrowing denominated in Ringgit Malaysia          |                 |                 |
| - Interest rate increased by 0.25 percentage point | 45,852          | 21,000          |
| - Interest rate decreased by 0.25 percentage point | <u>(45,852)</u> | <u>(21,000)</u> |

28.7 Fair value of financial instruments

The carrying amounts of current financial assets and liabilities of the Group and the Company at the statement of financial position date approximate their fair values due to their relatively short term nature of these financial instruments.

The carrying amount of non-current borrowing of the Group is reasonable approximation of its fair value as it is a floating rate instrument that is re-priced to market interest rates on or near the reporting date.



**Properties of The Group as at 31 December 2012**

| Location  | Description & Usage  | Age of Building | Tenure  | Built -Up Area  | Net Book Value (RM) | Acquisition Date |
|---|--|-----------------|---|---|---------------------|------------------|
| Unit No. 3, 4, 5 & 6 on Level 1 and Unit No. 2, 3, 4, 5, 6 & 7 on Level 2 of Block 1 (Long Xian Ge) and Unit No. 2 & 3 on Level 1 and Unit No. 3 & 4 on Level 2 of Block 2 (Long He Ge), Dragon Mall, Danshui, Bai Yun 2 <sup>nd</sup> Road, Huiyang District, Huizhou City, Guangdong Province, the People's Republic of China | The properties comprise 14 shops in two buildings completed in 2011<br><br>The properties are presently vacant | 1 year          | The land use rights were granted for a term of 70 years commencing from 1 December 2004 until 1 December 2074 for commercial and residential uses | The properties have a total gross floor area of approximately 1,467.39 m <sup>2</sup> | 8,636,303           | 29 December 2009 |

## SHARE CAPITAL

|                                  |   |                                  |
|----------------------------------|---|----------------------------------|
| Authorised Share Capital         | : | RM100,000,000.00                 |
| Issued and Fully Paid-up Capital | : | RM50,895,000.00                  |
| Class of securities              | : | Ordinary Shares of RM1.00 each   |
| Voting rights                    | : | One vote per ordinary share held |

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Holdings                         | Number of Holders | %             | Number of Shares  | %             |
|--|-------------------|---------------|-------------------|---------------|
| 1 - 99                                   | 60                | 2.31          | 2,477             | 0.01          |
| 100 - 1,000                              | 1,494             | 57.64         | 839,590           | 1.65          |
| 1,001 - 10,000                           | 726               | 28.01         | 3,032,904         | 5.96          |
| 10,001 - 100,000                         | 255               | 9.84          | 8,546,575         | 16.79         |
| 100,001 to less than 5% of issued shares | 55                | 2.12          | 20,852,229        | 40.97         |
| 5% and above of issued shares            | 2                 | 0.08          | 17,621,225        | 34.62         |
| <b>Total</b>                             | <b>2,592</b>      | <b>100.00</b> | <b>58,895,000</b> | <b>100.00</b> |

## SUBSTANTIAL SHAREHOLDERS

(per Register of Substantial Shareholders)

| Name                        | No. of Ordinary Shares of RM1.00 each held |       |                           |       |
|-----------------------------|--|-------|---------------------------|-------|
|                             | Direct                                     | %     | Indirect                  | %     |
| MB Longji Sdn Bhd           | 13,621,225 <sup>(1)</sup>                  | 26.76 | -                         | -     |
| Dato' Ng Kek Kiong          | -  | -     | 13,621,225 <sup>(2)</sup> | 26.76 |
| Tan Mei Leng                | -  | -     | 13,621,225 <sup>(2)</sup> | 26.76 |
| Datuk Azizan Bin Abd Rahman | 4,000,000 <sup>(1)</sup>                   | 7.86  | -                         | -     |

### Notes:-

- (1) Held through nominees.
- (2) Deemed interested through MB Longji Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

## DIRECTORS' SHAREHOLDINGS

(per Register of Directors' Shareholdings)

| Name   | No. of Ordinary Shares of RM1.00 each held |      |                           |       |
|--|--|------|---------------------------|-------|
|  | Direct                                     | %    | Indirect                  | %     |
| Dato' Ng Kek Kiong                             | -  | -    | 13,621,225 <sup>(1)</sup> | 26.76 |
| Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman | -  | -    | -                         | -     |
| Dato' Chen Oyan Yun Shai                       | 900,000                                    | 1.77 | 300,000 <sup>(2)</sup>    | 0.59  |
| Shaik Rizal Bin Shaik Sulaiman                 | -  | -    | -                         | -     |
| Lee Yun Chong                                  | -  | -    | -                         | -     |
| Fathi Ridzuan Bin Ahmad Fauzi                  | -  | -    | -                         | -     |

### Notes:-

- (1) Deemed interested through MB Longji Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- (2) Deemed interested through her son, Mr Chin Fook Kwon by virtue of Section 6A of the Companies Act, 1965.

## 30 LARGEST SHAREHOLDERS

(per Record of Depositors)

| No. | Name  | No. of Shares Held | %     |
|-----|---|--------------------|-------|
| 1.  | A.A. Anthony Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For MB Longji Sdn. Bhd.                        | 13,621,225         | 26.76 |
| 2.  | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank for Azizan Bin Abd Rahman<br>(MY 0531)                                | 4,000,000          | 7.86  |
| 3.  | Hoh Kiang Po  | 1,947,800          | 3.83  |
| 4.  | Sharifah Asiah Binti Syed Aziz Baftim   | 1,559,350          | 3.06  |
| 5.  | Too Siong Ching   | 1,262,100          | 2.48  |
| 6.  | Improve Performance Investments Limited   | 1,000,000          | 1.96  |
| 7.  | Chen Oyan Yun Shai  | 900,000            | 1.77  |
| 8.  | Pong Seh Kwan @ Phong Seh Cheen   | 772,400            | 1.52  |
| 9.  | ECML Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Ong Kow Ee @ Ong<br>Chiew Chuen                    | 726,600            | 1.43  |
| 10. | Yang Yok Mooi   | 653,300            | 1.28  |
| 11. | ECML Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Ng Siau Men  | 628,000            | 1.23  |
| 12. | Yik Choy Fong   | 612,600            | 1.20  |
| 13. | Chan Ha Moi   | 541,100            | 1.06  |
| 14. | Lee Gee Hian  | 531,200            | 1.04  |
| 15. | Lai Ming Chun @ Lai Poh Lin   | 525,000            | 1.03  |
| 16. | Choo Seow Theang  | 523,500            | 1.03  |
| 17. | AllianceGroup Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Ong Kow Ee @<br>Ong Chiew Chuen (8073315) | 428,700            | 0.84  |
| 18. | Goh Ping Wei  | 397,000            | 0.78  |
| 19. | Wong Kim Tart   | 391,400            | 0.77  |
| 20. | Tan Hang Beng   | 390,000            | 0.77  |
| 21. | Chong Kuen Yip  | 385,600            | 0.76  |
| 22. | Lim Siang Chai  | 380,000            | 0.75  |
| 23. | Leow Yook Choong  | 326,200            | 0.64  |
| 24. | Yip Siew Yeen   | 325,000            | 0.64  |
| 25. | Chin Fook Kwon  | 300,000            | 0.59  |
| 26. | Lin Ligu  | 280,979            | 0.55  |
| 27. | Chu Poi Tee   | 276,000            | 0.54  |
| 28. | Yang Yok Mooi   | 260,200            | 0.51  |
| 29. | Liu Qinfang   | 250,000            | 0.49  |
| 30. | Tan Soh Moi   | 230,200            | 0.45  |
|     |   | 34,425,454         | 67.62 |

**NOTICE IS HEREBY GIVEN** that the Twenty-Ninth (29th) Annual General Meeting (“AGM”) of Nagamas International Berhad (“the Company”) will be held at The Kuala Lumpur And Selangor Chinese Assembly Hall, 1st Floor, Auditorium, No 1, Jalan Maharajalela, 50150 Kuala Lumpur on Friday, 28 June 2013 at 10.30 a.m. for the following purposes:-

**AS ORDINARY BUSINESS**

- |    |   |  |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.  | <b><i>Please refer to Explanatory Note 1</i></b> |
| 2. | To approve the payment of Directors’ Fees for the financial year ended 31 December 2012.  | <b><i>Resolution 1</i></b>                       |
| 3. | To re-elect the following Directors who retire pursuant to Article 88 of the Company’s Articles of Association and being eligible, have offered themselves for re -election: -  |  |
|    | 1) Dato’ Chen Oyan Yun Shai   | <b><i>Resolution 2</i></b>                       |
|    | 2) Shaik Rizal Bin Shaik Sulaiman   | <b><i>Resolution 3</i></b>                       |
| 4. | To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: -   |  |
|    | “ <b>THAT</b> Tan Sri Dato’ (Dr) Abdul Aziz Bin Abdul Rahman, who is retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next AGM.” | <b><i>Resolution 4</i></b>                       |
| 5. | To re-appoint Messrs. Tam & Associates as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.  | <b><i>Resolution 5</i></b>                       |

6. **AS SPECIAL BUSINESS**

To consider and if thought fit, with or without modifications to pass the following Resolutions: -

**ORDINARY RESOLUTION**

**- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

“**THAT** subject to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percentage (10%) of the issued and paid up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.”

***Resolution 6***

7. **SPECIAL RESOLUTION**  
**- PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

***Resolution 7***

“**THAT** the Proposed Amendments to the Articles of Association of the Company as set out in the Circular to Shareholders dated 5 June 2013 be and are hereby approved AND THAT the Directors and Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Articles of Association of the Company.”

8. To transact any other ordinary business for which due notice have been given.

**BY ORDER OF THE BOARD**

**TUA YAN KHIM (MAICSA 7046902)**  
 Company Secretary

Kuala Lumpur  
 Dated: 5 June 2013

**Explanatory Notes to Ordinary and Special Business:-**

**1. Item 1 of the Agenda**

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

**2. Authority pursuant to Section 132D of the Companies Act, 1965**

The Proposed adoption of the Ordinary Resolution, if passed, will empower the Directors of the Company to issue and allot new shares at any time to such persons, in their absolute discretion, deem fit (“General Mandate”), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Previous Mandate granted by the shareholders had not been utilized and hence no proceed was raised therefrom.

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

**3. Proposed Amendments to Articles of Association of the Company**

The Proposed adoption of the Special Resolution is intended to streamline the Company’s Articles of Association with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities.

## **Notes:-**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 June 2013 (“General Meeting Record of Depositors”) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, then the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia. The provision of Section 149(1)(b) of the Companies Act, 1965 shall apply to the Company.
3. A member shall not be entitled to appoint more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at Suite 9-13A, Level 9, Wisma UOA II, Jalan Pinang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or any adjournment thereof.



|                    |  |
|--------------------|--|
| No. of Shares held |  |
| CDS Account No.    |  |

I/We, .....NRIC/Company No.....  
 (Full name in block letters)

of .....  
 (Full address)

being a member(s) of NAGAMAS INTERNATIONAL BERHAD hereby appoint .....  
 (Full name in block letters)

..... of ..... or failing  
 (Full address)

whom, ..... of .....  
 (Full name in block letters) (Full address)

..... or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held at The Kuala Lumpur And Selangor Chinese Assembly Hall, 1st Floor, Auditorium, No 1, Jalan Maharajalela, 50150 Kuala Lumpur on Friday, 28 June 2013 at 10.30 a.m. and at any adjournment thereof.

The proportion of \*my/our holding to be represented by \*my/our proxies are as follows:

First Proxy (1) \_\_\_\_\_ %

Second Proxy (2) \_\_\_\_\_ %

My/Our proxy is to vote as indicated below:-

| Resolutions | Subject  | *For | *Against |
|-------------|--|------|----------|
| 1           | To approve the payment of Directors' Fees for the financial year ended 31 December 2012.   |      |          |
| 2           | To re-elect Dato' Chen Oyan Yun Shai who is retiring pursuant to Article 88 of the Company's Articles of Association, and being eligible, has offered herself for re-election.   |      |          |
| 3           | To re-elect Shaik Rizal Bin Shaik Sulaiman who is retiring pursuant to Article 88 of the Company's Articles of Association, and being eligible, has offered himself for re-election.   |      |          |
| 4           | To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-<br>"THAT Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman, who is retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting." |      |          |
| 5           | To re-appoint Messrs. Tam & Associates as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.   |      |          |
| 6           | <b>As Special Business</b><br><u>Ordinary Resolution</u><br>Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.   |      |          |
| 7           | <u>Special Resolution</u><br>Proposed Amendments to the Articles of Association of the Company.  |      |          |

\*Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

Signed this ..... day of ..... 2013.

Signature/ Common Seal of Shareholder

**Notes:-**

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- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at Suite 9-13A, Level 9, Wisma UOA II, Jalan Pinang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or any adjournment thereof.

Glue Here





The Company Secretary  
**NAGAMAS INTERNATIONAL BERHAD (111365-U)**  
Suite 9-13A, Level 9, Wisma UOA II  
Jalan Pinang, 50450 Kuala Lumpur  
Malaysia