

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the disposal of the subsidiaries involved in oil and gas exploration as disclosed in Note 16 to the financial statements.

RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Loss, net of tax	64,917	108,197
Attributable to:		
– Owners of the parent	81,197	108,197
– Minority interests	(16,280)	–
	64,917	108,197

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

DIVIDENDS

No dividends were 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 2010.

DIRECTORS' REPORT

CONTINUED

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed below:

- a. Impairment loss incurred by the Company of RM129,938,000 on its investment in subsidiaries and impairment loss in Group's goodwill of RM157,779,000 as disclosed in Note 16 and Note 22 to the financial statements respectively.
- b. On 26 April 2010, UBG Energy Limited ("UBG Energy"), a wholly-owned subsidiary of the Company, completed its disposal to PEARLOIL (SIAM) LIMITED ("POS"), a wholly owned subsidiary of Pearl Energy Limited ("Pearl") of, five (5) ordinary shares of USD1.00 each in UBG Petroleum (Thailand) Limited ("UBGPT"), representing the entire issued and paid-up share capital of UBGPT for USD19,213,000. The details of the changes in composition of the Group are disclosed in Note 16 to the financial statements.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Geh Choh Hun	Appointed on 11 November 2010
Yong Weng Fai	Appointed on 25 November 2010
Kuah Hun Liang	Appointed on 2 February 2011
Howard Low Taek Howe	Appointed on 2 February 2011
Tan Vern Tact	Appointed on 2 February 2011
Loo Ai Swan	Appointed on 2 February 2011
Dato Sri Haji Mahmud Abu Bekir Taib	Resigned on 11 November 2010
Datuk Syed Ahmad Alwee Alsee	Resigned on 11 November 2010
Dato Sri Liang Kim Bang @ Neo Ah Pang	Resigned on 11 November 2010
Low Taek Jho	Resigned on 11 November 2010
Shaher Moh'd Ali Awartani	Resigned on 11 November 2010
Krishnan A/L C K Menon	Resigned on 28 December 2010
ALTERNATE DIRECTORS:	
Tan Vern Tact (Alternate Director to: Low Taek Jho)	Resigned on 11 November 2010

DIRECTORS' REPORT

CONTINUED

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of 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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 39 to the financial statements.

DIRECTORS' INTEREST

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

OTHER STATUTORY INFORMATION

- a. Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b. At the date of this report, the directors are not aware of any circumstances which would render:
 - i. the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - ii. the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- c. At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d. At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e. As at the date of this report, there does not exist:
 - i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii. any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- f. In the opinion of the directors:
 - i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except as disclosed in Note 46 to the financial statements.

DIRECTORS' REPORT

CONTINUED

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 46 to the financial statements.

AUDITORS

The auditors, Ernst & Young, retire and are not seeking for re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 August 2011.

Geh Choh Hun

Tan Vern Tact

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Geh Choh Hun and Tan Vern Tact, being two of the directors of UBG Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 120 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 August 2011.

Geh Choh Hun

Tan Vern Tact

STATUTORY DECLARATION

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

I, Monica Oh Chin Chin, being the officer primarily responsible for the financial management of UBG Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 120 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Monica Oh Chin Chin
at Kuala Lumpur in the Federal Territory
on 24 August 2011

Monica Oh Chin Chin

Before me,

Ahmad B. Laya
Commissioner for Oath
No. W 259
Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBG BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of UBG Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 120.

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 are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b. We have considered the financial statements and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- c. We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- d. The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBG BERHAD

CONTINUED

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
24 August 2011

Yong Voon Kar
No. 1769/04/12(J/PH)
Chartered Accountant

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	GROUP		COMPANY	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
REVENUE	4	894,006	1,123,934	38,442	12,958
Cost of sales	5	(715,695)	(1,000,548)	–	–
GROSS PROFIT		178,311	123,386	38,442	12,958
Other income	6	40,348	23,631	16,540	2,630
OTHER ITEMS OF EXPENSES					
Administrative expenses		(86,535)	(86,882)	(32,142)	(20,367)
Selling and marketing expenses		(505)	(2,578)	(119)	(2,556)
Impairment losses		(157,779)	–	(129,938)	–
		(26,160)	57,557	(107,217)	(7,335)
Finance costs	7	(7,678)	(6,683)	(237)	(62)
(Loss)/profit before tax	8	(33,838)	50,874	(107,454)	(7,397)
Income tax expense	10	(31,079)	(24,543)	(743)	(938)
(LOSS)/PROFIT, NET OF TAX		(64,917)	26,331	(108,197)	(8,335)
Attributable to:					
– Owners of the parent		(81,197)	21,440	(108,197)	(8,335)
– Minority interests		16,280	4,891	–	–
		(64,917)	26,331	(108,197)	(8,335)
Earnings/(loss) per share (sen) attributable to owners of the parent:					
Basic	11	(16)	4		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(LOSS)/PROFIT NET OF TAX	(64,917)	26,331	(108,197)	(8,335)
OTHER COMPREHENSIVE INCOME:				
Foreign currency translation	(12,395)	(1,575)	–	–
Revaluation of land and buildings	2,573	–	–	–
Other comprehensive loss for the year, net of tax	(9,822)	(1,575)	–	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(74,739)	24,756	(108,197)	(8,335)
Attributable to:				
– Owners of the parent	(91,434)	19,974	(108,197)	(8,335)
– Minority interests	16,695	4,782	–	–
	(74,739)	24,756	(108,197)	(8,335)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	NOTE	GROUP			COMPANY	
		2010 RM'000	2009 RM'000 (RESTATED)	1.1.2009 RM'000 (RESTATED)	2010 RM'000	2009 RM'000
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	13	101,557	98,509	92,448	2,298	3,524
Exploration assets	14	–	165,187	–	–	–
Investment properties	15	14,900	15,067	15,067	–	–
Investments in subsidiaries	16	–	–	–	844,072	942,425
Investments in associate	17	–	–	–	–	–
Land held for property development	18	49,006	81,737	53,509	–	–
Interest in leasehold land	19	–	4,623	5,205	–	–
Prepaid land lease payments	20	1,344	1,233	–	–	–
Other intangible assets	21	1,271	630	272	–	–
Goodwill	22	371,824	529,795	531,395	–	–
Investments securities	23	315,213	–	389	314,713	–
Club memberships		280	378	378	–	–
Other long term investments		–	295	295	–	–
Trade and other receivables	24	26,517	53,162	78,256	–	–
Deferred tax assets	25	8,919	11,816	13,495	–	–
		890,831	962,432	790,709	1,161,083	945,949
CURRENT ASSETS						
Property development costs	26	85,970	63,092	92,184	–	–
Inventories	27	6,108	8,340	7,563	–	–
Trade and other receivables	24	490,796	356,905	489,780	376	1,667
Other current assets	28	112,345	52,282	42,799	–	–
Investments securities	23	18,578	49,695	112,218	–	37,125
Tax recoverable		8,554	4,502	4,464	3,864	3,020
Deposits, cash and bank balances	30	360,425	226,946	146,455	81,923	15,656
		1,082,776	761,762	895,463	86,163	57,468
Non-current assets classified as held for sale	31	10,709	429,667	367,110	–	380,669
		1,093,485	1,191,429	1,262,573	86,163	438,137
TOTAL ASSETS		1,984,316	2,153,861	2,053,282	1,247,246	1,384,086

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 – CONTINUED

	NOTE	GROUP			COMPANY	
		2010 RM'000	2009 RM'000 (RESTATED)	1.1.2009 RM'000 (RESTATED)	2010 RM'000	2009 RM'000
EQUITY AND LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	32	388,889	525,814	417,888	1,169	21,964
Other current liabilities	33	136,048	36,026	43,423	–	–
Loans and borrowings	34	56,073	61,081	84,980	500	7,000
Tax payable		9,821	10,154	1,430	–	–
		590,831	633,075	547,721	1,669	28,964
NET CURRENT ASSETS		502,654	558,354	714,852	84,494	409,173
NON-CURRENT LIABILITIES						
Trade and other payables	32	13,147	–	–	–	–
Loans and borrowings	34	22,716	79,693	69,757	–	–
Deferred tax liabilities	25	7,992	14,713	29,509	–	–
		43,855	94,406	99,266	–	–
TOTAL LIABILITIES		634,686	727,481	646,987	1,669	28,964
NET ASSETS		1,349,630	1,426,380	1,406,295	1,245,577	1,355,122
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT:						
Share capital	36	125,099	125,099	125,099	125,099	125,099
Share Premium	37	511,409	511,409	511,409	511,409	511,409
Reserves	37	619,542	711,022	697,045	609,069	718,614
		1,256,050	1,347,530	1,333,553	1,245,577	1,355,122
Minority interests		93,580	78,850	72,742	–	–
TOTAL EQUITY		1,349,630	1,426,380	1,406,295	1,245,577	1,355,122
TOTAL EQUITY AND LIABILITIES		1,984,316	2,153,861	2,053,282	1,247,246	1,384,086

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	NON-DISTRIBUTABLE					DISTRIBUTABLE			TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUATION RESERVE RM'000	TRANSLATION RESERVE RM'000	RETAINED EARNINGS RM'000	SUB-TOTAL RM'000	MINORITY INTERESTS RM'000		
GROUP									
At 1 January 2010	125,099	511,409	445	(1,393)	711,970	1,347,530	78,850	1,426,380	
– effects of adopting FRS 139	–	–	–	–	33	33	40	73	
TOTAL COMPREHENSIVE INCOME/(LOSS)	125,099	511,409	445	(1,393)	712,003	1,347,563	78,890	1,426,453	
TRANSACTIONS WITH OWNERS	–	–	2,066	(12,303)	(81,197)	(91,434)	16,695	(74,739)	
Disposal of subsidiary	–	–	–	–	–	–	(301)	(301)	
Dilution arising from issue of additional shares in subsidiary	–	–	–	–	(79)	(79)	290	211	
Dividend paid by subsidiaries to minority shareholders	–	–	–	–	–	–	(1,994)	(1,994)	
Total transactions with owners	–	–	–	–	(79)	(79)	(2,005)	(2,084)	
At 31 December 2010	125,099	511,409	2,511	(13,696)	630,727	1,256,050	93,580	1,349,630	

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	NON-DISTRIBUTABLE					DISTRIBUTABLE			TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUATION RESERVE RM'000	TRANSLATION RESERVE RM'000	RETAINED EARNINGS RM'000	SUB-TOTAL RM'000	MINORITY INTERESTS RM'000		
GROUP – CONTINUED									
At 1 January 2009	125,099	511,409	445	73	696,527	1,333,553	72,742	1,406,295	
TOTAL COMPREHENSIVE (LOSS)/INCOME	–	–	–	(1,466)	21,440	19,974	4,782	24,756	
TRANSACTIONS WITH OWNERS									
Effect of internal group reorganisation	–	–	–	–	(5,997)	(5,997)	4,507	(1,490)	
Dividend paid by subsidiaries to minority interests	–	–	–	–	–	–	(3,181)	(3,181)	
Total transactions with owners	–	–	–	–	(5,997)	(5,997)	1,326	(4,671)	
At 31 December 2009	125,099	511,409	445	(1,393)	711,970	1,347,530	78,850	1,426,380	

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

	SHARE CAPITAL RM'000	OTHER RESERVE RM'000	NON- DISTRIBUTABLE		TOTAL RM'000
			SHARE PREMIUM RM'000	RETAINED EARNINGS RM'000	
COMPANY					
At 1 January 2010	125,099	–	511,409	718,614	1,355,122
Total comprehensive loss	–	–	–	(108,197)	(108,197)
TRANSACTION WITH OWNERS					
– Waiver of debts	–	(1,348)	–	–	(1,348)
At 31 December 2010	125,099	(1,348)	511,409	610,417	1,245,577
At 31 December 2009					
At 1 January 2009	125,099	–	511,409	726,949	1,363,457
Total comprehensive loss	–	–	–	(8,335)	(8,335)
At 31 December 2009	125,099	–	511,409	718,614	1,355,122

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(33,838)	50,874	(107,454)	(7,397)
Adjustments for:				
Property, plant and equipment				
– Depreciation	7,292	5,324	858	590
– Written off	103	420	2	–
– Net (gain)/loss on disposals	(89)	(237)	12	–
– Impairment losses	1,196	–	–	–
Interest in leasehold land				
– Impairment losses	546	–	–	–
– Amortisation	583	582	–	–
Amortisation of prepaid lease payments	–	1	–	–
Other intangible assets				
– Amortisation	222	96	–	–
– Written off	–	8	–	–
Unrealised foreign exchange loss on				
– Investments securities	22,087	1,184	22,087	1,184
– Bank balances	1,581	–	1,581	–
Impairment loss on financial assets, net				
– Held for trading investments	–	12,143	–	9,698
– Trade receivables	280	2,719	–	–
Impairment loss on investments in subsidiaries	–	–	129,938	2,427
Fair value loss on investment property	24	–	–	–
Writeback of provision for foreseeable losses	(295)	–	–	–
Accretion of interest	(9,594)	(9,594)	–	–
Provision for contingent liabilities	125	–	–	–
Development cost written off	3,279	–	–	–
Impairment losses on goodwill	157,779	–	–	–
Loss on disposal of other long term investments	145	–	–	–
Interest income from:				
– Short term deposits	(3,162)	(8,834)	(220)	(804)
– Loans and receivables	(6,098)	–	–	–
Cash generated from operations carried forward	142,166	54,686	46,804	5,698

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations brought forward	142,166	54,686	46,804	5,698
Net fair value gains on financial instruments:				
– Held for trading investments	(744)	–	–	–
Reversal of impairment loss				
– Held for trading investments	(37)	–	–	–
– Trade receivables (Note 24(a))	(250)	–	–	–
Net (gain)/loss on disposal of investments securities	(17,436)	4	(16,320)	(1,724)
Loss on disposal of a subsidiary	148	–	–	–
Gain on disposal of investment in subsidiaries	(6,094)	–	–	–
Writeback of professional costs	–	(912)	–	–
Dividend income from:				
– Subsidiaries	–	–	(37,767)	(11,956)
– Investment securities (quoted in Malaysia)	(837)	(1,188)	(675)	(1,002)
Interest expense	7,678	6,683	237	62
Short term accumulating compensated absences	1,012	(116)	(14)	19
Operating profit/(loss) before working capital changes	125,606	59,157	(7,735)	(8,903)
Land held for property development	17,905	–	–	–
Construction contract	71,691	(22,812)	–	–
Property development costs	(23,745)	31,414	–	–
Trade and other receivables	737	177,012	(41)	(1,502)
Inventories	3,349	(777)	–	–
Trade and other payables	(48,778)	29,614	(20,781)	(25,649)
Cash generated from/(used in) operations	146,765	273,608	(28,557)	(36,054)
Interest received	3,162	6,066	204	799
Interest paid	(7,678)	(5,990)	(237)	(62)
Income tax refunded	480	534	–	–
Income tax paid	(40,005)	(29,508)	(138)	(1,959)
Net cash generated from/(used in) operating activities	102,724	244,710	(28,728)	(37,276)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of land	(12,337)	(28,228)	–	–
Purchase of other intangible assets	(968)	(505)	–	–
Property, plant and equipment				
– Proceeds from disposal	1,884	2,873	455	–
– Purchase (Note a)	(23,435)	(20,323)	(101)	(2,108)
Exploration assets	(4,898)	(40,116)	–	–
Prepaid lease payments	(736)	(1,310)	–	–
Dividend income received				
– Investment securities	837	8	–	–
– Subsidiaries	–	–	36,993	73,080
Interest received	–	527	–	–
Proceeds from disposal of other long term investment	150	–	–	–
Proceeds from disposal of club membership	98	–	–	–
Investment in unit trust	(10,000)	–	–	–
Proceeds from disposal of investment securities	151,626	9,418	96,421	–
Contingent receipts	–	–	–	5,952
Shares in subsidiaries				
– Acquisition and subscription	–	(45,584)	(31,585)	(98,778)
– Proceeds from disposal	–	–	–	75,000
Net cash inflow arising from disposal of subsidiaries	6,927	–	–	–
Net (increase)/decrease in other investments	(320)	(16,008)	893	(60,559)
Net cash generated from/(used in) investing activities	108,828	(139,248)	103,076	(7,413)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	5,801	77,620	–	7,000
Repayment of:				
– Borrowings	(74,429)	(91,233)	(6,500)	–
– Finance lease obligations	(1,184)	(1,379)	–	–
Dividend paid to minority shareholders	(1,994)	(3,181)	–	–
Issuance of share capital:				
– Pursuant to ESOS by a subsidiary	211	–	–	–
Net cash (used in)/generated from financing activities	(71,595)	(18,173)	(6,500)	7,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,957	87,289	67,848	(37,689)
EXCHANGE DIFFERENCE	(13,893)	(1,427)	(1,581)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	225,699	139,837	15,656	53,345
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	351,763	225,699	81,923	15,656

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

Note a: Purchases of property, plant and equipment during the year were by way of:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash	23,435	20,323	101	2,108
Hire purchase	1,552	1,213	–	–
	24,987	21,536	101	2,108

For the purpose of cash flow statements, cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash at bank and on hand (Note 30)	98,585	42,024	33,813	7,356
Deposits with licensed banks (Note 30)	261,840	184,922	48,110	8,300
Less: Restricted deposits, cash and bank balances ** :				
– Short term deposits with licensed bank	(2,173)	(1,222)	–	–
– Cash and bank balances	(190)	(25)	–	–
Less: Bank overdrafts (Note 34)	(6,299)	–	–	–
	351,763	225,699	81,923	15,656

** These are amounts held in trust by trustee under an investment management agreement for discretionary accounts and are not available for use.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. CORPORATE INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 70, Tower Two, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The Company was previously a public limited liability company. However, the Company's shares were officially delisted from the Official List of Bursa Malaysia Securities Berhad ("Bursa Malaysia") pursuant to Paragraph 16.07 of the Main Market Listing Requirements, on 17 January 2011 subsequent to the unconditional takeover offer by Javace Sdn Bhd ("JSB"), its immediate holding company and the non-compliance with the minimum twenty five percent public shareholding spread of Bursa Malaysia Practice Note No. 17/2005.

The ultimate holding company is PetroSaudi International Ltd, Seychelles ("PSI Seychelles"). JSB is incorporated in Malaysia and PSI Seychelles is incorporated in the Republic of Seychelles.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 16. There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of certain subsidiaries as disclosed in Note 16.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 CHANGES IN ACCOUNTING POLICIES – CONTINUED

FRS 4 Insurance Contracts, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions are also effective for annual periods beginning on or after 1 January 2010, however, are not applicable to the Group or the Company.

The principal effects resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:-

a. *FRS 7 - Financial Instruments: Disclosures*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

b. *FRS 8 - Operating Segments*

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114.

The Group and the Company have adopted FRS 8 retrospectively. The revised disclosures, including the related revised comparative information, are shown in Note 40.

c. *FRS 101 (revised) - Presentation of Financial Statements*

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. It separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 44).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 CHANGES IN ACCOUNTING POLICIES – CONTINUED

d. FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated.

The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

i. Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM500,000. Investments in equity instruments whose fair value cannot be reliably measured amounting to RM4,946,000 at 1 January 2010 continued to be carried at cost less impairment losses.

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for trading purposes as marketable securities. Such investments were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as financial assets at fair value through profit or loss and accordingly are stated at their fair values as at that date amounting to RM44,970,000. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010.

ii. Retention sum receivables and retention sum payables

Retention sum receivables and payables are recognised at their original invoice amounts which represent their fair values on initial recognition. Retention sum receivables/payables which are expected to be collected/paid in a future period are recognised at amortised cost upon the adoption of FRS 139. The amortised cost is measured based on the present value of the estimated future cash flows discounted at the applicable market interest rate at the time of progress billings/progress claims are recognised in the trade receivables/trade payables. As at 1 January 2010, the amortisation costs being the difference between the carrying amount and the present value is recognised as an adjustments to the opening balance of retained earnings as at that date.

iii. Impairment of trade receivables

Prior to 1 January 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 CHANGES IN ACCOUNTING POLICIES – CONTINUED

d. FRS 139 - Financial Instruments: Recognition and Measurement – Continued

The following are effects arising from the above changes in accounting policies:

	INCREASE/(DECREASE)	
	AS AT	AS AT
	31.12.2010	1.1.2010
	RM'000	RM'000
GROUP		
STATEMENT OF FINANCIAL POSITION		
Investment securities	1,464	721
Trade and other receivables	(2,679)	(4,366)
Trade and other payables	(1,670)	(3,718)
Minority interests	190	40
Retained earnings	265	33

	INCREASE/(DECREASE)
	2010
	RM'000
GROUP	
INCOME STATEMENT	
Revenue	(3,694)
Cost of sales	2,920
Interest income	2,757
Other income	744
Interest expense	2,815
Profit before tax	(88)
Income tax	246
Loss, net of tax	334
Attribute to:	
– Owners of the parent	(369)
– Minority interests	35
	2010
	SEN
	PER SHARE
Earnings per share – basic	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 CHANGES IN ACCOUNTING POLICIES – CONTINUED

e. Improvements to FRS issued in 2009 - Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and building, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial position arising from the above change in accounting policy:

	GROUP
	31.12.2010
	RM'000
Increase/(decrease) in:	
Property, plant and equipment	411
Land use rights	(411)

The following comparatives have been restated:

	AS PREVIOUSLY STATED RM'000	ADJUSTMENTS RM'000	AS RESTATED RM'000
GROUP			
STATEMENT OF FINANCIAL POSITION			
31 DECEMBER 2009			
Property, plant and equipment	98,097	412	98,509
Land use rights	412	(412)	–
1 JANUARY 2009			
Property, plant and equipment	98,097	413	98,510
Land use rights	413	(413)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for annual periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Effective for annual periods beginning on or after 1 March 2010

Amendments to FRS 132	Classification of Rights Issues
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Effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

Effective for annual periods beginning on or after 1 January 2012

IC Interpretation 15	Agreements for the Construction of Real Estate
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Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15 are described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

a. Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

b. IC Interpretation 15 Agreements for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method except for certain subsidiaries, which have been accounted using merger method of accounting. Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.10(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.4 BASIS OF CONSOLIDATION – CONTINUED

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries that meets the conditions of a merger are accounted for using the merger method. Merger method of accounting requires the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer.

On consolidation, the difference between the carrying value of the investment in the subsidiaries over the nominal value of the shares acquired is taken to merger reserve and regarded as a non-distributable reserve. Merger deficit is set off against suitable reserves on the consolidated financial statements.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 TRANSACTION WITH MINORITY INTERESTS

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in profit or loss.

2.6 FOREIGN CURRENCY

a. *Functional and presentation currency*

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

b. *Foreign currency transactions*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.6 FOREIGN CURRENCY – CONTINUED

c. Foreign operations

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

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

2.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 – 50 years
Renovations and improvements	5 years
Plant, machinery and site equipment	5 – 10 years
Office equipment, furniture and fittings	3 – 10 years
Motor vehicles	5 – 8 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.7 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.8 EXPLORATION AND EVALUATION ASSETS

The Group applies successful efforts method of accounting for exploration and evaluation costs.

Under successful efforts method of accounting, all license acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. The Group views each concession block as a cost centre. Pre-license costs and indirectly attributable administration costs are expensed off in the period in which they are incurred. Exploration and evaluation assets related to each exploration area/license are carried forward unless the existence (or otherwise) of commercial reserves have been determined or the determination process has not been completed and there are no indications of impairment.

An impairment review is performed at each financial year end at cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. An impairment loss is recognised in the profit or loss in the year in which it arises.

If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant exploration and evaluation assets is then reclassified as development and production assets. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after the conclusion of appraisal activities.

2.9 INVESTMENT PROPERTIES

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.10 INTANGIBLE ASSETS

a. *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

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

b. *Other Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives, which represent software cost, are amortised over the estimated useful lives at an annual rate of 20% and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or whenever there is indication that the carrying value may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.11 LAND USE RIGHTS

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS – CONTINUED

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 SUBSIDIARIES

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.

2.14 ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.15 JOINTLY CONTROLLED ENTITIES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, its investment in joint venture is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

2.16 FINANCIAL ASSETS

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

a. *Financial assets at fair value through profit or loss*

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b. *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.16 FINANCIAL ASSETS – CONTINUED

b. *Loans and receivables – Continued*

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

c. *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

d. *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.17 IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

a. *Trade and other receivables and other financial assets carried at amortised cost*

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

b. *Unquoted equity securities carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c. *Available-for-sale financial assets*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.19 CONSTRUCTION CONTRACTS

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

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

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

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

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

2.20 LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

a. *Land held for property development*

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

b. *Property development costs*

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.20 LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS – CONTINUED

b. *Property development costs – Continued*

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

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

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

2.21 INVENTORIES

Inventories of completed properties are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction, development costs and appropriate overheads.

Other inventories are valued at lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. The cost of other inventories consists of direct materials, direct labour, direct charges and variable production overheads, determined on a weighted average basis.

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

2.22 PROVISIONS

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

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

2.23 ASSETS CLASSIFIED AS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.24 FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a. *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

b. *Other financial liabilities*

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

2.25 BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.26 EMPLOYEE BENEFITS

a. *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund (“EPF”) in Malaysia, a defined contribution pension scheme. Whereas, the Group’s foreign subsidiaries in the Republic of Singapore make contribution to their country’s Central Provident Fund (“CPF”). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

b. *Employee share option plans*

Employees of Putrajaya Perdana Berhad (“PPB”), a subsidiary of the Group (“sub-group”), receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with the sub-group’s employees are measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the sub-group’s best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

c. *Employees’ leave entitlements*

Employee’s leave entitlements are recognised as an expense when services are rendered by employees that increase their entitlement to future compensated absences. The estimated liability is recognised based on the existing employees of the Group as at financial year end. Short term non-accumulating compensated absences such as sick leave, maternity and paternity leave are recognised when the absences occur.

d. *Termination benefits*

The Group recognises termination benefits as an expense when it is demonstrably committed to such an obligations and that the amounts can be estimated reliably. For termination benefits that are payable 12 months after the reporting date, then they are discounted to their present value.

2.27 LEASES

a. *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.27 LEASES – CONTINUED

a. *As lessee – Continued*

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

b. *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.28(g).

2.28 REVENUE

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

a. *Sale of properties*

Revenue from sale of properties under development is accounted for by the stage of completion method as described in Note 2.20(b).

Revenue from sale of property inventories is recognised net of discount and upon finalisation of sale and purchase agreements and when the significant risks and rewards of ownership have been transferred to the purchasers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of property inventories.

b. *Construction contracts*

Revenue from construction contracts is recognised on the stage of completion method as described in Note 2.19.

c. *Road maintenance work*

Revenue for routine maintenance work is based on fixed rate subject to revision in accordance to the terms as stipulated in the Road Maintenance Agreement. The revenue is recognised upon performance of work. Revenue from work orders fees are based in schedule of rates approved by client.

d. *Building maintenance contract*

Revenue from building maintenance contract is based on fixed rate in accordance to the terms as stipulated in the Maintenance Agreement. The revenue is recognised upon performance of work.

e. *Quarrying operation*

Revenue from quarry operations is recognised based on invoiced value of goods delivered to customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.28 REVENUE – CONTINUED

f. Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

g. Rental income

Rental income from investment property is recognised on accrual basis based on the agreed upon rental rates.

h. Interest income

Interest income is recognised on accrual basis unless collectability is in doubt, in which case it is recognised on receipt basis.

2.29 INCOME TAXES

a. Current tax

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

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

b. Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.29 INCOME TAXES – CONTINUED

b. *Deferred tax – Continued*

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

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

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

2.30 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

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

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

2.32 CONTINGENCIES

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

3.1 JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES – CONTINUED

a. *Classification between investment property and property, plant and equipment*

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

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

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

b. *Operating lease commitments – as lessor*

The Group has entered into commercial property leases on its investment properties. The commercial properties combined leases of land and buildings. At the inception of the lease, it was not possible to obtain a reliable estimate of the split of the fair values of the lease interest between the land and the buildings. Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases.

The Group assessed the following:

- i. The land titles do not passed to the Group, and
- ii. The rentals paid to the landlord for the commercial properties are increase to the market rent at regular intervals, and the Group does not participate in the residual value of the building.

Management judged that it retains all the significant risks and rewards of ownership of these properties, thus accounted for the contracts as operating leases.

3.2 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.

a. *Useful lives of property, plant and equipment*

The Group 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 periodically 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 technical evaluations and experience with similar assets. It is possible, however, that future results of operations could be materially affected by variations in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the property, plant and equipment balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

b. *Impairment of goodwill*

The Group determines whether goodwill is impaired on an annual basis and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units (“CGU”) to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2010 was RM371,824,000 (2009: RM529,795,000).

c. *Impairment of loans and receivables*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers 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.

d. *Property development*

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

e. *Construction contracts*

The Group recognises construction contract revenue and expenses in the in statement of comprehensive income by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the construction contract costs incurred, provision for warranties, the estimated total construction contract costs, as well as the recoverability of the construction contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

f. *Deferred tax assets*

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses and capital allowances of the Group amounted to RM43,757,000 (2009: RM45,686,000) at the reporting date.

g. *Provision for maintenance warranty*

The Group recognises a provision for liabilities associated with the maintenance warranties for its construction projects in accordance with accounting policy in Note 2.22. The Group has made assumptions in relation to provision for future warranty claims based on historical experience on level of repair or replacement, past trend analysis and judgement and assumptions made by management.

The Group’s provision for maintenance warranty is affected by claims due to actual material usage and labour costs in rectifying the defects, which may result in the actual costs differ from the Group’s estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

4. REVENUE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Road maintenance and reinstatement activities	135,322	148,198	–	–
Construction activities	652,369	904,372	–	–
Property development activities	81,405	46,442	–	–
Sales of completed properties	4,314	1,825	–	–
Sale of goods	16,698	21,132	–	–
Rental income from revenue generating investment property	96	86	–	–
Dividend income from				
– Subsidiaries	–	–	37,767	11,956
– Investment securities (quoted in Malaysia)	837	1,188	675	1,002
Management fee	–	36	–	–
Letting of machineries and equipment	1,550	655	–	–
Building maintenance	1,415	–	–	–
	894,006	1,123,934	38,442	12,958

5. COST OF SALES

	GROUP	
	2010 RM'000	2009 RM'000
Road maintenance and reinstatement activities	91,376	89,118
Construction contract cost	544,666	835,937
Property development costs	62,424	56,358
Cost of inventories sold	16,636	18,596
Letting of machineries and equipment	–	505
Rental expense in respect of revenue generating investment property	33	34
Building maintenance	560	–
	715,695	1,000,548

Included in the property development costs is the cost of land including development cost capitalised sold by a subsidiary amounting to RM10,690,000 (2009: RMNil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

6. OTHER INCOME

Included in other income are:

Interest income from:

– Short term deposits

– Loans and receivables

Net fair value gains on financial instruments:

– Held for trading investments

Reversal of impairment loss

– Held for trading investments

– Trade receivables (Note 24(a))

Foreign exchange gain

– Realised

– Unrealised

Gain of disposal property, plant and equipment

Bad debts recovered

Writeback of provision

Rental income

Sales of scrap metal

Net gain on disposal of investment securities

Gain on disposal of investment subsidiaries (Note 16(a))

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
– Short term deposits	3,162	8,834	220	804
– Loans and receivables	6,098	–	–	–
Net fair value gains on financial instruments:				
– Held for trading investments	744	–	–	–
Reversal of impairment loss				
– Held for trading investments	37	–	–	–
– Trade receivables (Note 24(a))	250	–	–	–
Foreign exchange gain				
– Realised	–	8	–	50
– Unrealised	55	208	–	52
Gain of disposal property, plant and equipment	1,069	321	–	–
Bad debts recovered	166	59	–	–
Writeback of provision	–	10,000	–	–
Rental income	2,116	2,020	–	–
Sales of scrap metal	456	551	–	–
Net gain on disposal of investment securities	17,436	–	16,320	1,742
Gain on disposal of investment subsidiaries (Note 16(a))	6,094	–	–	–

7. FINANCE COSTS

Interest expense on:

Revolving credit

Bankers' acceptance and bank overdraft

Obligations under finance lease

Term loan

Loans and receivables

	GROUP		COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Revolving credit	270	385	237	62
Bankers' acceptance and bank overdraft	117	19	–	–
Obligations under finance lease	116	92	–	–
Term loan	4,361	6,187	–	–
Loans and receivables	2,814	–	–	–
	7,678	6,683	237	62

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

8. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Employee benefits expense (Note 9)	37,681	48,246	3,957	3,320
Auditors' remuneration				
i Auditor of the Company				
– Statutory audit:				
– Current year	515	620	135	135
– Under provision in prior years	13	38	–	2
– Other fees	209	557	97	510
ii Other firm of auditors				
– Statutory audit:				
– Under provision in prior years	9	25	–	–
– Other fees	132	47	53	–
Property, plant and equipment				
– Depreciation (Note 13)	7,292	5,324	858	590
– Written off	103	420	2	–
– Net (gain)/loss on disposals	(89)	(237)	12	–
– Impairment losses (Note 13)	1,196	–	–	–
Interest in leasehold land				
– Impairment losses (Note 19)	546	–	–	–
– Amortisation (Note 19)	583	582	–	–
Other intangible assets				
– Amortisation (Note 21)	222	96	–	–
– Written off	–	8	–	–
Bad debts written off	47	–	–	–
Unrealised foreign exchange loss on				
– Investments securities	22,087	1,184	22,087	1,184
– Bank balances	1,581	–	1,581	–
Realised foreign exchange loss on investment	–	(194)	–	–
Loss on disposal of a subsidiary (Note 16(b))	148	–	–	–
Loss on disposal of other long term investments	145	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

8. (LOSS)/PROFIT BEFORE TAX – CONTINUED

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Impairment loss on financial assets:				
– Held for trading investments	–	12,143	–	9,698
– Trade receivables (Note 24(a))	280	2,719	–	–
Impairment losses on investments in subsidiaries (Note 16)	–	–	129,938	2,427
Rental of plant and equipment	67	2,480	14	16
Rental of premises	963	2,405	908	725
Legal and professional fees, net	905	(151)	905	(495)
Writeback of professional costs	–	(912)	–	–
Fair value loss on investment property (Note 15)	24	–	–	–
Writeback of provision for foreseeable losses	(295)	–	–	–
Provision for contingent liabilities	125	–	–	–
Development cost written off (Note 18)	3,279	–	–	–
Accretion of interest	(9,594)	(9,594)	–	–
Impairment losses on goodwill (Note 22)	157,779	–	–	–

9. EMPLOYEE BENEFITS EXPENSE AND DIRECTORS' REMUNERATION

a. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Recognised in profit or loss (Note 8)	37,681	48,246	3,957	3,320
Capitalise under construction contract cost incurred to date (Note 29)	59,530	45,270	–	–
Capitalised under property development costs	611	–	–	–
	97,822	93,516	3,957	3,320

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

9. EMPLOYEE BENEFITS EXPENSE AND DIRECTORS' REMUNERATION – CONTINUED

a. EMPLOYEE BENEFITS EXPENSE – CONTINUED

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	84,177	81,364	3,428	2,781
Defined contribution plan	8,572	8,212	413	333
Social security contributions	589	450	8	7
Short term accumulating compensated absences	1,012	(116)	(14)	19
Increase in liability for defined benefit plan	–	476	–	–
Other benefits	3,472	3,130	122	180
	97,822	93,516	3,957	3,320

b. DIRECTORS' REMUNERATION

Non-executive directors:				
– Fees *	1,258	795	296	625
– Other emoluments	40	2,000	20	2,000
	1,298	2,795	316	2,625
– Estimated money value of benefits-in-kind	4	25	4	25
Total directors' remuneration	1,302	2,820	320	2,650

* Included in directors fee paid in the previous financial year was an ex-gratia payment to a former director approved at the Extraordinary General Meeting of the Company held on 5 May 2009 amounted to RM200,000.

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

	NUMBER OF DIRECTORS	
	2010*	2009*
Non-executive directors:		
RMNil - RM50,000	5	1
RM50,001 - RM100,000	4	1
RM100,001 - RM150,000	–	1
RM550,001 - RM600,000	–	2
RM600,001 - RM650,000	–	2

* Including those that have resigned during the respective financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

10. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax:				
– Malaysian income tax	35,906	37,022	–	663
– Foreign income tax	–	18	–	–
(Over)/under provision in prior years:				
– Malaysian income tax	(933)	620	743	275
	34,973	37,660	743	938
Deferred tax (Note 25):				
– Relating to origination and reversal of temporary differences	(3,421)	(11,596)	–	–
– Over provision in prior year	(473)	(1,521)	–	–
	(3,894)	(13,117)	–	–
Income tax recognised in profit or loss	31,079	24,543	743	938

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year. Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2010 RM'000	2009 RM'000
GROUP		
(Loss)/profit before tax	(33,838)	50,874
Taxation at Malaysian statutory tax rate of 25%	(8,460)	12,719
Expenses not deductible for tax purposes	47,509	8,283
Different tax rates in other countries	–	18
Income not subject to tax	(6,055)	(183)
Deferred tax assets not recognised in respect of deductible temporary differences	120	4,826
Utilisation of previously unrecognised deferred tax assets	(614)	(219)
Other tax items	(15)	–
(Over)/under provision of income tax in prior years	(933)	620
Over provision of deferred tax in prior year	(473)	(1,521)
Income tax expense for the year	31,079	24,543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

10. INCOME TAX EXPENSE – CONTINUED

	2010 RM'000	2009 RM'000
COMPANY		
Loss before tax	(107,454)	(7,397)
Taxation at Malaysian statutory tax rate of 25%	(26,864)	(1,849)
Expenses not deductible for tax purposes	39,106	1,704
Income not subject to tax	(12,242)	(3,008)
Deferred tax assets not recognised in respect of deductible temporary differences	–	3,816
Under provision of income tax in prior years	743	275
Income tax expense for the year	743	938

11. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. There were no dilutive effects of all potential ordinary shares to be adjusted for the current and prior financial years.

	2010	2009
BASIC AND DILUTED EARNINGS PER SHARE		
(Loss)/profit attributable to owners of the parent of the Company (RM'000)	(81,197)	21,440
Weighted average number of ordinary shares in issue ('000)	500,396	500,396
Basic earnings/(loss) per share (sen)	(16)	4

12. DIVIDENDS

No dividends were 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 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM'000	BUILDING, RENOVATIONS & IMPROVEMENTS RM'000	PLANT & MACHINERY RM'000	SITE EQUIPMENT RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE & FITTINGS RM'000	TOTAL RM'000
AT 31 DECEMBER 2010							
COST							
At 1 January 2010 (as previously stated)	18,680	25,349	37,483	2,068	25,362	9,762	118,704
Effect of adopting amendments to FRS 117	–	431	–	–	–	–	431
At 1 January 2010 (restated)	18,680	25,780	37,483	2,068	25,362	9,762	119,135
Additions	–	33	15,593	28	6,498	2,835	24,987
Disposals	–	–	(928)	(2)	(4,477)	(253)	(5,660)
Arising from disposal of a subsidiary	–	–	–	–	(135)	(147)	(282)
Written off	–	–	(195)	–	–	(378)	(573)
Exchange difference	–	–	(45)	–	(30)	(32)	(107)
Transfer to intangible assets (Note 21)	–	–	–	–	–	(142)	(142)
Transfer from investment properties (Note 15)	–	143	–	–	–	–	143
Reclassified to non-current assets classified as held for sale (Note 31)	–	(11,383)	–	–	–	–	(11,383)
Elimination of accumulated depreciation on revaluation	–	(96)	–	–	–	–	(96)
Reclassification	(5)	141	(136)	–	–	–	–
Revaluation surplus	2,254	405	–	–	–	–	2,659
At 31 December 2010	20,929	15,023	51,772	2,094	27,218	11,645	128,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	FREEHOLD LAND RM'000	BUILDING, RENOVATIONS & IMPROVEMENTS RM'000	PLANT & MACHINERY RM'000	EQUIPMENT RM'000	SITE RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE & FITTINGS RM'000	TOTAL RM'000
GROUP – CONTINUED								
ACCUMULATED DEPRECIATION								
At 1 January 2010 (as previously stated)	–	2,109	10,542	1,614	–	4,706	1,636	20,607
Effect of adopting amendments to FRS 117	–	19	–	–	–	–	–	19
At 1 January 2010 (restated)	–	2,128	10,542	1,614	–	4,706	1,636	20,626
Depreciation charge for the financial year:								
– Recognised in profit or loss (Note 8)	–	2,010	1,550	261	–	2,034	1,437	7,292
– Capitalised in property development costs	–	–	–	–	–	–	1	1
– Capitalised in construction contract costs (Note 29)	–	–	5,240	14	14	849	783	6,886
Disposals	–	2,010	6,790	275	275	2,883	2,221	14,179
Arising from disposal of a subsidiary	–	–	(691)	(1)	(1)	(3,009)	(164)	(3,865)
Written off	–	–	–	–	–	(32)	(74)	(106)
Exchange difference	–	–	(115)	–	–	–	(355)	(470)
	–	–	(6)	–	–	(8)	(11)	(25)
Accumulated depreciation carried forward	–	4,138	16,520	1,888	–	4,540	3,253	30,339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	FREEHOLD LAND RM'000	BUILDING, RENOVATIONS & IMPROVEMENTS RM'000	PLANT & MACHINERY RM'000	SITE EQUIPMENT RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE & FITTINGS RM'000	TOTAL RM'000
GROUP – CONTINUED							
ACCUMULATED DEPRECIATION – CONTINUED							
Accumulated depreciation brought forward	–	4,138	16,520	1,888	4,540	3,253	30,339
Transfer to intangible assets (Note 21)	–	–	–	–	–	(147)	(147)
Reclassified to non-current assets classified as held for sale (Note 31)	–	(4,168)	–	–	–	–	(4,168)
Elimination of accumulated depreciation on revaluation	–	(96)	–	–	–	–	(96)
Reclassification	–	176	(158)	–	(65)	47	–
Impairment losses recognised in profit or loss (Note 8)	–	1,196	–	–	–	–	1,196
At 31 December 2010	–	1,246	16,362	1,888	4,475	3,153	27,124
NET CARRYING AMOUNT	20,929	13,777	35,410	206	22,743	8,492	101,557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	FREEHOLD LAND RM'000	BUILDING, RENOVATIONS & IMPROVEMENTS RM'000	PLANT & MACHINERY RM'000	EQUIPMENT RM'000	SITE RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE & FITTINGS RM'000	TOTAL RM'000
GROUP – CONTINUED								
AT 31 DECEMBER 2009								
COST								
At 1 January 2009 (as previously stated)	18,680	25,559	30,293	2,036	22,084	6,681	105,333	
Effect of adopting amendments to FRS 117	–	431	–	–	–	–	431	
At 1 January 2009 (restated)	18,680	25,990	30,293	2,036	22,084	6,681	105,764	
Additions	–	67	9,903	32	6,666	4,868	21,536	
Disposals	–	(24)	(2,236)	–	(3,369)	(227)	(5,856)	
Written off	–	(254)	(468)	–	–	(843)	(1,565)	
Exchange difference	–	1	(9)	–	–	(19)	(45)	
Transfer to intangible assets (Note 21)	–	–	–	–	–	–	(699)	
At 31 December 2009	18,680	25,780	37,483	2,068	25,362	9,762	119,135	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	FREEHOLD LAND RM'000	BUILDING, RENOVATIONS & IMPROVEMENTS RM'000	PLANT & MACHINERY RM'000	SITE EQUIPMENT RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT, FURNITURE AND FITTINGS RM'000	TOTAL RM'000
GROUP – CONTINUED							
ACCUMULATED DEPRECIATION							
At 1 January 2009 (as previously stated)	–	579	5,613	1,281	4,774	1,050	13,297
Effect of adopting amendments to FRS 117	–	19	–	–	–	–	19
At 1 January 2009 (restated)	–	598	5,613	1,281	4,774	1,050	13,316
Depreciation charge for the financial year:							
– Recognised in profit or loss (Note 8)	–	1,638	1,166	–	1,329	1,191	5,324
– Capitalised in construction contract costs (Note 29)	–	3	4,870	333	869	961	7,036
Disposals	–	1,641	6,036	333	2,198	2,152	12,360
Written off	–	(11)	(808)	–	(2,263)	(138)	(3,220)
Exchange difference	–	(100)	(298)	–	–	(747)	(1,145)
Transfer to intangible assets (Note 21)	–	–	(1)	–	(3)	(5)	(9)
	–	–	–	–	–	(676)	(676)
At 31 December 2009	–	2,128	10,542	1,614	4,706	1,636	20,626
NET CARRYING AMOUNT							
At 31 December 2009	18,680	23,652	26,941	454	20,656	8,126	98,509
At 1 January 2009 (restated)	18,680	25,392	24,680	755	17,310	5,631	92,448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

COMPANY	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT & FURNITURE RM'000	OFFICE RENOVATION RM'000	TOTAL RM'000
AT 31 DECEMBER 2010				
COST				
At 1 January 2010	1,971	1,733	532	4,236
Additions	–	69	32	101
Disposal	(676)	–	–	(676)
Written Off	–	(3)	–	(3)
Reclassifications	–	10	(10)	–
At 31 December 2010	1,295	1,809	554	3,658
ACCUMULATED DEPRECIATION				
At 1 January 2010	466	214	32	712
Depreciation charge for the year (Note 8)	281	469	108	858
Disposal	(209)	–	–	(209)
Written Off	–	(1)	–	(1)
Reclassifications	–	(1)	1	–
At 31 December 2010	538	681	141	1,360
NET CARRYING AMOUNT	757	1,128	413	2,298
AT 31 DECEMBER 2009				
COST				
At 1 January 2009	1,971	157	–	2,128
Additions	–	1,576	532	2,108
At 31 December 2009	1,971	1,733	532	4,236
ACCUMULATED DEPRECIATION				
At 1 January 2009	72	50	–	122
Depreciation charge for the year (Note 8)	394	164	32	590
At 31 December 2009	466	214	32	712
NET CARRYING AMOUNT	1,505	1,519	500	3,524

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

- a. Freehold land and buildings of subsidiaries acquired in 2008 were valued in 2009 by Henry Butcher Malaysia Sdn Bhd and Raine and Horne International Zaki + Partners Sdn Bhd respectively, independent qualified valuers using the comparison method to reflect fair value.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount that would have been included in the financial statements at the end of the financial year would be as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Freehold land	5,764	5,828
Buildings on freehold land	2,279	2,121
Buildings on leasehold land	–	7,196
	8,043	15,145

- b. Included in the Group's additions to property, plant and equipment are assets acquired under hire purchase arrangements as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Motor vehicles	2,371	658
Plant and machinery	–	1,380

- c. Included in the Group's property, plant and equipment are assets acquired under hire purchase arrangements with carrying values as follows:

	GROUP	
	2010 RM'000	2009 RM'000
Motor vehicles	5,158	1,348
Plant and machinery	1,286	3,475
	6,444	4,823

- d. Included in plant and machinery are machineries purchased by the Group's subsidiary during the current financial year amounting to RM4,140,000 which are subject to clearance of custom duty payable to Royal Malaysian Customs Department. These assets are not yet available for use as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

14. EXPLORATION ASSETS

GROUP

	2010 RM'000	2009 RM'000
At 1 January	165,187	–
Arising from acquisition of subsidiaries	–	125,071
Additions	4,898	40,116
Disposals	(170,085)	–
At 31 December	–	165,187

15. INVESTMENT PROPERTIES

GROUP

	2010 RM'000	2009 RM'000
At 1 January	15,067	15,067
Net loss from fair value adjustments recognised in profit or loss (Note 8)	(24)	–
Transfer to property, plant and equipment (Note 13)	(143)	–
At 31 December	14,900	15,067

The freehold investment properties are stated at fair value, representing open-market value by an independent qualified valuer, using the comparison method of valuation.

As at reporting date, the Group does not have any unprovided contractual obligations for future repairs and maintenance.

16. INVESTMENTS IN SUBSIDIARIES

COMPANY

	2010 RM'000	2009 RM'000
Quoted shares in Malaysia, at cost	–	843,342
Unquoted shares, at cost	1,026,041	151,114
	1,026,041	994,456
Less: Accumulated impairment losses	(181,969)	(52,031)
	844,072	942,425

The shares of certain subsidiaries are pledged for term loans as disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

16. INVESTMENTS IN SUBSIDIARIES – CONTINUED

Details of the subsidiaries are as follows:

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	PROPORTION OF OWNERSHIP INTEREST	
		2010 %	2009 %
<i>i. Subsidiaries of the Company</i>			
– UBG Enterprise Berhad	Dormant	100	100
– Putrajaya Perdana Berhad (“PPB”)	Investment holding	86	86
– Loh & Loh Corporation Berhad (“LLCB”)	Civil construction and investment holding	80	80
– Unity Capital International (Cayman) Ltd (“UCI”) ^	Dormant	51	51
– UBG Energy Limited *	Investment holding	100	100
<i>ii. Subsidiaries of Loh & Loh Corporation Berhad</i>			
– Loh & Loh Constructions Sdn Bhd	Building and civil construction and investment holding	100	100
– Loh & Loh Development Sdn Bhd	Property development and investment holding	100	100
– Water Engineering Technology Sdn Bhd	Trading, contracting and mechanical and electrical engineering related activities	100	100
– Central Icon Sdn Bhd	Investment holding and provision of management services	90	90
<i>iii. Subsidiaries of Loh & Loh Constructions Sdn Bhd</i>			
– Jutakim Sdn Bhd	Civil engineering	100	100
– Loh & Loh Sato Kogyo JV Sdn Bhd	Civil engineering	100	100
– Quality Quarry Sdn Bhd	Quarry operation	68	68
– Loh & Loh Ikhmas Sdn Bhd	Civil engineering	70	70
<i>iv. Subsidiaries of Loh & Loh Development Sdn Bhd</i>			
– Turf-Tech Sdn Bhd	Property development	100	100
– Green Heights Developments Sdn Bhd	Property development	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

16. INVESTMENT IN SUBSIDIARIES – CONTINUED

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	PROPORTION OF OWNERSHIP INTEREST	
		2010 %	2009 %
<i>v. Subsidiaries of Water Engineering Technology Sdn Bhd</i>			
– WET Sales and Services Sdn Bhd	Trading and contracting in water related equipment	100	100
– WET Air Sdn Bhd	Design and supply of air pollution control systems	–	65
– WET O&M Sdn Bhd	Maintenance and operation of water and waste water treatment facilities	100	–
<i>vi. Subsidiary of Central Icon Sdn Bhd</i>			
– Ladang Impian Sdn Bhd	Cultivation and selling of agricultural produce and investment holding	100	100
<i>vii. Subsidiaries of Ladang Impian Sdn Bhd</i>			
– Ladang Impian 1 Sdn Bhd	Cultivation and selling of agricultural produce	100	100
– Ladang Impian 2 Sdn Bhd	Cultivation and selling of agricultural produce	100	100
<i>viii. Subsidiary of Ladang Impian 1 Sdn Bhd</i>			
– Pasarakyat Sdn Bhd	Wholesale and retailing	100	100
<i>ix. Subsidiaries of Putrajaya Perdana Berhad</i>			
– Putra Perdana Construction Sdn Bhd	Construction	100	100
– Putra Perdana Development Sdn Bhd	Property development, property management and investment holding	100	100
– CMS Roads Sdn Bhd (“CMS Roads”)	Road assessment, maintenance and management	100	100
– CMS Pavement Tech Sdn Bhd (“CMS Pavement”)	Road construction	100	100
<i>x. Subsidiaries of Putra Perdana Development Sdn Bhd</i>			
– Perdana Land Development Sdn Bhd	Dormant	100	100
– Sarjana Sejati (M) Sdn Bhd	Property development	100	100
– Senandung Budiman Sdn Bhd	Property development and construction	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

16. INVESTMENT IN SUBSIDIARIES – CONTINUED

NAME OF SUBSIDIARIES	PRINCIPAL ACTIVITIES	PROPORTION OF OWNERSHIP INTEREST	
		2010 %	2009 %
<i>xi. Subsidiaries of Unity Capital International (Cayman) Ltd</i>			
– Unity Capital (Malaysia) Sdn Bhd	Dormant	100	100
– Unity Capital Management (Singapore) Pte Ltd	Dormant	100*	100^
<i>xii. Subsidiary of UBG Energy Ltd</i>			
– UBG Petroleum (Thailand) Ltd	Oil and gas exploration activities	–	100
<i>xiii. Subsidiaries of UBG Petroleum (Thailand) Ltd</i>			
– UBG Petro-G1 (Thailand) Ltd	Concession holder for petroleum exploration and exploitation	–	100
– UBG Petro-G3/G6 (Thailand) Ltd	Concession holder for petroleum exploration and exploitation	–	100
– UBG Petro-G2/G10 (Thailand) Ltd ^	Concession holder for petroleum exploration and exploitation	–	100
– UBG Petro-G11 (Thailand) Ltd ^	Concession holder for petroleum exploration and exploitation	–	100

^ Audited by member firms of Ernst & Young Global in the respective countries.

* Audited by firms of auditors other than Ernst & Young.

All subsidiaries are incorporated in Malaysia except for the following:

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION
Unity Capital International (Cayman) Ltd	Cayman Islands
Unity Capital Management (Singapore) Pte Ltd	Republic of Singapore
UBG Petroleum (Thailand) Ltd	British Virgin Islands
UBG Petro-G1 (Thailand) Ltd	British Virgin Islands
UBG Petro-G3/G6 (Thailand) Ltd	British Virgin Islands
UBG Petro-G2/G10 (Thailand) Ltd	People's Republic of Thailand
UBG Petro-G11 (Thailand) Ltd	People's Republic of Thailand

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

16. INVESTMENT IN SUBSIDIARIES – CONTINUED

a. UBG PETROLEUM (THAILAND) LIMITED (“UBGPT”)

On 26 April 2010 (“completion date”), UBG Energy Limited (“UBG Energy”) completed the disposal to PEARLOIL (SIAM) LIMITED (“POS”), a wholly owned subsidiary of Pearl Energy Limited (“Pearl”), of five (5) ordinary shares of USD1.00 each in UBG Petroleum (Thailand) Limited (“UBGPT”), representing the entire issued and paid-up share capital of UBGPT for a total consideration sum of USD19,213,000 (“Purchase Price”).

The Purchase Price of USD19,213,000 was settled in the following manner:

- An amount of USD13,408,000 was set-off against an equivalent sum due from UBG Energy to Pearl; and
- The balance of USD5,805,000 representing the net purchase price was satisfied fully in cash at completion date.

On completion date, POS also assumed the inter-company indebtedness owing by UBGPT to UBG Energy as at 13 April 2010 amounting to USD31,961,000 and had subsequently repaid UBG Energy the amount on behalf of UBGPT. The disposal resulted in a group gain of USD1.89 million, equivalent to RM6.09 million.

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

	AS AT DISPOSAL DATE	
	USD'000	RM'000
Exploration assets	52,756	170,085
Inventories	455	1,467
Trade and other receivables	1,026	3,308
Cash and cash equivalents	3,807	12,274
Trade and other payables	(8,760)	(28,242)
Net assets disposed	49,284	158,892
Total disposal proceeds	(51,174)	(164,986)
Gain on disposal to the Group (Note 6)	(1,890)	(6,094)
Disposal proceeds settled by:		
– Cash consideration	5,805	18,715
– Offsetting of amount due from UBG Energy to Pearl	13,408	43,228
– Repayment of amount due from UBGPT to UBG Energy	31,961	103,043
	51,174	164,986
Cash inflow arising on disposals:		
Cash consideration	5,805	18,715
Cash and cash equivalents of subsidiaries disposed	(3,807)	(12,274)
Net cash inflow on disposal	1,998	6,441

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

16. INVESTMENT IN SUBSIDIARIES – CONTINUED

b. WET AIR SDN BHD

The Group disposed of its 65% equity interest in Wet Air Sdn Bhd on 16 March 2010 for a total cash consideration of RM601,000. The subsidiary was previously reported as part of the trading segment.

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

	GROUP
	2010 RM'000
Property, plant and equipment (Note 13)	176
Inventories	228
Trade and other receivables	867
Tax recoverable	167
Cash and bank balances	115
Trade and other payables	(654)
Hire purchase creditors	(24)
Deferred tax liability (Note 25)	(16)
Net assets disposed	859
Less: Minority interest of net identifiable assets	(302)
	557
Attributable goodwill (Note 22)	192
	749
Total disposal proceeds	(601)
Loss on disposal to the Group (Note 8)	148
Cash inflow arising on disposals:	
Cash consideration	601
Cash and cash equivalents of subsidiaries disposed	(115)
Net cash inflow on disposal	486

17. INVESTMENT IN ASSOCIATE

	GROUP/COMPANY	
	2010 RM	2009 RM
Unquoted shares, at cost	81	81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

17. INVESTMENT IN ASSOCIATE – CONTINUED

Details of the associate are as follows:

NAME OF ASSOCIATE	PLACE OF INCORPORATION	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTEREST	
			2010 %	2009 %
Unity Capital Partners (Cayman) Ltd	Cayman Islands	Portfolio and fund management	25	25

The summarised financial information of the associate is as follows:

	2010 RM'000	2009 RM'000
ASSETS AND LIABILITIES		
Current assets	25	214
Current liabilities	12	714
RESULTS		
Revenue	–	19
Profit/(loss) for the year	477	(267)

18. LAND HELD FOR PROPERTY DEVELOPMENT

	FREEHOLD	LEASEHOLD	DEVELOPMENT	TOTAL
	LAND	LAND	COSTS	
	RM'000	RM'000	RM'000	RM'000
GROUP				
2010				
At 1 January	50,904*	9,968	20,865	81,737
Additions	12,000	–	337	12,337
Disposals	–	(9,968)	(722)	(10,690)
Written off (Note 8)	–	–	(3,279)	(3,279)
Transfer to property development costs (Note 26)	(29,836)	–	(1,263)	(31,099)
AT 31 DECEMBER	33,068	–	15,938	49,006
2009				
At 1 January	23,056*	9,968	20,485	53,509
Additions	27,848	–	380	28,228
AT 31 DECEMBER	50,904	9,968	20,865	81,737

* This relates to the development land in Precinct 16, Putrajaya where a subsidiary of the Group is a beneficial owner pursuant to the Development Agreement dated 30 January 2004. The land title is registered under the name of the Master Developer of entire Putrajaya.

Certain parcels of land held for development have been fair valued by Raine & Horne International Zaki + Partners Sdn Bhd, an independent qualified valuer in the previous financial year pursuant to a purchase price allocation exercise undertaken for the acquisition of subsidiaries. The valuation method used was the comparison/residual method to reflect fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

19. INTEREST IN LEASEHOLD LAND

	GROUP	
	2010 RM'000	2009 RM'000
COST		
At 1 January	5,400	5,400
Reclassified to non-current assets classified as held for sale (Note 31)	(5,400)	–
At 31 December	–	5,400
ACCUMULATED AMORTISATION		
At 1 January	777	195
Charge during the year (Note 8)	583	582
Reclassified to non-current assets classified as held for sale (Note 31)	(1,360)	–
At 31 December	–	777
ACCUMULATED IMPAIRMENT LOSSES		
At 1 January	–	–
Charge during the year (Note 8)	546	–
Reclassified to non-current assets classified as held for sale (Note 31)	(546)	–
At 31 December	–	–
NET CARRYING AMOUNT		
At 31 December	–	4,623

20. PREPAID LEASE PAYMENTS

	LONG TERM LEASEHOLD LAND RM'000	CONSTRUCTION EQUIPMENT RM'000	TOTAL RM'000
GROUP			
AT 31 DECEMBER 2010			
COST			
At 1 January (as previously restated)	431	1,310	1,741
Effect of adopting the amendments to FRS 117	(431)	–	(431)
At 1 January (restated)	–	1,310	1,310
Additions	–	736	736
At 31 December	–	2,046	2,046

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

20. PREPAID LEASE PAYMENTS – CONTINUED

	LONG TERM LEASEHOLD LAND RM'000	CONSTRUCTION EQUIPMENT RM'000	TOTAL RM'000
GROUP – CONTINUED			
AT 31 DECEMBER 2010 – CONTINUED			
ACCUMULATED AMORTISATION			
At 1 January (as previously restated)	18	77	95
Effect of adopting the amendments to FRS 117	(18)	–	(18)
At 1 January (restated)	–	77	77
Amortisation for the year			
– Capitalised in construction contract cost (Note 29)	–	625	625
At 31 December	–	702	702
NET CARRYING AMOUNT	–	1,344	1,344
AT 31 DECEMBER 2009			
COST			
At 1 January (as previously stated)	431	–	431
Effect of adopting the amendments to FRS 117	(431)	–	(431)
At 1 January (restated)	–	–	–
Additions	–	1,310	1,310
At 31 December	–	1,310	1,310
ACCUMULATED AMORTISATION			
At 1 January (as previously stated)	18	–	18
Effect of adopting the amendments to FRS 117	(18)	–	(18)
At 1 January (restated)	–	–	–
Amortisation for the year			
– Capitalised in construction contract cost (Note 29)	–	77	77
At 31 December	–	77	77
NET CARRYING AMOUNT	–	1,233	1,233

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

21. OTHER INTANGIBLE ASSETS

	SOFTWARE	
	2010 RM'000	2009 RM'000
GROUP		
AT 31 DECEMBER 2010		
COST		
At 1 January	1,300	313
Additions	968	505
Written off	–	(215)
Exchange difference	(3)	(2)
Transfer from property, plant and equipment (Note 13)	142	699
At 31 December	2,407	1,300
ACCUMULATED AMORTISATION		
At 1 January	670	41
Amortisation for the year:		
– Recognised in profit or loss (Note 8)	222	96
– Capitalised in construction contract costs (Note 29)	98	64
Written off	–	(207)
Exchange difference	(1)	–
Transfer from property, plant and equipment (Note 13)	147	676
At 31 December	1,136	670
NET CARRYING AMOUNT	1,271	630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

22. GOODWILL ON ACQUISITION

GROUP

	2010 RM'000	2009 RM'000
At 1 January	529,795	531,395
Disposal of a subsidiary	(192)	(1,600)
Impairment losses recognised in profit or loss (Note 8)	(157,779)	–
At 31 December	371,824	529,795

During the year, the Group recognised an impairment loss on goodwill on consolidation of RM157,779,000 (2009: RM Nil) due to the revision of the expected financial performance of one of its Group's CGU following the disposal of its road maintenance and pavement entities on 28 February 2011. The disposal is part of the UBG Group's on-going rationalisation plans to align with its major shareholders' business strategy. The balance of the goodwill on consolidation of RM371,824,000 (2009: RM529,795,000) relates to its investments in LLCB and PPB which continues to be involved in construction and property development, where the recoverable amounts are determined based on value-in-use calculations.

Value-in-use is determined by discounting the future cash flows generated from the continuing operation of the respective entities and is based on the following key assumptions:

- Post-tax cash flow projections are based on financial budgets approved by each entity's board of directors covering a three-year period. The terminal value of the respective CGUs are estimated based on the expected cash flow for the financial year ending 31 December 2013 into perpetuity with zero percent terminal year growth rate.
- A post-tax discount rate of 12 percent was applied in determining the recoverable amount of the CGU. The risk adjusted discount rate was determined after considering the weighted average cost of capital of the respective entities and companies within the same industry at the date of assessment of the CGU.
- There will be no material changes in the structure and principal activities of the entities other than as disclosed above.
- All existing projects in-progress and expected future construction projects will proceed and be completed as scheduled.
- There will be no material changes in infrastructure, construction and other related costs, including steel and concrete that may affect the forecast price for the construction projects undertaken by the entities. Any increase in costs will be compensated through equivalent increase in contract value.

The values assigned to the key assumptions represent management's assessment of future trends in the constructions industry and are based on both external and internal sources (historical data).

Based on the sensitivity analysis performed, management believes that no reasonably possible change in base case key assumptions would cause the carrying values of the CGU to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

23. INVESTMENTS SECURITIES

	CARRYING	CARRYING	MARKET VALUE OF	
	AMOUNT	AMOUNT*	QUOTED INVESTMENTS	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
GROUP				
CURRENT				
Held for trading investments				
– Equity instruments in unit trust	11,702	1,000	11,702	1,241
– Equity instruments (quoted in Malaysia)	6,876	43,249	6,876	43,729
	18,578	44,249		
Available-for-sale investments				
– Other investment with asset management companies	–	4,946	–	#
Held-to-maturity investments				
– Negotiable instruments of deposit due on 24 September 2012	–	500	–	500
Total current investments	18,578	49,695		
NON-CURRENT				
Available-for-sale investments				
– Other investment with asset management companies	314,713	–	#	–
Held-to-maturity investments				
– Negotiable instruments of deposit due on 24 September 2012	500	–	500	–
Total non current investments	315,213	–		
Total investment securities	333,791	49,695		
COMPANY				
CURRENT				
Held for trading investments				
– Equity instruments (quoted in Malaysia)	–	37,125	–	37,125
NON-CURRENT				
Available-for-sale investments				
– Other investment with asset management companies	314,713	–	#	–
Total investment securities	314,713	37,125		

The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably.

* Prior to 1 January 2010, the current investments were carried at lower of cost and market value, determined on aggregate basis. The non-current investments are stated at costs less impairment.

The non-current available-for-sale investment represents investment in unquoted shares ("investee company") previously classified as non-current assets classified as held for sale. Subsequent to the takeover of UBG Berhad by JSB, the board of directors are not actively pursuing the sale of the investment pending further directions from JSB and its ultimate holding company, PSI Seycelles.

The board of directors are of the view that the carrying amount of the investments as at reporting date has not exceeded its fair value less costs to sell after taking into consideration the following:

- the indicative value estimated for the Group's effective interest in the net assets of the investee company as at 31 December 2010;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

23. INVESTMENTS SECURITIES – CONTINUED

- ii. no indication of any impairment based on assessment of available evidences from both internal and external sources of information; and
- iii. valuation report by a professional land valuer in relation to the land owned by the said subsidiary as at 31 December 2009.

24. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CURRENT				
TRADE RECEIVABLES				
Third parties	319,802	278,811	–	–
Less: Allowance for impairment	(7,165)	(7,135)	–	–
	312,637	271,676	–	–
Stakeholders sum in respect of properties sold	80	455	–	–
Retention sums on contracts	46,704	54,677	–	–
Trade receivables, net	359,421	326,808	–	–
OTHER RECEIVABLES				
Amounts due from:				
– Subsidiaries	–	–	42	1,335
– Associated company	–	496	–	–
– Joint venture partners	3,115	429	–	–
Deposits	4,077	4,689	284	220
Accrued revenue	984	928	–	–
Other receivables and prepayments (Note d)	124,280	24,499	50	112
	132,456	31,041	376	1,667
Less: Allowance for impairment	(1,081)	(944)	–	–
	131,375	30,097	376	1,667
	490,796	356,905	376	1,667
NON-CURRENT				
TRADE RECEIVABLES				
Third parties	17,333	46,617	–	–
Retention sums on contracts	9,184	3,509	–	–
Trade receivables, net	26,517	50,126	–	–
OTHER RECEIVABLES				
Amount due from Joint Venture partner	–	3,036	–	–
	26,517	53,162	–	–
Total trade and other receivables (current and non current)	517,313	410,067	376	1,667
Add: Deposits, cash and bank balances (Note 30)	360,425	226,946	81,923	15,656
Total loans and receivables	877,738	637,013	82,299	17,323

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

24. TRADE AND OTHER RECEIVABLES – CONTINUED

a. TRADE RECEIVABLES

Trade receivables are non-interest bearing and recognised at their original invoice amounts which represent their fair values on initial recognition. Retention sum receivables on construction contract and stakeholders sums on properties sold which collections are expected in a future period, are recognised at amortised cost on initial recognition. The amortised cost is measured based on the present value of the estimated future cash flows discounted at the applicable market interest rates at the time of progress billings recognised in the trade receivables. The carrying amount is reduced by the impairment loss, being the difference between the carrying amount and the amortised cost, through the use of allowance account.

The credit term of trade receivables ranged from 30 to 120 days (2009: 90 to 120 days). The credit term in respect of its property development activities is approximately 21 working days (2009: 21 days) in accordance with the Housing Development (Control and Licensing) Act, 1966, whereas the credit term for the construction contracts ranges from 45 to 170 days (2009: 45 to 170 days).

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	GROUP	
	2010	2009
	RM'000	RM'000
Neither past due nor impaired	306,996	310,363
1-30 days past due not impaired	10,851	17,105
31-60 days past due not impaired	8,014	14,115
61-90 days past due not impaired	1,533	2,898
91-120 days past due not impaired	4,566	2,599
More than 121 days past due not impaired	53,978	29,854
	78,942	66,571
Impaired	7,165	7,135
	393,103	384,069

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired comprise mainly of the following:

- i. An amount of RM105,691,000 (2009: RM76,284,000) relates to progress claims submitted for construction works done but yet to be certified for payment.
- ii. Retention sum receivables on construction contracts of RM37,111,000 (2009: RM43,963,000) net of amortisation cost in which collections are expected in a future period. Retentions are unsecured, interest free and are expected to be collected upon expiry of defects liability period or upon issuance of statement of final accounts.
- iii. An amount of RM53,202,000 (2009: RM85,197,000) representing amount due from a third party in respect of the construction and completion of a project under deferred payment scheme project in which the instalment payments are not due pursuant to the deferred payment agreement.
- iv. The Group's trade receivables that are past due whose terms have been renegotiated during the year amounted to RM17,166,685 (2009: RM Nil). The trade receivables would have been past due or impaired as at the reporting date if the terms had not been renegotiated during the financial year. At reporting date, the amount has been arranged for settlement by the first half of 2011.
- v. The remaining balance of trade receivables that are neither past due nor impaired are generally from creditworthy debtors with good payment records with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

24. TRADE AND OTHER RECEIVABLES – CONTINUED

a. TRADE RECEIVABLES – CONTINUED

Receivables that are past due but not impaired

Trade receivables amounting to RM78,942,000 (2009: RM66,571,000) are past due but not impaired. These debts are unsecured in nature and mostly are with creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are past due but not impaired have been renegotiated during the financial year.

Receivables that are impaired

Trade receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	GROUP INDIVIDUALLY IMPAIRED	
	2010 RM'000	2009 RM'000
GROUP		
Trade receivables - nominal amounts	7,165	7,135
Less: Allowance for impairment	(7,165)	(7,135)
	–	–

Movement in allowance accounts:

	GROUP	
	2010 RM'000	2009 RM'000
At 1 January	7,135	4,416
Charge for the year	280	2,719
Reversal of impairment loss	(250)	–
At 31 December	7,165	7,135

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.

b. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured, non-interest bearing and the term of repayment is on demand.

c. AMOUNT DUE FROM JOINT VENTURE PARTNER

This represents a secured advance to a joint venture partner subject to the terms and conditions as stipulated in the Joint Venture Agreement. No development activity has commenced during the financial year.

d. OTHER RECEIVABLES AND PREPAYMENTS

Included in other receivables and prepayments was an amount due from a foreign investment manager amounting to USD 28,831,300 (equivalent to approximately RM 88,325,000) representing deposit placed with the foreign investment manager pursuant to an Investment Management Agreement ("IMA") entered into between UBG Energy Limited, a wholly owned subsidiary of the Group and the foreign investment manager dated 27 October 2010. The said IMA was subsequently terminated on 31 May 2011 and the said funds have been remitted back to the account of the wholly owned subsidiary on 6 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

25. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP	
	2010	2009
	RM'000	RM'000
At 1 January	(2,897)	(16,014)
Arising from disposal of a subsidiary (Note 16(b))	16	–
Recognised in other comprehensive income	(86)	–
Recognised in profit or loss (Note 10)	3,894	13,117
At 31 December	927	(2,897)
Presented after appropriate offsetting as follows:		
Deferred tax assets	8,919	11,816
Deferred tax liabilities	(7,992)	(14,713)
	927	(2,897)

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

DEFERRED TAX ASSETS OF THE GROUP:

	UNUTILISED CAPITAL ALLOWANCES	PROVISIONS	RECEIVABLES	OTHERS DEDUCTIBLE TEMPORARY DIFFERENCES	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	362	7,504	5,767	3,803	17,436
Recognised in profit or loss	113	1,121	(1,043)	(1,738)	(1,547)
At 31 December 2010	475	8,625	4,724	2,065	15,889
At 1 January 2009	57	4,145	8,165	3,991	16,358
Recognised in profit or loss	305	3,359	(2,398)	(188)	1,078
At 31 December 2009	362	7,504	5,767	3,803	17,436

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

25. DEFERRED TAX ASSETS/(LIABILITIES) – CONTINUED

DEFERRED TAX LIABILITIES OF THE GROUP:

	INVESTMENT PROPERTIES RM'000	PROPERTY, PLANT AND EQUIPMENT RM'000	INTANGIBLE ASSETS RM'000	DEVELOPMENT COSTS RM'000	OTHERS DEDUCTIBLE TEMPORARY DIFFERENCES RM'000	TOTAL RM'000
At 1 January 2010	(3,767)	(9,007)	(2,377)	(1,037)	(4,145)	(20,333)
Recognised in profit or loss	–	(226)	1,337	832	3,498	5,441
Recognised in other comprehensive income	–	–	–	–	(86)	(86)
Arising from disposal of a subsidiary	–	16	–	–	–	16
At 31 December 2010	(3,767)	(9,217)	(1,040)	(205)	(733)	(14,962)
At 1 January 2009	(3,767)	(7,904)	(15,779)	(1,530)	(3,392)	(32,372)
Recognised in profit or loss	–	(1,103)	13,402	493	(753)	12,039
At 31 December 2009	(3,767)	(9,007)	(2,377)	(1,037)	(4,145)	(20,333)

DEFERRED TAX ASSETS OF THE COMPANY:

	UNUTILISED CAPITAL ALLOWANCES RM'000	UNABSORBED TAX LOSSES RM'000	OTHERS DEDUCTIBLE TEMPORARY DIFFERENCES RM'000	TOTAL RM'000
At 1 January 2010	–	–	16	16
Recognised in profit or loss	45	95	(4)	136
At 31 December 2010	45	95	12	152
At 1 January 2009	–	–	–	–
Recognised in profit or loss	–	–	16	16
At 31 December 2009	–	–	16	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

25. DEFERRED TAX ASSETS/(LIABILITIES) – CONTINUED

DEFERRED TAX LIABILITY OF THE COMPANY:

	PROPERTY, PLANT AND EQUIPMENT RM'000
At 1 January 2010	(16)
Recognised in profit or loss	(136)
At 31 December 2010	(152)
At 1 January 2009	–
Recognised in profit or loss	(16)
At 31 December 2009	(16)

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

	GROUP	
	2010 RM'000	2009 RM'000
Unabsorbed tax losses	42,635	43,816
Unutilised capital allowances	1,122	1,870
Other deductible temporary differences	8	54
	43,765	45,740

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

Section 44(5A) and Paragraph 75A of Schedule 3 of the Malaysian Income Tax Act ("MITA") which became effective in Year of Assessment ("YA") 2006 restricts the utilisation of unabsorbed business losses and capital allowance where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is a substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unabsorbed losses/capital allowances were ascertained with those on the first day of the basis period in which the unabsorbed losses/capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authorities in 2008, the Ministry of Finance ("MOF") has exempted all companies from the provision of Section 44(5A) and Paragraph 75A of Schedule 3 except dormant companies. Therefore, all active subsidiaries are allowed to carry forward their unabsorbed capital allowances and business losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

26. PROPERTY DEVELOPMENT COSTS

	FREEHOLD	DEVELOPMENT	TOTAL
	LAND	COSTS	
	RM'000	RM'000	RM'000
GROUP			
AT 31 DECEMBER 2010			
CUMULATIVE PROPERTY DEVELOPMENT COSTS			
At 1 January 2010	61,747	112,100	173,847
Costs incurred during the year	4,891	41,434	46,325
Transfer from land held for property development (Note 18)	29,836	1,263	31,099
Disposal	(1,846)	–	(1,846)
Reversal of completed projects	(22,334)	(67,910)	(90,244)
Unsold units transferred to inventories	(696)	(2,116)	(2,812)
At 31 December 2010	71,598	84,771	156,369
CUMULATIVE COSTS RECOGNISED IN PROFIT OR LOSS			
At 1 January 2010	(21,944)	(88,811)	(110,755)
Recognised during the year	(2,789)	(48,945)	(51,734)
Disposal	1,846	–	1,846
Reversal of completed projects	22,334	67,910	90,244
At 31 December 2010	(553)	(69,846)	(70,399)
PROPERTY DEVELOPMENT COSTS AT 31 DECEMBER 2010			85,970
AT 31 DECEMBER 2009			
CUMULATIVE PROPERTY DEVELOPMENT COSTS			
At 1 January 2009	61,747	84,834	146,581
Costs incurred during the year	–	27,266	27,266
At 31 December 2009	61,747	112,100	173,847
CUMULATIVE COSTS RECOGNISED IN PROFIT OR LOSS			
At 1 January 2009	(13,472)	(40,925)	(54,397)
Recognised during the financial year	(8,472)	(47,886)	(56,358)
At 31 December 2009	(21,944)	(88,811)	(110,755)
PROPERTY DEVELOPMENT COSTS AT 31 DECEMBER 2009			63,092
AT 31 DECEMBER 2008/ 1 JANUARY 2009			
CUMULATIVE PROPERTY DEVELOPMENT COSTS			
At 1 January 2008	26,715	50,200	76,915
Costs incurred during the year	–	17,627	17,627
Transfer from land held for property development	36,397	1,287	37,684
Reversal of completed projects	(842)	(7,304)	(8,146)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

26. PROPERTY DEVELOPMENT COSTS – CONTINUED

	FREEHOLD LAND RM'000	DEVELOPMENT COSTS RM'000	TOTAL RM'000
CUMULATIVE PROPERTY DEVELOPMENT COSTS – CONTINUED			
Unsold units transferred to inventories	(523)	(5,074)	(5,597)
Effects of finalisation of PPA	–	28,098	28,098
At 31 December 2008/ 1 January 2009	61,747	84,834	146,581
CUMULATIVE COSTS RECOGNISED IN PROFIT OR LOSS			
At 1 January 2008	–	–	–
Arising from acquisition of subsidiaries	(10,337)	(35,476)	(45,813)
Recognised during the financial year	(3,977)	(12,753)	(16,730)
Reversal of completed projects	842	7,304	8,146
At 31 December 2008/ 1 January 2009	(13,472)	(40,925)	(54,397)
PROPERTY DEVELOPMENT COSTS AT 31 DECEMBER 2008/ 1 JANUARY 2009			92,184

27. INVENTORIES

	GROUP	
	2010 RM'000	2009 RM'000
Consumables	252	1,971
Water related equipment	259	378
Properties held for sale	5,597	5,991
	6,108	8,340

28. OTHER CURRENT ASSETS

	GROUP		
	31.12.2010 RM'000	31.12.2009 RM'000 (RESTATED)	1.1.2009 RM'000 (RESTATED)
Amounts due from customers on contracts (Note 29)	85,611	55,181	34,634
Accrued billings in respect of property development activities	26,734	(2,899)	8,165
	112,345	52,282	42,799

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

29. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	GROUP		
	31.12.2010 RM'000	31.12.2009 RM'000 (RESTATED)	1.1.2009 RM'000 (RESTATED)
Construction contract cost incurred to date	1,553,766	1,781,437	1,955,217
Attributable profits	232,914	190,404	182,689
Less: Provision for foreseeable losses	(7,357)	(7,652)	(10,000)
	1,779,323	1,964,189	2,127,906
Less: Progress billings	(1,827,845)	(1,943,597)	(2,136,695)
	(48,522)	20,592	(8,789)
Presented as:			
Gross amounts due from customers for contract work (Note 28)	85,611	55,181	34,634
Gross amounts due to customers for contract work (Note 33)	(134,133)	(34,589)	(43,423)
	(48,522)	20,592	(8,789)
Included in trade receivables: Retention sum on construction contract	55,888	58,186	
Included in other payables: Advance received from contracts	56,720	34,453	

The costs incurred to date on construction contracts include the following charges for the year:

	GROUP	
	2010 RM'000	2009 RM'000
Employee benefits expense (Inclusive of contributions to defined contribution plan of RM4,110,000 (2009: RM4,310,000) (Note 9(a))	59,530	45,270
Depreciation of property, plant and equipment (Note 13)	6,886	7,036
Amortisation of intangible assets (Note 21)	98	64
Amortisation of prepaid lease payments (Note 20)	625	77
Hire of machinery	1,914	5,148
Rental of premises	637	708

30. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash at banks and on hand	98,585	42,024	33,813	7,356
Short term deposits with licensed banks	261,840	184,922	48,110	8,300
	360,425	226,946	81,923	15,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

30. DEPOSITS, CASH AND BANK BALANCES – CONTINUED

Included in cash and bank balances of the Group are amounts of RM12,165,000 (2009: RM29,524,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

Cash at banks earns interest at floating rates based on bank deposit rates. Deposits at licensed banks are made for varying period between one (1) day to three (3) months depending on the immediate cash requirements of the Group at fixed rates. The weighted average effective interest rates of the Group and the Company ranges from 2.75% to 3.00% (2009: 1.65% to 3.10%) respectively.

Short term deposits with licensed banks of the Group amounting to RM640,000 (2009:Nil) are pledged as securities for additional banking facilities secured.

Short term deposit amounting to RM1,073,000 (2009: RM1,050,000) is pledged with a licensed bank as security for bank guarantee issued in favour of the State Government of Sarawak.

Other information on financial risks of cash and cash equivalents are disclosed in Note 42.

31. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	429,667	367,110	380,669	367,110
Reclassified from:				
- Property, plant and equipment (Note 13)	7,215	–	–	–
- Interest in leasehold land (Note 19)	3,494	–	–	–
- Investment securities	–	62,557	–	13,559
Reclassified to:				
- Investment securities	(429,667)	–	(380,669)	–
At 31 December	10,709	429,667	–	380,669

Assets classified as held for sale at 31 December 2010 are relation to interest in leasehold land owned by Ladang Impian 1 Sdn Bhd (“LI1”) and building on leasehold land owned by Pasarakyat Sdn Bhd.

On 6 December 2010, LI1 received a termination notice from the registered proprietor of the land in relation of the Lease Agreement dated 1 January 2003 executed by LI1 and Federal Land Commissioner (“FLC”). Under Clause 6(2) of the Lease Agreement, a six months’ notice period is required to terminate the lease.

The non-current assets classified as held for sale in the previous financial year was in relation to investments in unquoted investee company undertaken solely at the discretion of fund managers under discretionary management agreements entered into by the Group. During the current financial year, the said amount has been reclassified to investments securities as available-for-sale investments subsequent to the take over of UBG Berhad by JSB as the board of directors are not actively pursuing the sale of the investment pending further directions from JSB and its ultimate holding company, PSI Seycelles.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

32. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CURRENT				
TRADE PAYABLES				
Third parties	216,429	277,068	–	–
Amount due to related parties	1,458	8,847	–	–
Amount due to a associate	8	–	–	–
Retention sum payable	60,624	72,135	–	–
	278,519	358,050	–	–
OTHER PAYABLES				
Other payables	67,593	129,627	188	20,676
Accruals and provisions	32,586	26,677	567	869
Amount due to subsidiaries	–	–	414	419
Provision for warranties	10,191	11,460	–	–
	388,889	525,814	1,169	21,964
NON CURRENT				
Trade payables	13,147	–	–	–
Total trade and other payables	402,036	525,814	1,169	21,964
Add: Loans and borrowings (Note 34)	78,789	140,774	500	7,000
Total financial liabilities at amortised cost	480,825	666,588	1,669	28,964

a. TRADE PAYABLES

The normal trade credit terms granted to the Group ranged from 14 to 90 (2009: 14 to 120) days. Included in trade payables is provision for liquidated and ascertained damages amounting to RM3,427,000 (2009:RM4,115,000).

The currency exposure profile of trade payables is as follows:

- Ringgit Malaysia
- United State Dollar
- Euro

	GROUP	
	2010 RM'000	2009 RM'000
	229,576	275,564
	–	67
	–	1,437
	229,576	277,068

b. OTHER PAYABLES

Included in other payables are advance payment received from a contract customer prior commencement of construction contract of approximately RM56,720,000 (2009: RM34,453,000) by a subsidiary. This advance is to be recouped progressively against monthly progress claims for work done.

c. AMOUNTS DUE TO RELATED PARTIES AND SUBSIDIARIES

Amount due to related parties and subsidiaries arose from non-trade activities and are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

32. TRADE AND OTHER PAYABLES – CONTINUED

d. PROVISION FOR WARRANTIES

	GROUP	
	2010	2009
	RM'000	RM'000
At 1 January	11,460	6,318
Additional provision during the financial year	1,056	10,259
Utilisation of provision during the financial year	(884)	(2,562)
Unused amount reversed during the financial year	(1,441)	(2,555)
At 31 December	10,191	11,460

Provision made is in respect of warranties for construction projects undertaken by one of the Group's subsidiary. A provision is recognised for expected or estimated repair costs for making good certain defects during the warranty periods.

Other information on financial risks of payables are disclosed in Note 42.

33. OTHER CURRENT LIABILITIES

	GROUP		
	31.12.2010	31.12.2009	1.1.2009
	RM'000	RM'000	RM'000
Progress billings in respect of property development activities	1,915	1,437	–
Amounts due to customers on contracts (Note 29)	134,133	34,589	43,423
	136,048	36,026	43,423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

34. LOANS AND BORROWINGS

		GROUP		COMPANY	
MATURITY		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
CURRENT					
SECURED:					
Finance lease obligations (Note 35)	2011	946	953	–	–
Fixed rate term loans	2011/2010	43,328	41,662	–	–
Floating rate term loans	2010	–	4,833	–	–
		44,274	47,448	–	–
Unsecured:					
Bank overdrafts	On demand	6,299	–	–	–
Revolving credits	2011	5,500	7,000	500	7,000
Banker acceptances	2010	–	6,633	–	–
		11,799	13,633	500	7,000
		56,073	61,081	500	7,000
NON CURRENT					
Secured:					
Finance lease obligations (Note 35)	2013	1,030	679	–	–
Fixed rate term loans	2012/2011	21,686	65,014	–	–
Floating rate term loans	2011	–	14,000	–	–
		22,716	79,693	–	–
Total loans and borrowings (Note 32)		78,789	140,774	500	7,000

Fixed rate and floating rate term loans

a. The fixed rate term loans were obtained:

- i. to part-finance the construction and completion of a construction project; and
- ii. to part-finance the acquisition of subsidiaries in financial year 2009.

b. The floating rate term loan obtained is also to part-finance the acquisition of subsidiaries in financial year 2009 and bore interest at cost of funds plus 2%. The term loan was also secured by the pledged of shares of the subsidiaries acquired as disclosed in Note 16.

The fixed rate term loan was secured by the legal assignment over all the proceeds receivable in respect of the contract whilst for the fixed and floating rate term loans for the acquisition of subsidiaries were secured by the pledged of shares of the subsidiaries acquired.

Revolving credit

The revolving credit of RM5,000,000 (2009: RMNil) has been settled on 3 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

35. FINANCE LEASE OBLIGATIONS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
FUTURE MINIMUM LEASE PAYMENTS:				
Not later than one year	1,035	1,023	–	–
Later than one year and not later than two years	663	583	–	–
Later than two years and not later than three years	420	151	–	–
Total minimum lease payments	2,118	1,757	–	–
Less: Future finance charges	(142)	(125)	–	–
Present value of minimum lease payments	1,976	1,632	–	–
ANALYSIS OF PRESENT VALUE OF PAYMENTS:				
Not later than one year	946	953	–	–
Later than one year and not later than two years	620	–	–	–
Later than two years and not later than three years	410	679	–	–
Present value of minimum lease payments	1,976	1,632	–	–
Less: Amount due within twelve months (Note 34)	(946)	(953)	–	–
Amount due after twelve months (Note 34)	1,030	679	–	–

The average discount rate implicit in leases ranges from 2.46% to 7.10% (2009: 3.24% to 5.00%) per annum.

36. SHARE CAPITAL

GROUP / COMPANY	NUMBER OF ORDINARY SHARES OF RM0.25 EACH		AMOUNT	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
AUTHORISED:				
At 1 January/31 December	6,000,000	6,000,000	1,500,000	1,500,000
ISSUED AND FULLY PAID:				
At 1 January/31 December	500,396	500,396	125,099	125,099

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

37. SHARE PREMIUM AND RESERVES

a. SHARE PREMIUM

The share premium account records the amount in excess of par value of ordinary shares issued.

b. TRANSLATION RESERVE

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

c. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

d. REVALUATION RESERVE

The asset revaluation reserve is used to record increases in the fair value of buildings on freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

e. OTHER RESERVE

Other reserve represents waiver of debts due from an indirect subsidiary.

38. EMPLOYEE BENEFITS

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS of PPB was governed by the ESOS By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 August 2006. The ESOS was implemented on 13 October 2006 and was to be in force for five (5) years, and may be extended by PPB for a further maximum period of five (5) years.

The Options Committee that was appointed by the Board of Directors to administer the ESOS was dissolved with immediate effect upon PPB being officially delisted from the Official List of Bursa Securities on 21 December 2010.

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2010		2009	
	NO.	WAEP (RM)	NO.	WAEP (RM)
Outstanding at 1 January	120,000	1.80	120,000	1.80
– Forfeited	(3,000)	1.80	–	–
– Exercised	(117,000)	1.80	–	–
Outstanding at 31 December	–	–	120,000	–
Exercisable as at 31 December	–	–	120,000	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

38. EMPLOYEE BENEFITS – CONTINUED

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") – CONTINUED

The weighted average share price at the date of exercise of the options exercised during the financial year was RM4.69.

39. RELATED PARTY AND COMPANY DISCLOSURES

a. TRANSACTIONS WITH RELATED PARTIES AND COMPANIES

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with its related parties and companies during the financial year:

	2010	2009
	RM'000	RM'000
GROUP:		
Former affiliated company		
– Progress claims for provision of construction contract and services	85,397	41,440
– Claims for procurement of materials and contracts	94,648	21,629
– Payments for procurement of materials and contracts	(34,312)	(32,698)
Purchase of goods from Swisslane Granite Sdn Bhd, a company in which directors of a subsidiary have equity interest	(217)	(98)
Progress billings payable to Saroma Engineering Sdn Bhd, corporate shareholders of a subsidiary	–	(705)
COMPANY:		
Subsidiaries		
Unity Capital Management (S) Pte Ltd		
– Management fee paid	–	(275)
CMS Roads Sdn Bhd		
– Interest income	–	148
CMS Pavement Tech Sdn Bhd		
– Interest income	–	42
UBG Enterprise Sdn Bhd		
– Interest income	6	6
A subsidiary of Cahya Mata Sarawak Bhd		
CMS Trust Management		
– Management fee paid	(22)	(21)

Former affiliated companies in these financial statements refer to companies within Cahya Mata Sarawak Berhad ("CMS") Group which ceased to be an affiliated company upon the disposal of its entire equity interest in UBG Berhad to JSB during the financial year. JSB upon its acquisition of interest in UBG Berhad has become the penultimate holding company of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

39. RELATED PARTY AND COMPANY DISCLOSURES – CONTINUED

b. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits				
– Fees	1,901	584	296	485
– Salary and other remuneration	1,843	4,058	1,843	3,937
– Benefits-in-kind	4	25	4	25
Post-employment benefits:				
– Defined contribution plan	221	229	221	229
	3,969	4,896	2,364	4,676

The above include non-independent directors' remuneration as described in Note 9 and remuneration paid to members of key management personnel of the Company.

40. SEGMENTAL INFORMATION

REPORTING FORMAT

For management purposes, the operating businesses are organised and managed separately according to the nature of the products, with each segment representing a strategic business unit that offers different products and serves different markets. Segment performance is evaluated based on operating profit or loss which is included in internal management reports that are reviewed by the Group's chief operating decision makers at least on a quarterly basis.

The following summary describes the main operations in each of the reportable segments:

Construction	Building and civil construction and mechanical and electrical engineering related activities
Property development	Investment in land and the development of residential and commercial properties
Investments	Investment holding and cash reserves deposited with financial institutions
Energy	Oil and gas exploration and exploitation
Quarry and trading	Quarry operations, trading in water related equipment, wholesale and retailing

ALLOCATION BASIS AND TRANSFER PRICING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are mutually agreed with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

40. SEGMENTAL INFORMATION – CONTINUED

BUSINESS SEGMENTS

	CONSTRUCTION CONTRACTS RM'000	PROPERTY DEVELOPMENT RM'000	INVESTMENTS RM'000	ENERGY RM'000	QUARRYING & TRADING RM'000	TOTAL RM'000	ELIMINATION RM'000	CONSOLIDATED RM'000
AT 31 DECEMBER 2010								
REVENUE								
External revenue	775,971	90,756	38,744	–	19,998	925,469	(37,811)	887,658
Inter-segment revenue*	61,111	–	36,524	–	–	97,635	(91,287) A	6,348
Total revenue	837,082	90,756	75,268	–	19,998	1,023,104	(129,098)	894,006
RESULTS								
Depreciation and amortisation	5,080	379	859	–	1,486	7,804	293	8,097
Segment profit	128,836	24,431	(70,946)	4,625	706	87,652	(113,812) C	(26,160)
ASSETS								
Capital expenditure	24,456	187	–	102	242	24,987	– B	24,987
Segment assets	869,756	257,579	1,489,831	88,360	22,347	2,727,873	(761,030)	1,966,843
Unallocated assets								17,473
							D	1,984,316
LIABILITIES								
Segment liabilities	(616,882)	(109,414)	(6,584)	(9)	(3,730)	(736,619)	119,746	(616,873)
Unallocated liabilities								(17,813)
							E	(634,686)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

40. SEGMENTAL INFORMATION – CONTINUED

BUSINESS SEGMENTS – CONTINUED

	CONSTRUCTION CONTRACTS RM'000	PROPERTY DEVELOPMENT RM'000	INVESTMENTS RM'000	ENERGY RM'000	QUARRYING & TRADING RM'000	TOTAL ELIMINATION RM'000	CONSOLIDATED RM'000
AT 31 DECEMBER 2009							
REVENUE							
External revenue	1,045,130	42,238	15,188	–	21,132	1,123,688	1,123,934
Inter-segment revenue*	93,734	–	7,304	–	–	(101,038) A	–
Total revenue	1,138,864	42,238	22,492	–	21,132	1,224,726	1,123,934
RESULTS							
Depreciation and amortisation	9,852	368	711	–	1,654	12,585	13,038
Other non-cash expenses	326	–	–	–	–	326	326
Segment profit/(loss)	94,267	12,310	(3,883)	(6,589)	255	(38,803) C	57,557
ASSETS							
Capital expenditure	19,034	129	2,263	–	114	21,540	21,536
Segment assets	791,800	227,570	1,598,937	186,886	21,774	2,826,967	2,137,543
Unallocated assets						(689,424)	16,318
							2,153,861
LIABILITIES							
Segment liabilities	(509,120)	(185,947)	(19,768)	(95,848)	(4,631)	112,700	(702,614)
Unallocated liabilities							(24,867)
							(727,481) E

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

40. SEGMENTAL INFORMATION – CONTINUED

RECONCILIATION OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of:

	2010 RM'000	2009 RM'000
Building, renovations and improvements	33	67
Plant and machinery	15,593	9,903
Site equipment	28	32
Motor vehicles	6,498	6,666
Office equipment and furniture & fittings	2,835	4,868
	24,987	21,536

C The following items are added to/(deducted from) segment profit to arrive at “(Loss)/profit before tax” presented in the consolidated statement of comprehensive income.

	2010 RM'000	2009 RM'000
Total profit for reportable segments	87,652	96,360
Elimination of inter-segment (profit)/loss	39,812	5,507
Accretion of PPA* adjustments	9,594	9,594
Amortisation of PPA* adjustment	(5,439)	(53,904)
Goodwill impairment loss	(157,779)	–
Unallocated finance costs	(7,678)	(6,683)
(Loss)/profit before tax	(33,838)	50,874

D The followings items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Segment assets	1,966,843	2,137,543
Deferred tax assets	8,919	11,816
Tax recoverable	8,554	4,502
Total assets	1,984,316	2,153,861

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

40. SEGMENTAL INFORMATION – CONTINUED

RECONCILIATION OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES – CONTINUED

E The followings items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Segment liabilities	(616,873)	(702,614)
Deferred tax liabilities	(7,992)	(14,713)
Income tax payable	(9,821)	(10,154)
Unallocated liabilities	(634,686)	(727,481)

* Purchase Price Allocation

GEOGRAPHICAL INFORMATION

The Group's revenues are derived mainly in Malaysia and no other individual foreign operation contributed more than 10% of its consolidated revenue. The Group's non-current assets consist of exploration assets from foreign operations amounting to RM165,187,000 in the previous financial year. The foreign operations consisting the exploration assets were disposed off in the current financial year. Further details of the disposal are described in Note 16.

41. COMMITMENTS AND CONTINGENCIES

a. CAPITAL COMMITMENTS

Capital expenditure as at the reporting date are as follows:

	GROUP	
	2010 RM'000	2009 RM'000
CAPITAL EXPENDITURE		
Approved and contracted for:-		
Property, plant and equipment	64	217
Intangible assets	30	20
Freehold land	11,088	–
Others	–	1,295
Approved but not contracted for:-		
Property, plant and equipment	22,973	12,920
	34,155	14,452

b. CONTINGENT LIABILITIES (UNSECURED)

In the ordinary course of business, the Group's subsidiaries have given guarantees to banks as securities for bank guarantee facilities as set out below:

	2010 RM'000	2009 RM'000
Performance/tender guarantees granted to customers	121,496	71,424

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

41. COMMITMENTS AND CONTINGENCIES – CONTINUED

b. CONTINGENT LIABILITIES (UNSECURED) – CONTINUED

One of the Group's subsidiary had given guarantee to banks amounting to RM321,950,000 (2009:RM221,950,000) for banking facilities extended to its own subsidiaries of which RM121,496,000 (2009:RM71,424,000) have been utilised as at 31 December 2010.

As at the reporting date, the Group has an outstanding bank guarantees of RM124,217,000 (2009: RM111,867,000) which were issued for the performance of construction to clients by a subsidiary. The bank guarantee facilities are unsecured, except for a bank guarantee amounting to RM3,500,000 issued by a subsidiary which is secured by a fixed deposit placement by a subsidiary as disclosed in Note 30.

c. OPERATING LEASE COMMITMENTS – AS LESSEE

Future minimum rentals payable under leases for use of premises are as follows:

	2010 RM'000	2009 RM'000
Within 1 year	247	820
More than 1 year and less than 5 years	6	241
	253	1,061

d. OPERATING LEASE COMMITMENTS – AS LESSOR

The Group has entered into commercial property leases on its freehold building. These non-cancellable leases have remaining lease terms of between two and three years.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	2010 RM'000	2009 RM'000
Within 1 year	296	329
More than 1 year and less than 3 years	109	380
	405	709

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

a. INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

i. Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate of loans and borrowings. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

ii. Exposure to interest rate risk

The Group's investments in financial assets are mainly short term in nature and are not held for speculative purposes and include funds in fixed deposit or funds in asset management companies which yield better returns than cash at bank. The Group's and the Company's exposure to interest rate risk arises primarily from interest-bearing borrowings.

iii. Sensitivity analysis

At the reporting date, if interest rates had been 25 basis points higher, with all other variables held constant, the Group's reserve would have been RM288,000 lower, arising mainly as a result of an increase in the fair value of fixed rate term loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

b. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

i. Risk management objectives, policies and processes for managing the risk

The Group's subsidiary entered into forward currency contracts to manage its exposure on foreign currency cash flows generated from anticipated transactions denominated in foreign currencies. In general, the policy is to enter into forward foreign exchange contracts for up to 100% of such anticipated payments. As at the reporting date, the Group did not enter into any forward currency contracts.

ii. Exposure to foreign currency risk

The Group operates domestically and there were no foreign currency financial facilities obtained by the Group for the financial year ended 31 December 2010 except for its subsidiaries which are exposed to transactional currency risk through transactions that are denominated in a currency other than the functional currency of the operations to which they relate. The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes as follows:

	2010 RM'000	2009 RM'000
United States Dollar	121,728	15,413
Japanese Yen	6,684	–
Singapore Dollar	34	90
United Arab Emirates Dirham	6,464	4,620
	134,910	20,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

42. FINANCIAL INSTRUMENTS – CONTINUED

b. FOREIGN CURRENCY RISK – CONTINUED

ii. Exposure to foreign currency risk – Continued

Foreign exchange exposures in transactional currency other than functional currency of the operating entities are kept to an acceptable level.

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at reporting date was:

NET FINANCIAL ASSETS/(LIABILITIES) HELD IN NON-FUNCTIONAL CURRENCIES

FUNCTIONAL CURRENCY OF GROUP	UNITED STATES DOLLAR	JAPANESE YEN	SINGAPORE DOLLAR	UNITED ARAB EMIRATES DIRHAM	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
AT 31 DECEMBER 2010					
Property, plant and equipment	–	–	–	600	600
Intangible assets	–	–	–	24	24
Trade and other receivables	35	–	–	3,364	3,399
Cash and bank balances	121,728	6,684	34	6,464	134,910
Trade and other payables	(49)	–	(10)	(3,222)	(3,281)
	121,714	6,684	24	7,230	135,652
FUNCTIONAL CURRENCY OF GROUP	UNITED STATES DOLLAR	AUSTRALIAN DOLLAR	SINGAPORE DOLLAR	UNITED ARAB EMIRATES DIRHAM	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000
AT 31 DECEMBER 2009					
Property, plant and equipment	–	–	–	816	816
Intangible assets	–	–	–	34	34
Trade and other receivables	4,379	–	63	1,990	6,432
Cash and bank balances	15,413	–	90	4,620	20,123
Trade and other payables	(90,027)	(95)	–	(4,081)	(94,203)
	(70,235)	(95)	153	3,379	(66,798)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

42. FINANCIAL INSTRUMENTS – CONTINUED

b. FOREIGN CURRENCY RISK – CONTINUED

iii. Sensitivity analysis

The following table shows the sensitivity of the Group's profit, net of tax to a reasonably possible change in the United States Dollar, Japanese Yen and United Arab Emirates Dirham exchange rates against RM, with all variable held constant.

	GROUP	COMPANY
	2010	2010
	RM'000	RM'000
United States Dollar		
– Strengthened 3%	(3,651)	(1,002)
– Weakened 3%	3,651	1,002
Japanese Yen		
– Strengthened 3%	(201)	–
– Weakened 3%	201	–
United Arab Emirates Dirham		
– Strengthened 3%	(112)	–
– Weakened 3%	112	–

c. LIQUIDITY RISK

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

i. Risk management objectives, policies and processes for managing the risk

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with banks. The Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

42. FINANCIAL INSTRUMENTS – CONTINUED

c. LIQUIDITY RISK – CONTINUED

ii. Maturity analysis

The table below summarised the maturity profile of the liabilities of the Group and the Company based on contractual undiscounted repayment obligations as at the reporting date.

	GROUP			COMPANY
	ON DEMAND/ WITHIN 1 YEAR	1–5 YEARS	TOTAL	ON DEMAND/ WITHIN 1 YEAR
	RM'000	RM'000	RM'000	RM'000
AT 31 DECEMBER 2010				
NON-DERIVATIVE FINANCIAL LIABILITIES				
Borrowings	56,073	22,858	78,931	500
Trade and other payables	388,889	14,817	403,706	1,169
	444,962	37,675	482,637	1,669

d. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's credit risk is primarily attributable to trade receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

i. Risk management objectives, policies and processes for managing the risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries in addition to unsecured loans and advances. The Group monitors on an ongoing basis of the results of the subsidiaries and repayments made by the subsidiaries.

ii. Exposure to credit risk, credit quality and collateral

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk arising from the financial assets is their carrying amount of each class of financial assets as recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

42. FINANCIAL INSTRUMENTS – CONTINUED

d. CREDIT RISK – CONTINUED

ii. Exposure to credit risk, credit quality and collateral – Continued

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

	GROUP			
	2010		2009	
	RM'000	% OF TOTAL	RM'000	% OF TOTAL
BY COUNTRY:				
Malaysia	383,108	99.27%	375,734	99.68%
United Arab Emirates	2,830	0.73%	1,200	0.32%
	385,938	100.00%	376,934	100.00%
BY INDUSTRY SECTOR:				
Construction	363,760	94.25%	356,462	94.57%
Property development	20,146	5.22%	17,002	4.51%
Quarrying and trading	1,568	0.41%	3,470	0.92%
Others	464	0.12%	–	0.00%
	385,938	100.00%	376,934	100.00%

At the reporting date, approximately 54% (2009: 46%) of the Group's trade receivables were due from 5 major customers located in Malaysia.

Information regarding trade and other receivables include the ageing analysis as at the end of the reporting date are disclosed in Note 24.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24. Deposits with banks and other financial institutions, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 24.

e. MARKET PRICE RISK

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad. At the reporting date, the Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. FAIR VALUES OF FINANCIAL INSTRUMENTS WITH THEIR CARRYING AMOUNTS

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

GROUP	NOTE
FINANCIAL ASSETS:	
LOANS AND RECEIVABLES	
Trade and other receivables	
– Current	24
Other current assets	28
Deposits, cash and bank balances	30
AVAILABLE FOR SALE	
Investment securities	23
FINANCIAL LIABILITIES:	
AT AMORTISED COST	
Trade and other payables	
– Current	32
Other current liabilities	33
Loans and borrowings	
– Current	34

b. SUMMARY OF METHODS USED IN FAIR VALUE DETERMINATION OF FINANCIAL INSTRUMENTS

i. Deposits, cash and bank balances, short term receivables and payables

The carrying amounts of these financial assets and liabilities approximate fair values due to the relatively short term nature of the instruments.

ii. Other short term investments

The fair values of investments that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

It was not practicable to estimate the fair values of investments in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

iii. Borrowings

The fair values of borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

43. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

b. SUMMARY OF METHODS USED IN FAIR VALUE DETERMINATION OF FINANCIAL INSTRUMENTS – CONTINUED

iv. Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned by the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period.
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default.
- The estimated loss exposure if the party guaranteed were to default.

44. CAPITAL MANAGEMENT

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

For capital management purposes, the Group and the Company consider only the parent's equity and total liabilities to be the key components in the group and the company's capital structure. The Group and the Company monitor capital on the basis of the gearing ratio, which is net debt divided by parent's equity. The Group's policy is to maintain a gearing ratio below one point five (1.5) times. The gearing ratios at 31 December 2010 and at 31 December 2009 were as follows:

	NOTE	GROUP		COMPANY	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and borrowings	34	78,789	140,774	500	7,000
Trade and other payables	32	402,036	525,814	1,169	21,964
Less: Cash and bank balances	30	(360,425)	(226,946)	(81,923)	(15,656)
NET DEBT		120,400	439,642	(80,254)	13,308
Equity attributable to the owners of the parent		1,256,050	1,347,530	1,245,577	1,355,122
GEARING RATIO		9.59%	32.63%	-6.44%	0.98%

The Company's shares was officially delisted from the Official List of Bursa Securities with effect from 17 January 2011 subsequent to the unconditional takeover offer by Javace Sdn Bhd ("JSB"), its immediate holding company and the non-compliance with the requirement of Bursa Malaysia Practice Note No. 17/2005 which requires the Company to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up share capital. It was the intention of JSB and PSI Seycelles to privatise the Company after its take over.

45. JOINTLY CONTROLLED ENTITY

Details of an incorporated joint venture held by its subsidiary are as follows:

NAME OF JOINTLY CONTROLLED ENTITY	EFFECTIVE INTEREST		PRINCIPAL ACTIVITY
	2010	2009	
Water Engineering Technology Sdn Bhd – Envitech Sdn Bhd JV	40%	40%	To undertake project management in relation to sewage treatment plants and related activities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

45. JOINTLY CONTROLLED ENTITY – CONTINUED

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

	2010 RM'000	2009 RM'000
Current assets	1,199	2,910
Current liabilities	(106)	(359)
Net assets	1,093	2,551
Revenue	34	1,152
Expenses	(37)	374

46. SUBSEQUENT EVENTS

- Subsequent to financial year end, the Directors of PPB has approved the disposal of CMS Roads Sdn Bhd ("CMS Roads") and CMS Pavement Tech Sdn Bhd ("CMS Pavement Tech") at an aggregate cash consideration of RM82,007,766.
Pursuant to this, PPB entered into a Share Sale Agreement with CMS Works Sdn Bhd for the disposal of the entire equity interests in CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd on 28 February 2011.
- On 28 February 2011, the Company entered into a Share Sale Agreement with Unity Investment Holdings Ltd to dispose its entire investments in Unity Capital International (Cayman) Ltd ("UCIC"), representing 51% share capital of UCIC for USD51. The Company also sold its 25% stake in Unity Capital Partners (Cayman) Ltd to UCIC for USD25. The sale of the shares were completed on 28 February 2011.
- On 18 April 2011, UBG Enterprise Berhad acquired 60% equity interest in Trek Satin Sdn Bhd from PPB at a cash consideration of RM60 representing 60 shares of RM1.00 each. Trek Satin Sdn Bhd is an inactive company.
- On 28 March 2011, the Company entered into a Share Sale Agreement with JSB to acquire remaining 19,913,026 ordinary shares in PPB and 13,383,225 ordinary shares in LLCB at an aggregate consideration of RM161,486,817. The Company effectively owns 100% of PPB and LLCB with effect from 30 March 2011 following its shareholders' approval for the acquisition on 28 March 2011.
- UBG Energy Limited has made a short-term advance of USD29 million to PSI Seychelles via a loan agreement dated 7 June 2011. The advance is repayable in full within 12 months from date of the loan agreement.

47. STATUS OF CORPORATE PROPOSALS

a. THE COMPANY ("UBG")

On 29 September 2010, UBG received a Notice of Mandatory Take-over Offer ("Offer") from JSB ("Offeror") being a wholly-owned subsidiary of PetroSaudi International Ltd., Seychelles and Sheikh Tarek Essam Ahmad Obaid ("Ultimate Offeror") through AmInvestment Bank Berhad to acquire all the voting shares in UBG which are not already owned by the Offeror and parties acting in concert ("PAC") with it ("UBG Shares") for a cash offer price of RM2.50 per UBG Share.

As at 17 December 2010, the Offeror and PACs collectively held 494,801,078 UBG Shares representing 98.8817% of the listed shares of UBG.

In accordance with paragraph 16.07 of the Main Market Listing Requirements, UBG proceeded to make an application to Bursa Malaysia on 20 December 2010 to withdraw the listing of UBG from the Official List of Bursa Securities and to seek Waiver for the Company, its directors and officers from having to comply with Chapter 9 and Chapter 10 of the Main Market Listing Requirements for so long as the Company remains on the Official List pursuant to paragraph 3.06(2) of Listing Requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010 – CONTINUED

47. STATUS OF CORPORATE PROPOSALS – CONTINUED

a. THE COMPANY (“UBG”) – CONTINUED

The Company's shares were officially delisted from the Official List of Bursa Malaysia with effect from 17 January 2011.

On 11 February 2011, AmInvestment Bank Berhad on behalf of JSB had served a notice to all shareholders of UBG pursuant to Section 223 of the Capital Markets and Securities Act, offering to acquire the remaining shares not held by JSB on the same terms as per above offer (“Section 223 Offer”). The Section 223 Offer shall be effective until 5 p.m. on 11 June 2011.

b. SUBSIDIARIES

On 21 December 2010, both the shares in its subsidiaries, namely PPB and LLCB, were officially delisted from the Official List of Bursa Malaysia pursuant to Paragraph 16.07 of the Listing Requirements subsequent to the take-over offer and compulsory acquisition by JSB, to acquire all the remaining shares in PPB and LLCB which were not held by JSB or the Company.

48. COMPARATIVE FIGURES

The following comparatives of the Group have been reclassified to conform with current year's presentation.

	AS PREVIOUSLY		
	STATED RM'000	RECLASSIFICATION RM'000	AS RESTATED RM'000
GROUP			
STATEMENTS OF COMPREHENSIVE INCOME			
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009			
Revenue	1,131,512	(7,578)	1,123,934
Cost of sales	(1,008,126)	7,578	(1,000,548)
STATEMENTS OF FINANCIAL POSITION			
<i>As at 31 December 2009</i>			
Property development costs	61,543	1,549	63,092
Accrued billings in respect of property development activities	(2,787)	(112)	(2,899)
Progress billings in respect of property development activities	–	(1,437)	(1,437)
Gross amount due from customers on contracts	49,554	5,627	55,181
Gross amount due to customers on contracts	(28,189)	(6,400)	(34,589)
Accruals and provisions	(27,450)	773	(26,677)
<i>As at 1 January 2009</i>			
Property development costs	92,957	(773)	92,184
Accrued billings in respect of property development activities	7,227	938	8,165
Gross amount due from customers on contracts	34,630	4	34,634
Gross amount due to customers on contracts	(43,254)	(169)	(43,423)

49. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 24 August 2011.