



# FINANCIAL STATEMENTS



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# DIRECTORS' REPORT

The directors hereby 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 activities of the Company are investment holding and provision of management services to its group of companies.

The principal activities of the Group are described in Notes 39 and 40 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in Note 41 to the financial statements.

## RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year, net of tax	50,822	38,303
Attributable to:		
Owners of the parent	45,032	38,303
Minority interests	5,790	-
	<u>50,822</u>	<u>38,303</u>

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

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 the effects arising from the changes in accounting policies:

- (i) due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has decreased the Group's profit net of tax by RM3,204,000 but increased the Company's profit net of tax by RM1,201,000 as disclosed in Note 2.2 to the financial statements; and
- (ii) for its land and buildings from the cost model to fair value model in accordance with FRS 140 Investment Property which has resulted in an increase in the Group's and Company's profit net of tax by RM19,593,000 and RM5,933,000 respectively as disclosed in Note 2.2 to the financial statements.
- (iii) for its land and buildings from the cost model to revaluation model in accordance with FRS 116 Property, Plant and Equipment which has resulted in a revaluation surplus recognised in other comprehensive income of the Group of RM323,868,000 as disclosed in Note 2.2 to the financial statements.



# DIRECTORS' REPORT

## DIVIDENDS

Since the end of the previous financial year, the Company on 28 September 2010 declared and paid a net interim dividend of RM4.01 million for the financial year ended 31 December 2010. The said dividend was at 5 sen per share less taxation of 25% with the substantial shareholders having waived their entitlements. The substantial shareholders collectively own 462,996,991 MBfH shares representing 81.22% of the issued and paid up share capital in the Company.

The directors do not recommend any final dividend in respect of the current financial year.

## 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:

Lee Chaing Huat  
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin  
Susan A/P Rajanayagam  
Martin Richard Haeger  
Datuk Azizan bin Abd Rahman  
Abdul Rahman bin Achmed

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate other than those disclosed in directors' interest.

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 10 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 he is a member, or with a company in which he has a substantial financial interest, except for those benefits which may be deemed to have arisen by virtue of those contracts, agreements and transactions entered into in the ordinary course of business between the Company or its subsidiaries and companies in which the directors are deemed to have financial interest as disclosed in Note 38 to the financial statements.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, warrants and debentures in the Company and its related corporations during the financial year were as follows:

	<----- Number of Ordinary Shares of RM1 each ----->			
	At 1.1.2010	Acquired	Sold	At 31.12.2010
<b>(a) Ordinary Shares</b>				
<b>The Company</b>				
<b>Direct interest</b>				
Martin Richard Haeger	1,121,422	-	-	1,121,422
Datuk Azizan bin Abd Rahman	11,686,968	-	-	11,686,968
Abdul Rahman bin Achmed	5,000	-	-	5,000
<b>Indirect interest</b>				
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin	451,073,253	11,923,738	-	462,996,991
Martin Richard Haeger	915,271	-	-	915,271
<----- Number of Warrants 2003/2013 ----->				
	At 1.1.2010	Acquired	Sold	At 31.12.2010
<b>(b) Warrants</b>				
<b>The Company</b>				
<b>Direct interest</b>				
Susan A/P Rajanayagam	1,000,000	-	-	1,000,000
Martin Richard Haeger	526,222	-	-	526,222
Datuk Azizan bin Abd Rahman	519,085	-	-	519,085
<b>Indirect interest</b>				
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin	214,358,543	19,936,044	(1,692,000)	232,602,587
Martin Richard Haeger	557,177	-	-	557,177

# DIRECTORS' REPORT

**Principal amount of United States Dollar (“USD”) denominated Redeemable Convertible Secured Loan**  
**<----- Stocks (“RCSLS”) 2003/2013 ----->**

	At 1.1.2010	Acquired	Sold	At 31.12.2010
<b>(c) RCSLS A</b>				
<b>Subsidiary</b>				
<b>- Wellink Investments Limited</b>				
<b>Direct interest</b>				
Martin Richard Haeger	59,559	-	-	59,559
Datuk Azizan bin Abd Rahman	70,069	-	-	70,069
<b>Indirect interest</b>				
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin	14,468,439	-	-	14,468,439
Martin Richard Haeger	63,063	-	-	63,063
<b>(d) RCSLS B</b>				
<b>Subsidiary</b>				
<b>- Onglory Holdings Limited</b>				
<b>Direct interest</b>				
Martin Richard Haeger	29,754	-	-	29,754
Datuk Azizan bin Abd Rahman	35,004	-	-	35,004
<b>Indirect interest</b>				
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin	2,490,158	-	-	2,490,158
Martin Richard Haeger	31,505	-	-	31,505

The features of the RCSLS are disclosed in Note 32 to the financial statements.

By virtue of his interest in the shares of the Company, Tan Sri Datuk Dr. Ninian Mogan Lourdenadin is also deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares, warrants and debentures in the Company or its related corporations during the financial year.



# DIRECTORS' REPORT

## WARRANTS

On 30 June 2003, as part of its Scheme of Arrangement (“SOA”), the Company issued 11,509,106 warrants to the shareholders of the Company on the basis of one warrant for every five new shares held upon completion of the Reduction and Consolidation of Share Capital and 253,554,710 warrants to the lenders pursuant to the implementation of the SOA. Each warrant entitles its holder to subscribe for one new share at an exercise price of RM1 per share or such adjusted price as may be applicable during the time of exercise of rights which shall be at any time before the maturity date on 19 May 2013. All warrants not exercised by the maturity date shall lapse and shall become null and void.

During the financial year, 30 warrants were exercised and the number of warrants in issue as at 31 December 2010 was 265,063,616. Subsequent to year end, there was a conversion of 20 warrants to an equal number of ordinary shares of RM1.00 each as disclosed in Note 42.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision for doubtful debts in the financial statements of the Group and 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.



# DIRECTORS' REPORT

(e) 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 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 as and 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.

## SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 41 to the financial statements.

## SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 42 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2011.

**Susan A/P Rajanayagam**

**Martin Richard Haeger**



# STATEMENT BY DIRECTORS

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

We, Susan A/P Rajanayagam and Martin Richard Haeger, being two of the directors of MBf Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 49 to 173 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 48 on page 174 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2011.

**Susan A/P Rajanayagam**

**Martin Richard Haeger**

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# STATUTORY DECLARATION

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

I, Chong Siew Hoong, being the officer primarily responsible for the financial management of MBf Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 173 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 **Chong Siew Hoong**  
at Kuala Lumpur in Wilayah Persekutuan  
on 28 April 2011

**Chong Siew Hoong**

Before me,

**R. Vasugi Ammal, PJK**  
No. W480  
Commissioner For Oaths



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MBf HOLDINGS BERHAD (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MBf Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow 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 49 to 173.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of 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 of the Group and of the Company for the year then ended.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MBF HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 39 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.

### OTHER MATTERS

The supplementary information set out in Note 48 on page 174 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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  
28 April 2011

**George Koshy**  
No. 1846/07/11(J)  
Chartered Accountant

# CONSOLIDATED INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
<b>Revenue</b>	5	2,043,638	1,885,839	37,287	57,137
<b>Other items of income</b>					
Interest income	6	4,679	5,599	2,583	4,218
Dividend income	7	5	11	-	-
Other income	8	110,842	110,347	30,139	35,024
<b>Other items of expense</b>					
Raw materials and consumables used		(207,210)	(205,201)	-	-
Changes in inventories of finished goods and work in progress		(1,926)	(3,736)	-	-
Finished goods purchased		(1,115,212)	(1,062,780)	-	-
Depreciation	9	(55,175)	(51,858)	(459)	(475)
Staff costs	10	(224,331)	(205,641)	(6,615)	(5,943)
Finance costs	12	(77,278)	(76,566)	(7,189)	(7,128)
Other expenses	13	(394,576)	(261,430)	(12,814)	(25,878)
Share of results of associates		2,359	2,653	-	-
<b>Profit before tax</b>		85,815	137,237	42,932	56,955
Income tax expense	14	(34,993)	(27,615)	(4,629)	(8,211)
<b>Profit, net of tax</b>		50,822	109,622	38,303	48,744
<b>Profit attributable to:</b>					
Owners of the parent		45,032	106,329	38,303	48,744
Minority interests		5,790	3,293	-	-
		50,822	109,622	38,303	48,744
<b>Earnings per share attributable to owners of the parent (sen per share)</b>					
Basic	15 (a)	7.9	18.7		
Diluted	15 (b)	6.4	16.4		

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
<b>Profit net of tax</b>		50,822	109,622	38,303	48,744
<b>Other comprehensive income:</b>					
Revaluation of land and buildings	16	323,868	-	-	-
Foreign currency translation		(36,861)	(18,855)	-	-
Share of other comprehensive income of associates		2,606	-	-	-
Income tax relating to components of other comprehensive income	14	(85,023)	-	-	-
Other comprehensive income for the year, net of tax		204,590	(18,855)	-	-
<b>Total comprehensive income for the year</b>		<b>255,412</b>	<b>90,767</b>	<b>38,303</b>	<b>48,744</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		248,844	87,721	38,303	48,744
Minority interests		6,568	3,046	-	-
		<b>255,412</b>	<b>90,767</b>	<b>38,303</b>	<b>48,744</b>

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 (Restated)	1.1.2009 RM'000 (Restated)
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	16	859,914	530,698	536,968	4,287	4,325	1,373
Investment properties	17	163,971	107,778	114,730	17,800	11,867	11,497
Intangible assets	18	30,388	30,350	30,060	-	-	-
Self-generating and regenerating assets	19	16,401	10,053	12,346	-	-	-
Investment in subsidiaries	20	-	-	-	197,415	192,265	186,674
Investment in associates	21	12,134	7,168	4,515	14	14	24
Trade and other receivables	22	13,909	19,851	16,906	-	-	-
Investment securities	23	12,999	10,687	14,475	701	1,064	1,500
Deferred tax assets	24	3,888	3,477	8,105	-	-	-
		<u>1,113,604</u>	<u>720,062</u>	<u>738,105</u>	<u>220,217</u>	<u>209,535</u>	<u>201,068</u>
<b>Current assets</b>							
Inventories	25	423,938	341,941	354,797	-	-	-
Trade and other receivables	22	895,134	781,258	876,469	114,194	94,327	90,072
Tax recoverable		9,019	13,565	12,502	6,180	11,901	10,346
Investment securities	23	7,056	-	-	-	-	-
Derivatives	26	583	-	-	-	-	-
Cash and bank balances	27	245,604	312,259	233,407	3,895	19,419	10,522
		<u>1,581,334</u>	<u>1,449,023</u>	<u>1,477,175</u>	<u>124,269</u>	<u>125,647</u>	<u>110,940</u>
<b>Total assets</b>		<u>2,694,938</u>	<u>2,169,085</u>	<u>2,215,280</u>	<u>344,486</u>	<u>335,182</u>	<u>312,008</u>

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	2010 RM'000	Group 2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)	2010 RM'000	Company 2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)
<b>Equity and liabilities</b>							
<b>Current liabilities</b>							
Loans and borrowings	28	738,437	801,994	801,094	2,636	8,735	10,023
Trade and other payables	29	470,404	351,149	419,842	188,155	173,819	193,566
Provisions for liabilities	30	36,078	66,075	68,689	17,895	45,392	45,909
Income tax payable		24,122	19,075	40,956	-	-	-
Derivatives	26	44	-	-	-	-	-
		<u>1,269,085</u>	<u>1,238,293</u>	<u>1,330,581</u>	<u>208,686</u>	<u>227,946</u>	<u>249,498</u>
<b>Net current assets/(liabilities)</b>		<b>312,249</b>	<b>210,730</b>	<b>146,594</b>	<b>(84,417)</b>	<b>(102,299)</b>	<b>(138,558)</b>
<b>Non-current liabilities</b>							
Provisions for liabilities	30	3,319	4,087	4,011	-	-	-
Loans and borrowings	28	365,791	209,344	243,873	2,980	7,750	16,143
Other payables	29	22,303	12,017	6,815	2,553	4,375	-
Secured bonds	31	39,186	43,491	55,302	-	-	-
Redeemable Convertible Secured Loan Stocks	32	8,180	8,991	10,669	-	-	-
Deferred tax liabilities	24	110,014	31,297	33,109	-	-	-
		<u>548,793</u>	<u>309,227</u>	<u>353,779</u>	<u>5,533</u>	<u>12,125</u>	<u>16,143</u>
<b>Total liabilities</b>		<b>1,817,878</b>	<b>1,547,520</b>	<b>1,684,360</b>	<b>214,219</b>	<b>240,071</b>	<b>265,641</b>
<b>Net assets</b>		<b>877,060</b>	<b>621,565</b>	<b>530,920</b>	<b>130,267</b>	<b>95,111</b>	<b>46,367</b>
<b>Equity attributable to owners of the parent</b>							
Share capital	33	570,050	570,050	570,050	570,050	570,050	570,050
Reserves	34	284,154	35,227	(52,494)	(439,783)	(474,939)	(523,683)
Shareholders' equity		<u>854,204</u>	<u>605,277</u>	<u>517,556</u>	<u>130,267</u>	<u>95,111</u>	<u>46,367</u>
Minority interests		22,856	16,288	13,364	-	-	-
<b>Total equity</b>		<b>877,060</b>	<b>621,565</b>	<b>530,920</b>	<b>130,267</b>	<b>95,111</b>	<b>46,367</b>
<b>Total equity and liabilities</b>		<b>2,694,938</b>	<b>2,169,085</b>	<b>2,215,280</b>	<b>344,486</b>	<b>335,182</b>	<b>312,008</b>

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Equity, total	Attributable to equity holders of the Company				Minority interests		
	RM'000	Equity attributable to owners of the parent, total RM'000	Share capital (Note 33) RM'000	Foreign currencies translation reserves (Note 34) RM'000	Capital reserves (Note 34) RM'000	Asset revaluation reserves (Note 34) RM'000	(Accumulated losses)/Distributable retained earnings RM'000	RM'000
<b>2010</b>								
<b>Group</b>								
<b>Opening balance at 1 January 2010</b>								
As previously stated	617,245	600,957	570,050	(20,999)	3,873	-	(28,251)	16,288
Effects of changes in accounting policy	4,320	4,320	-	2,786	-	-	1,534	-
<b>Opening balance at 1 January 2010, as restated</b>	621,565	605,277	570,050	(18,213)	3,873	-	(26,717)	16,288
Effect of adopting FRS 139	4,097	4,097	-	-	-	-	4,097	-
	625,662	609,374	570,050	(18,213)	3,873	-	(22,620)	16,288
<b>Total comprehensive (loss)/income</b>	255,412	248,844	-	(25,246)	(5)	239,493	45,032	6,568
<b>Transactions with owners</b>								
Dividends on ordinary shares	(4,014)	(4,014)	-	-	-	-	(4,014)	-
Transfer from/(to income statement)	-	-	-	-	216	-	(3,017)	-
<b>Total transactions with owners</b>	(4,014)	(4,014)	-	-	216	-	(7,031)	-
<b>Closing balance at 31 December 2010</b>	877,060	854,204	570,050	(43,459)	4,084	239,493	15,381	22,856

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Equity, total	Attributable to equity holders of the Company				Minority interests			
		Non-distributable							
		Equity attributable to owners of the parent, total	Share capital	Foreign currencies	Capital reserves	Asset revaluation reserves	Accumulated losses		
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
			(Note 33)	(Note 34)	(Note 34)	(Note 34)			
<b>2009</b>									
<b>Group</b>									
<b>Opening balance at 1 January 2009</b>									
As previously stated		526,089	570,050	(2,720)	3,788	-	(134,145)	13,364	
Effects of changes in accounting policy	2.2	4,831	-	3,112	-	-	1,719	-	
<b>Opening balance at 1 January 2009, as restated</b>		530,920	570,050	392	3,788	-	(132,426)	13,364	
<b>Total comprehensive (loss)/income for the year</b>		90,767	-	(18,605)	(3)	-	106,329	3,046	
<b>Transactions with owners</b>									
Dividends on ordinary shares		(122)	-	-	-	-	-	(122)	
Transfer from/(to) income statement		-	-	-	88	-	(620)	-	
<b>Total transactions with owners</b>		(122)	-	-	88	-	(620)	(122)	
<b>Closing balance at 31 December 2009, as restated</b>		621,565	605,277	570,050	76,284	(18,213)	3,873	(26,717)	16,288

\* RCSLS: Redeemable Convertible Secured Loan Stocks

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Equity, total RM'000	Share capital (Note 33) RM'000	Accumulated losses RM'000
<b>2010</b>				
<b>Company</b>				
<b>Opening balance at 1 January 2010</b>				
As previously stated		93,736	570,050	(476,314)
Effects of changes in accounting policy	2.2	1,375	-	1,375
<b>Opening balance at 1 January 2010 as restated</b>		95,111	570,050	(474,939)
Effect of adopting FRS 139		867	-	867
		95,978	570,050	(474,072)
<b>Total comprehensive income for the year</b>		38,303	-	38,303
<b>Transaction with owners</b>				
Dividends on ordinary shares, representing total transaction with owners		(4,014)	-	(4,014)
<b>Closing balance at 31 December 2010</b>		130,267	570,050	(439,783)
<b>2009</b>				
<b>Company</b>				
<b>Opening balance at 1 January 2009</b>				
As previously stated		45,574	570,050	(524,476)
Effects of changes in accounting policy	2.2	793	-	793
<b>Opening balance at 1 January 2009, as restated</b>		46,367	570,050	(523,683)
<b>Total comprehensive income for the year</b>		48,744	-	48,744
<b>Closing balance at 31 December 2009</b>		95,111	570,050	(474,939)

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Group	2010 RM'000	2009 RM'000 (Restated)
<b>Operating activities</b>		
Profit before tax	85,815	137,237
<u>Adjustments for:</u>		
Bad debts written off	11	52
Depreciation and amortisation	55,175	51,858
Gross dividends received from other investments	(5)	(11)
Gain on deconsolidation of a subsidiary (Note 20(d)(ii))	-	(4,446)
Gain on disposal of		
- investment in quoted shares outside Malaysia	-	(600)
- property, plant and equipment	(74)	(85)
Interest expense	77,278	76,566
Interest income	(4,679)	(5,599)
Impairment of		
- property, plant and equipment	4,922	4,664
- available-for-sale investment securities	363	436
Write off of property, plant and equipment	98	312
Provision for doubtful debts	44,643	43,342
Provision for liabilities	19,741	29,824
Net fair value (gains)/losses on financial instruments:		
- held for trading investment securities	(99)	-
- derivatives	(533)	-
- designated at fair value through profit or loss	3,122	(6)
Net (gains)/losses from fair value adjustment of investment properties	(24,179)	6,077
Net increase in net market value of self-generating and regenerating assets	(5,490)	(544)
Reversal of provision for liabilities	(18,446)	(10,668)
Reversal of provision for doubtful debts	(1,241)	(3,837)
Reversal of impairment on property, plant and equipment	(756)	-
Share of results of associates	(2,359)	(2,653)
Net unrealised foreign exchange gain	(7,946)	(1,389)
Waiver of debts and interests	(225)	(51,106)
Write down of inventories	4,354	8,648
Total adjustments	143,675	140,835
<b>Operating cash flows before changes in working capital</b>	<b>229,490</b>	<b>278,072</b>

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000 (Restated)
<u>Changes in working capital</u>		
(Increase)/decrease in receivables	(170,617)	78,260
Increase in inventories	(103,238)	(14,919)
Increase/(decrease) in payables	161,880	(26,805)
Net changes in associates balances	(53)	(392)
(Increase)/decrease in self-generating and regenerating assets	(1,371)	2,589
Decrease in provision for liabilities	(18,940)	(19,183)
Total changes in working capital	(132,339)	19,550
<b>Cash flows from operations</b>	<b>97,151</b>	<b>297,622</b>
Interest paid	(75,446)	(73,758)
Taxes paid	(35,142)	(47,787)
Tax refund	8,391	1,040
<b>Net cash flows (used in)/from operating activities</b>	<b>(5,046)</b>	<b>177,117</b>
<b>Investing activities</b>		
Proceeds from disposal of		
- investment in quoted shares outside Malaysia	-	739
- property, plant and equipment	3,361	6,120
Dividends received from other investments	5	11
Interest received	5,527	5,858
Purchase of		
- property, plant and equipment	(57,741)	(40,482)
- investment properties	(62)	(121)
- investment in quoted shares outside Malaysia	(6,581)	-
Dividend paid by subsidiary to minority interests	-	(122)
Dividends paid on ordinary shares	(4,014)	-
<b>Net cash flows used in investing activities</b>	<b>(59,505)</b>	<b>(27,997)</b>

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000 (Restated)
<b>Financing activities</b>		
Repayment of short term borrowings	(710,809)	(629,682)
Drawdown of short term borrowings	126,272	54,105
Repayment of hire purchase and lease payables	(36,729)	(29,258)
Redemption of secured bonds	-	(11,078)
Drawdown of long term borrowings	96,350	8,191
Proceeds from commercial papers	485,700	504,030
Placement in reserve funds	(1,356)	(1,005)
<b>Net cash flows used in financing activities</b>	<b>(40,572)</b>	<b>(104,697)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(105,123)</b>	<b>44,423</b>
Effect of exchange rate changes on cash and cash equivalents	3,786	5,559
<b>Cash and cash equivalents at beginning of year</b>	<b>92,579</b>	<b>42,597</b>
<b>Cash and cash equivalents at end of year (Note 27)</b>	<b>(8,758)</b>	<b>92,579</b>

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Company	2010 RM'000	2009 RM'000 (Restated)
<b>Operating activities</b>		
Profit before taxation	42,932	56,955
<u>Adjustments for:</u>		
Depreciation and amortisation	459	475
Gain on disposal of property, plant and equipment	(4)	(17)
Net gains on fair value adjustment of investment properties	(5,933)	(370)
Gross dividends from subsidiaries	(31,885)	(53,425)
Impairment of		
- investment in subsidiary	-	6,114
- investment in unquoted shares in Malaysia	363	436
- interest in associate	-	10
Interest expense	7,189	7,128
Interest income	(2,583)	(4,218)
Provision for doubtful debts		
- subsidiaries	-	755
- other receivables	-	83
Provision for liabilities	1,980	10,342
Reversal of provision for doubtful debts		
- subsidiaries	-	(13,805)
- other receivables	-	(2,484)
Reversal of provision for liabilities	(15,046)	-
Waiver of debts and interests	-	(12,236)
Bad debts recovered	(378)	(215)
Net unrealised foreign exchange gain	(8,444)	(1,144)
Total adjustments	(54,282)	(62,571)
<b>Operating cash flows before changes in working capital</b>	<b>(11,350)</b>	<b>(5,616)</b>
<u>Changes in working capital</u>		
(Increase)/decrease in trade and other receivables	(20,421)	3,620
Decrease in provisions	(2,446)	(702)
Increase/(decrease) in trade and other payables	1,877	(18,410)
Total changes in working capital	(20,990)	(15,492)
<b>Cash flows used in operations</b>	<b>(32,340)</b>	<b>(21,108)</b>
Tax refund	7,518	-
Interest paid	(1,050)	(1,489)
<b>Net cash flows used in operating activities</b>	<b>(25,872)</b>	<b>(22,597)</b>

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	<b>2010 RM'000</b>	<b>2009 RM'000 (Restated)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(472)	(2,429)
Proceeds from disposal of property, plant and equipment	-	60
Dividends received from subsidiaries	25,459	43,659
Interest received	244	297
<b>Net cash flows from investing activities</b>	<b>25,231</b>	<b>41,587</b>
<b>Financing activities</b>		
Repayment of hire purchase	(369)	(1,998)
Repayment of loans and borrowings	(10,500)	(9,033)
Drawdown of hire purchase	-	938
Dividends paid on ordinary shares	(4,014)	-
<b>Net cash flows used in financing activities</b>	<b>(14,883)</b>	<b>(10,093)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(15,524)</b>	<b>8,897</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>19,419</b>	<b>10,522</b>
<b>Cash and cash equivalents at end of year (Note 27)</b>	<b>3,895</b>	<b>19,419</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”). The registered office of the Company is at Level 17, Menara MBf, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management services to its group of companies. The principal activities of the Group are described in Notes 39 and 40. There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in Note 41.

Related companies in the financial statements refer to member companies within the MBf Holdings Berhad group of companies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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 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 FRS 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 and 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
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Funding Requirements and their Interaction



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FRS 4 Insurance Contracts, Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

### **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.

### **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 has adopted FRS 8 retrospectively.

### **FRS 101 Presentation of Financial Statements (Revised)**

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard 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. 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; an income statement displaying components of profit or loss and a statement of comprehensive income.

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.

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **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:

- **Equity instruments**

Prior to 1 January 2010, the Group classified its investments in unquoted 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 whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for-sale financial assets and 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 on that date at RM12,080,000. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010.

- **Debt securities**

Prior to 1 January 2010, investments in debt securities were stated at amortised cost using the effective interest rate method. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as held-to-maturity investments. The carrying values of held-to-maturity debt securities as at 1 January 2010 amounted to RM2,784,000.

- **Non-hedging derivatives**

Prior to 1 January 2010, all derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS 139. Upon the adoption of FRS 139, all derivatives held by the Group are classified as financial assets or financial liabilities at fair value through profit or loss.

- **Impairment of trade receivables**

Prior to 1 January 2010, provision 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

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Financial guarantee contracts**

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

- **Inter-company loans**

During the current and prior years, the Company granted interest-free or low-interest loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost.

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

	Increase/(decrease)	
	As at 31 December 2010 RM'000	As at 1 January 2010 RM'000
<b>Statements of financial position</b>		
<b>Group</b>		
Financial assets designated at fair value through profit or loss	(3,029)	6,401
Derivatives (assets)	583	-
Derivatives (liabilities)	44	-
Trade and other receivables	(1,932)	(4,321)
Other payables	-	(621)
Retained earnings	(3,204)	4,097
<b>Company</b>		
Investment in subsidiaries	1,879	1,585
Trade and other payables - financial guarantees	678	718
Retained earnings	1,201	867

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

	<b>Increase/(decrease)</b>	
	<b>Group 2010 RM'000</b>	<b>Company 2010 RM'000</b>
<b>Statements of comprehensive income</b>		
Revenue	632	-
Other income	676	1,201
Other expenses	(5,766)	-
(Loss)/Profit before tax from continuing operations	(4,458)	1,201
Income tax expense	1,254	-
(Loss)/Profit from continuing operations, net of tax	(3,204)	1,201
(Loss)/Profit net of tax	(3,204)	1,201
	<b>Sen per share</b>	
Earnings per share		
Basic	(0.56)	
Diluted	(0.35)	

## **Amendments to FRS 117 Leases**

Prior to 1 January 2010, for all leases of land and buildings, 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 and the Company has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statements of financial position as at 31 December 2010 arising from the above change in accounting policy:

	<b>Increase/(decrease)</b>	
	<b>Group 2010 RM'000</b>	<b>Company 2010 RM'000</b>
Property, plant and equipment	83,356	-
Investment properties	857	585
Prepaid land lease	(84,213)	(585)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following comparatives have been restated:

	Increase/(decrease)		
	As previously stated RM'000	Adjustments RM'000	As restated RM'000
<b>Statements of financial position</b>			
<b>Group</b>			
<b>31 December 2009</b>			
Property, plant and equipment	482,314*	48,384	530,698
Investment properties	92,861	867	93,728
Prepaid land lease	49,251	(49,251)	-
	<u>482,314</u>	<u>(49,251)</u>	<u>530,698</u>
<b>1 January 2009</b>			
Property, plant and equipment	493,215*	43,753	536,968
Investment properties	96,179	875	97,054
Prepaid land lease	44,628	(44,628)	-
	<u>493,215</u>	<u>(44,628)</u>	<u>536,968</u>
<b>Company</b>			
<b>31 December 2009</b>			
Investment properties	9,903	589	10,492
Prepaid land lease	589	(589)	-
	<u>9,903</u>	<u>(589)</u>	<u>10,492</u>
<b>1 January 2009</b>			
Investment properties	10,111	593	10,704
Prepaid land lease	593	(593)	-
	<u>10,111</u>	<u>(593)</u>	<u>10,704</u>

\* Arising from adjustment as disclosed in Note 3 and Note 47.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **FRS 116 Property, Plant and Equipment; and FRS 140 Investment Property**

The Group has changed its accounting policy from the cost model to the fair value model for its land and buildings in accordance with FRS 116 Property, Plant and Equipment and FRS 140 Investment Property.

### **a) The effects of the change in accounting policy in accordance with FRS 116 Property, Plant and Equipment:**

	<b>Increase Group 2010 RM'000</b>
<b>Statements of financial position</b>	
Property, plant and equipment	323,868
Deferred tax liabilities	85,023
Investment in associates	2,606
<b>Statements of comprehensive income</b>	
Other comprehensive income for the year, net of tax	241,451
Other comprehensive income attributable to:	
Owners of the parent	239,493
Minority interests	1,958
	<u>241,451</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### b) The effects of the change in accounting policy in accordance with FRS 140 Investment Property:

The adoption of fair value model is applied retrospectively as disclosed below with certain comparatives being restated.

	Increase/(decrease)		
	2010 RM'000	2009 RM'000	1.1.2009 RM'000
<b>Group</b>			
<b>Statements of financial position</b>			
Investment properties	15,909	(7,072)	17,676
Deferred tax liabilities	2,311	(3,115)	12,845
Retained earnings	19,593	(3,221)	1,719
Exchange fluctuation reserves	(5,995)	(736)	3,112
<b>Statements of comprehensive income</b>			
Other income	24,179	-	14,061
Other expenses	-	6,077	-
Profit before tax	24,179	(6,077)	14,061
Income tax expense	4,586	(2,856)	12,342
Profit net of tax	19,593	(3,221)	1,719
<b>Company</b>			
<b>Statements of financial position</b>			
Investment properties	5,933	370	793
Accumulated losses	(5,933)	(370)	(793)
<b>Statements of comprehensive income</b>			
Other income	5,933	370	793
Profit net of tax	5,933	370	793

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## c) Restatement of comparatives

The following comparative amounts have been restated as a result of the change in accounting policy in accordance with FRS 140 Investment Property:

	Increase/(decrease)		
	As previously stated RM'000	FRS 140 fair value adjustment RM'000	As restated RM'000
<b>Group</b>			
<b>31 December 2009</b>			
<b>Statements of financial position</b>			
Investment properties	93,728 **	14,050	107,778
Deferred tax liabilities	(21,567)	(9,730)	(31,297)
Accumulated losses	(28,251)	1,534	(26,717)
Exchange fluctuation reserves	(20,999)	2,786	(18,213)
<b>1 January 2009</b>			
<b>Statements of financial position</b>			
Investment properties	97,054 **	17,676	114,730
Deferred tax liabilities	(20,264)	(12,845)	(33,109)
Accumulated losses	(134,145)	1,719	(132,426)
Exchange fluctuation reserves	(2,720)	3,112	392
<b>Company</b>			
<b>31 December 2009</b>			
<b>Statements of financial position</b>			
Investment properties	10,492 **	1,375	11,867
Accumulated losses	(476,314)	1,375	(474,939)
<b>1 January 2009</b>			
<b>Statements of financial position</b>			
Investment properties	10,704 **	793	11,497
Accumulated losses	(524,476)	793	(523,683)

\*\* The above have been restated on adopting the Amendments to FRS 117 Leases.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### IC Interpretation 13 Customer Loyalty Programmes

On 1 January 2010, the Group adopted IC Interpretation 13 Customer Loyalty Programmes which is effective for annual periods beginning on or after 1 January 2010.

Prior to 1 January 2010, a subsidiary of the Group had recognised award credits from a Customer Loyalty Reward Programme as marketing expenses in the profit or loss. IC Interpretation 13 - Customer Loyalty Programme however requires that the award credits be recognised as net amount in revenue, being incentives granted to the customers for which the customers implicitly paid. The change in accounting policy on adopting IC Interpretation 13 is applied retrospectively and the effect of this change is set off against the revenue from financial services disclosed in Note 5. The award credits from the reward programme for the year ended 31 December 2010 amounts to RM5,085,000 (2009: RM5,365,000).

### 2.3 Standards issued but not yet effective

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to FRS 139 Financial Instruments: Recognition and Measurement	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 13: Improvements to FRSs (2010)	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share Based Payments Transactions	1 January 2011
Amendments to FRS 3: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 101: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 121: Improvements to FRSs (2010)	1 January 2011

# NOTES TO THE FINANCIAL STATEMENTS

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<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to FRS 128: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 131: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 132: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 134: Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 139: Improvements to FRSs (2010)	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
TR 3 Guidance of Transition to IFRSs	1 January 2011
TR i-4 Shariah Disclosures Compliant Sale Contracts	1 January 2011
FRS 124 Related Party Disclosures	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

Except for the changes in accounting policies on adopting the revised FRS 3 and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors do not expect the adoption of the other standards and interpretations as above to have a 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 and the Amendments to FRS 127 are described below.

## **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 the revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. These standards could be adopted earlier which the Group does not intend to do so.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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. 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 2.9(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.

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 Transactions 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 entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

### 2.6 Foreign currency

#### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the 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 also the Company's functional currency.



# NOTES TO THE FINANCIAL STATEMENTS

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## **(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.

## **(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 average exchange rates for the year, which approximates the 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 and furniture and fixtures 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 life 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Buildings under construction are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

- Buildings	1.25%	-	4.50%
- Plant, machinery and electrical fittings	5%	-	25%
- Motor vehicles	10%	-	33.33%
- Furniture and fittings	7.50%	-	33.33%
- Office equipment	8%	-	33.33%
- Computer equipment	8%	-	33.33%
- Renovation and improvements	10%	-	33.33%

Capital work-in-progress comprises renovation in-progress, computer system installation in-progress and other assets which have not been commissioned. Capital work-in-progress is not depreciated.

Capital work-in-progress is capitalised in accordance with the FRS 116: Property, Plant and Equipment and is recognised as an asset when:

- (a) it is probable that future economic benefits associated with the asset will flow to the enterprise; and
- (b) the cost of the asset to the enterprise can be measured reliably.

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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2.8 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 value 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.

## 2.9 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (b) Franchise

The Group's franchise was acquired through business combination. The useful life of the franchise is estimated to be indefinite as management believes there is no foreseeable limit to the period over which the franchise is expected to generate net cash flows to the Group. Franchise is stated at cost less any impairment losses. The franchise is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

### 2.10 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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 CGU.

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.



# NOTES TO THE FINANCIAL STATEMENTS

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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.

## **2.11 Subsidiaries**

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

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

## **2.12 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 investment 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

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.13 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

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.

## **2.14 Redeemable convertible secured loan stocks ("RCSLS")**

RCSLS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument at the date of issue. The difference between this amount and the interest paid is added to the carrying value of the RCSLS.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.15 Warrants

Warrants issued are recognised in the financial statements as warrant reserve at their respective fair values as at the date of the issue.

### 2.16 Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in profit or loss in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **(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.

## **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 Self-Generating and Regenerating Assets ("SGARA")**

SGARA harvested and held for resale are valued at fair value. Fair value is the amount which could be expected to be received from the disposal of the asset in an active and liquid market after deducting costs expected to be incurred in realising the proceeds of such a disposal. The value is the fair value immediately after harvesting or extraction less the associated costs.

Crops of coffee, tea, cocoa and coconuts are held as non-current assets and are valued at fair value, derived from the net present value of the cash flows expected to be generated by the crops discounted at a current market determined rate which reflects the risks associated with those assets. Livestock and timber-balsa are valued at net market value or at cost when no reliable indicator of fair value is available.

## **2.20 Installation contracts**

Where the outcome of a heavy machinery installation contract can be estimated reliably, 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 an installation contract cannot be reliably estimated, contract revenue is recognised to the extent of the contract costs incurred that are probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

When the total costs incurred on an installation 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, specific identification or average cost methods, where appropriate. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials comprise costs of purchases; and
- finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

### 2.22 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **(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.

### **2.24 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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

### **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

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.26 Employee benefits

#### (a) Short term benefits

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

#### (b) 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 in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal.

### 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.

Lease 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(h).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 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) Installation contracts

Revenue from installation contracts is accounted for by the stage of completion method, as described in Note 2.20.

### (b) Factoring income

Factoring administration fee income is recognised upon acceptance of factored invoices while factoring discount income is recognised on accrual basis.

### (c) Sale of goods

Revenue is recognised net of sales taxes and discounts upon the transfer of significant risks and rewards.

### (d) Interest in suspense

Interest income is not recognised in profit or loss when it is anticipated that the debtors have no capability to repay the debts. The suspended interest is recognised on receipt basis.

### (e) Financial services

- Card annual and renewal fees are recognised upon the issuance or renewal of cards to approved members.
- Cash advance fee is recognised upon billing to cardmembers.
- Line commission revenue is recognised upon collection from cardmembers by the line of credit provider.
- Interest income from line of credit facilities granted is recognised on an accrual basis. However, the recognition of such income is suspended when the cardmember receivable is in arrears for more than three months.
- Discount revenue and interchange fees are recognised upon billing to/by merchants and inter-member banks.
- Equipment rental income from merchants who do not fulfill their minimum business volume requirement is recognised rateably over the period of the equipment usage.
- Revenue from the sale of goods under the Easy Payment Plan (EPP) is recognised upon the transfer of significant risks and rewards of ownership to cardmembers. Revenue is not recognised to the extent where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

### (f) Dividend income

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **(g) Revenue from services and shipping operations**

Revenue from services rendered and shipping operations which comprise freight income, shipping agency fees and dry dock repairs are recognised net of service taxes and discounts as and when the services are performed.

### **(h) Rental income**

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

### **(i) Leasing and hire purchase income**

Vehicles and equipment sold on guaranteed buy-back arrangements are accounted for as financing transactions. The sale proceeds received are recorded as a liability and the difference between the sale proceeds and the buy-back price is recognised in revenue as lease income over the term of the agreement on an effective yield basis. The vehicles and equipment transferred are retained as an asset in the statement of financial position and are depreciated to their buy-back amount, on a straight-line basis over the terms of the agreements.

Associated finance income is earned on an accrual basis under an effective annual yield method. However, where the instalments are in arrears for more than three months, interest income is suspended.

### **(j) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

### **(k) Management fees**

Management fees are recognised when services are rendered.

### **(l) Sales of agricultural products**

Revenue from sale of agricultural products is recognised when the significant risk and rewards of ownership of the product have passed to the buyer.

### **(m) Other revenue**

Other revenue is recognised on an accrual basis.

#### **2.29 Customer loyalty programmes**

Award credits are granted to customers as an integral part of the sales transactions which are recognised as a separately identifiable component of the sales transaction.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2.30 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statements of financial position.

### 2.31 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.32 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.

### 2.33 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 and Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 3. ADJUSTMENT, RESTATEMENT AND RECLASSIFICATION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Group had in the previous financial year classified certain properties held for own use as land held for development (non current assets) wherein no development activities have been carried out or are not expected to be completed within the normal operating cycle. However, upon reassessment of the recognition criteria of these properties, they should have been accounted for as property, plant and equipment as stipulated in FRS 116 Property, Plant and Equipment.

Accordingly, the Group has reclassified the said properties to property, plant and equipment. The above has been accounted for retrospectively. Further details of the effects of the adjustment and reclassification are disclosed in Note 47.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 4.1 Judgements made in applying accounting policies

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:

#### (a) Classification between investment properties 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 and/or for capital appreciation.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion 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 provided an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### (b) Adoption of Bank Negara Malaysia's Credit Card Guidelines on the estimation of provision for bad and doubtful debts

A subsidiary of the Group adopted the above guidelines, whereby:

- loans are individually impaired based on current trends;
- impaired loans are subject to loan given default ratios for allowances; and
- the remaining non-impaired loans are collectively assessed and subject to allowance at 1.5%.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Additional provision is also made for receivables where collection in full is improbable and there is a high risk of ultimate default; or if the amounts are deemed uncollectible and worthless, on the basis of relevant circumstances, such as credit card fraud.

### (c) Revenue recognition

During current financial period, the Group has recognised RM2,970,000 (2009: RM3,117,000) as provision for card fees waiver based on management estimation of a percentage on current sales levels and average monthly card fees waiver. The provision is recognised for expected requests for fee waiver during current financial year, based on past monthly trend.

### (d) Writeback of disputed payments

In the course of businesses of the Group, there are payments claimed by creditors/suppliers which are disputed. The management has established that five years should be of sufficient time to resolve such disputes. Unless these disputes have proceeded to litigation, all disputed payments unresolved after five years will be written back to the profit or loss. Consequent thereto, the Group has written back approximately RM3,851,000 (2009: RM1,122,000) during the financial year.

### (e) Operating leases - the Group as lessor

The Group has entered into commercial property leases with third parties on its property portfolio which were classified under property, plant and equipment and investment properties. The Group had ascertained that it retains all significant risks and rewards of ownership of these properties and thus accounted for these contracts as operating leases.

## 4.2 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) Impairment of goodwill

The Group determines whether goodwill is impaired at least once a year. This requires an estimation of the value-in-use of cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires an estimate of the expected future cash flows from the CGU and the choice of a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2010 was RM28,736,000 (2009: RM28,948,000). Further information is disclosed in Note 18.

### (b) Depreciation of plant, machinery, computer equipment and electrical fittings

Plant, machinery, computer equipment and electrical fittings are depreciated on a straight-line basis over their estimated useful lives. Management estimates the depreciation rate of these assets to be 5% to 33% per annum. The carrying amounts of the said assets of the Group as at 31 December 2010 was RM111,763,000 (2009: RM100,262,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant, machinery, computer equipment and electrical fittings. Therefore the future depreciation charge could be revised.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **(c) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and unabsorbed 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 management 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 total carrying value of recognised deferred tax assets of the Group was RM3,888,000 (2009: RM3,477,000) and the unrecognised tax losses and capital allowances of the Group was RM267,765,000 (2009: RM298,232,000).

## **(d) Provision for liabilities**

Provision for commitment in respect of anticipated losses arising from guarantees given for loan granted to certain deconsolidated and disposed subsidiaries are recognised after taking into account the following:

- a) Total potential liabilities including the interest accruing up to the reporting date. Proof of liabilities is based on actual guarantees issued or contractual agreements signed;
- b) The estimated recoverable amount of the securities pledged based on the latest information available; and
- c) The likelihood of the outcome of the litigation, if any, based on the facts of the matters and legal avenue available to the Group.

## **(e) Contingent liabilities**

The contingent liabilities of the Company are principally the possible obligations arising from guarantees given for bank loans granted to certain subsidiaries which are not recognised in the accounts as the crystallization of the contingent liabilities is not probable.

## **(f) SGARA**

In determining the fair value of the SGARA, the management has made the following assumptions:

### **(i) Fair value of crop plantations**

As there is no suitable market evidence available to value the trees by reference to equivalent sales, the crop plantations are valued at fair value based on the net present value. The net present value was determined by the directors as the net present value of cash flows attributable to the trees discounted at a rate which reflected the risks associated with applicable cash flow streams.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In determining the net market value of the crops plantations, the following assumptions are used:

- (a) Coffee reaches maturity in 5 years and will be productive for at least 20 years;
- (b) Tea reaches maturity in 4 to 5 years and will be productive for at least 20 years;
- (c) Cocoa reaches maturity in 5 years and will be productive for at least 15 years;
- (d) Coconuts reach maturity in 5 to 8 years and will be productive for at least 50 years;
- (e) Balsa trees reach maturity in 4 years and is then harvested;
- (f) Discount rate applied is 23% (2009: 23%) which reflects the agronomic and political risks;
- (g) Market price inflated at 5% per annum for coconuts and cocoa, 3% per annum for coffee and 2% per annum for tea;
- (h) Costs will inflate at 5% per annum;
- (i) Average crop yields are used; and
- (j) Hectarage reduced annually for planned redevelopment work and natural reductions.

### (ii) Fair value of livestock

The fair value of livestock is determined with reference to the market value of the respective livestock.

### (g) Impairment of investment

The Company determines the provision for impairment on investments in subsidiaries, if any, by evaluating the financial position of the subsidiaries.

## 5. REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Sales of goods and services	1,465,828	1,359,109	-	-
Revenue from financial services	245,978	251,025	-	-
Revenue from sale of agricultural products	222,442	201,222	-	-
Revenue from shipping operations	64,916	22,385	-	-
Leasing and hire purchase income	21,420	26,264	-	-
Dividend income from subsidiaries	-	-	31,885	53,425
Income from provision of management services	-	-	5,148	3,415
Rental income	14,774	16,812	254	297
Others	8,280	9,022	-	-
	<b>2,043,638</b>	<b>1,885,839</b>	<b>37,287</b>	<b>57,137</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 6. INTEREST INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from:				
Deposits with licensed banks and financial institutions	4,679	5,599	244	297
Advances to subsidiaries	-	-	2,339	3,921
	<u>4,679</u>	<u>5,599</u>	<u>2,583</u>	<u>4,218</u>

## 7. DIVIDEND INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Dividend income from:				
Financial assets:				
- Equity instruments (quoted outside Malaysia)	5	11	-	-
	<u>5</u>	<u>11</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 8. OTHER INCOME

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Bad debts recovered	12,076	10,980	378	215
Commission	3,724	3,801	-	-
Gain on deconsolidation of a subsidiary	-	4,446	-	-
Net gains from fair value adjustment of investment properties (Note 17)	24,179	-	5,933	370
Gain on disposal of:				
- investment in quoted shares outside Malaysia	-	600	-	-
- property, plant and equipment	347	213	4	17
Net fair value gains on financial instruments:				
- held for trading investment securities	99	-	-	-
- derivatives	577	-	-	-
- designated at fair value through profit or loss	-	6	-	-
Gain on foreign exchange				
- realised	11,315	9,926	-	145
- unrealised	14,537	3,178	8,444	5,726
Net increase in net market value of SGARA	5,490	544	-	-
Rental income	328	795	-	-
Reversal of provision for impairment on property, plant and equipment	756	-	-	-
Reversal of provision for doubtful debts				
- subsidiaries	-	-	-	13,805
- trade and other receivables	1,241	3,837	-	2,484
Reversal of provision for liabilities	18,446	10,668	15,046	-
Reversal of provision for financial guarantee liabilities	-	-	334	-
Waiver of debts and interests				
- subsidiary	-	-	-	1,833
- trade and other payables	225	51,106	-	10,403
Others	17,502	10,247	-	26
	<b>110,842</b>	<b>110,347</b>	<b>30,139</b>	<b>35,024</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 9. DEPRECIATION

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Depreciation of:				
- property, plant and equipment (Note 16)	55,175	51,858	459	475

## 10. STAFF COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	166,796	150,947	4,460	3,953
Bonus	7,602	9,975	973	1,237
Social security contributions	744	718	23	20
Employee benefits:				
- provision for short term accumulated compensated absences	1,512	3,614	-	-
- others	5,854	5,666	-	-
Defined contribution plans	11,203	10,424	588	475
Other staff related expenses	30,620	24,297	571	258
	<b>224,331</b>	<b>205,641</b>	<b>6,615</b>	<b>5,943</b>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM5,430,000 (2009: RM5,705,000) and RM1,328,000 (2009: RM1,225,000) respectively as further disclosed in Note 11.

## 11. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive directors' remuneration (Note 10)				
- Fees	463	439	-	-
- Other emoluments	4,967	5,266	1,328	1,225
	<b>5,430</b>	<b>5,705</b>	<b>1,328</b>	<b>1,225</b>
Non-executive directors' remuneration (Note 13)				
- Fees	286	266	226	206
Total directors' remuneration	<b>5,716</b>	<b>5,971</b>	<b>1,554</b>	<b>1,431</b>
Estimated money value of benefits-in-kind	583	440	32	39
Total (Note 38)	<b>6,299</b>	<b>6,411</b>	<b>1,586</b>	<b>1,470</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 11. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by directors of the Company during the financial year are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive:				
Salaries and other emoluments	960	883	960	883
Fees	463	439	-	-
Bonus	226	210	226	210
Defined contribution plans	142	132	142	132
Estimated money value of benefits-in-kind	75	90	32	39
	<u>1,866</u>	<u>1,754</u>	<u>1,360</u>	<u>1,264</u>
Non-executive fees	286	266	226	206
Total	<u>2,152</u>	<u>2,020</u>	<u>1,586</u>	<u>1,470</u>

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
Executive directors:		
RM350,001 - RM400,000	1	1
RM400,001 - RM450,000	-	1
RM500,001 - RM550,000	1	-
RM950,001 - RM1,000,000	1	1
	<u>1</u>	<u>1</u>
Non-executive directors:		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	1	1
	<u>1</u>	<u>1</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. FINANCE COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on RCSLS (Note 32)				
- accretion of premium	(2,801)	(532)	-	-
- interest expense	1,509	2,137	-	-
	(1,292)	1,605	-	-
- subsidiaries	-	-	6,139	6,165
- bank overdrafts	20,613	15,634	-	-
- hire purchase and finance lease	4,796	3,821	596	626
- term loans and revolving credits	22,213	23,536	454	337
- commercial papers/medium term notes	21,539	22,782	-	-
- secured bonds	128	336	-	-
- others	1,632	2,829	-	-
	69,629	70,543	7,189	7,128
Facilities procurement and other fees	1,760	2,663	-	-
Other bank charges and fees	5,889	3,360	-	-
	77,278	76,566	7,189	7,128

# NOTES TO THE FINANCIAL STATEMENTS

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## 13. OTHER EXPENSES

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Auditors' remuneration				
Auditors of the Company				
- statutory audits	303	276	90	90
- other services	267	238	54	41
Other auditors				
- statutory audits	1,621	1,416	-	-
- other services	392	23	-	-
Bad debts written off	11	52	-	-
Charter hire	17,860	-	-	-
Impairment losses				
- property, plant and equipment	4,922	4,664	-	-
- interest in associates	-	10	-	10
- investment in subsidiary	-	-	-	6,114
Impairment losses on financial assets				
- available-for-sale investment securities	363	436	363	436
- designated at fair value through profit or loss	3,122	-	-	-
Lease rental	1,544	1,198	-	-
Loss on foreign exchange				
- realised	2,088	104	242	13
- unrealised	6,591	1,789	-	4,582
Loss on disposal of property, plant and equipment	273	128	-	-
Management fees paid/payable to a company in which a director of the Company has interest	1,181	1,118	-	-
Net loss from fair value adjustment of investment properties (Note 17)	-	6,077	-	-
Non-executive directors' remuneration (Note 11)	286	266	226	206
Performance based profit incentive fees paid/payable to a company in which a director of the Company has interest				
- current year	2,639	-	-	-
- underprovision in prior year	-	378	-	-
Provision for doubtful debts				
- subsidiaries	-	-	-	755
- trade and other receivables	44,643	43,342	-	83

# NOTES TO THE FINANCIAL STATEMENTS

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	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
Provision for liabilities	19,741	29,824	1,980	10,342
Rental of equipment	1,274	1,291	15	15
Rental of office premises				
- subsidiary	-	-	892	828
- others	16,910	18,212	-	-
Rental paid/payable to companies in which a director of the Company has interest	7,480	7,161	330	-
Loss on derivatives	44	-	-	-
Write down of inventories	4,354	8,648	-	-
Write off of property, plant and equipment	98	312	-	-

## 14. INCOME TAX EXPENSE

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
<b>Statement of Comprehensive:</b>				
<b>Income:</b>				
Current income tax:				
Malaysian income tax	18,178	17,414	4,629	8,211
Foreign tax	19,391	7,036	-	-
Under/(over)provision in prior years:				
Malaysian income tax	580	439	-	-
Foreign tax	(831)	(322)	-	-
	37,318	24,567	4,629	8,211
Deferred tax (Note 24):				
Origination and reversal of temporary differences	(2,135)	2,920	-	-
Effect of changes in tax rates	-	124	-	-
(Over)/underprovision in prior years	(190)	4	-	-
	(2,325)	3,048	-	-
Income tax expense recognised in profit or loss	34,993	27,615	4,629	8,211

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 14. INCOME TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred income tax related to other comprehensive income:				
- Net surplus on revaluation of freehold land and building	85,023	-	-	-

### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	2010 RM'000	2009 RM'000 (Restated)
<b>Group</b>		
Profit before tax	85,815	137,237
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	21,454	34,309
Different tax rates in other countries	(12)	(999)
Adjustments:		
Effect of changes in tax rates on opening balance of deferred tax	-	124
Income not subject to taxation	(9,300)	(9,713)
Non-deductible expenses	24,519	12,398
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and other deductible temporary differences	(567)	(9,420)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	102	1,287
(Over)/underprovision of income tax in respect of prior years	(251)	117
(Over)/underprovision of deferred tax in prior years	(190)	4
Share of results of associates	(762)	(492)
Income tax expense recognised in profit or loss	34,993	27,615

# NOTES TO THE FINANCIAL STATEMENTS

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<b>Company</b>	<b>2010 RM'000</b>	<b>2009 RM'000 (Restated)</b>
Profit before tax	42,932	56,955
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	10,733	14,239
Adjustment:		
Income not subject to taxation	(8,840)	(8,194)
Non-deductible expenses	2,736	2,166
Income tax expense recognised in profit or loss	4,629	8,211

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

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax savings during the financial year arising from:

	<b>Group</b>		<b>Company</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Utilisation of current year tax losses	-	45	-	-
Utilisation of previously unrecognised tax losses	2,037	37,588	-	-

## 15. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<b>2010</b>	<b>2009</b>
Profit attributable to ordinary equity holders of the Company (RM'000)	45,032	106,329
Weighted average number of ordinary shares ('000)	570,050	570,050
Basic earnings per share (sen)	7.9	18.7

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 15. EARNINGS PER SHARE

### (b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all the potential ordinary shares that would be issued on conversion of the RCSLS. The amount of profit for the year is adjusted by the after-tax effect of interest expense recognised during the financial year which will be saved on conversion of all outstanding RCSLS into ordinary shares. The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which will be issued on conversion of all the outstanding RCSLS and exercise of warrants into ordinary shares. The RCSLS are assumed to have been converted into ordinary shares at the beginning of the year.

	Group	
	2010 RM'000	2009 RM'000
Profit attributable to ordinary equity holders of the Company	45,032	106,329
RCSLS interest	(1,294)	1,605
Interest income from cash proceeds on exercise of warrants	14,910	-
Profit attributable to ordinary equity holders of the Company used in the computation of diluted earnings per share	58,648	107,934
Weighted average number of ordinary shares in issue ('000)	570,050	570,050
Effects of dilution on conversion of outstanding RCSLS ('000) *	85,277	86,423
Effects of dilution on exercise of warrants ('000)	265,064	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	920,391	656,473
Diluted earnings per share (sen)	6.4	16.4

\*The exercise of warrants (exercise price pre-determined at RM1.00 per ordinary share) would be anti-dilutive in 2009, and hence was excluded in the calculation of diluted earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Plant, machinery and electrical fittings		Motor vehicles	Furniture and fittings	Office equipment and computer equipment		Renovation and improvements	Renovation work-in-progress	Total
		*Land and buildings	and fittings			RM'000	RM'000			
<b>Cost or valuation</b>		----- At cost -----								
At 1 January 2010										
As previously stated		318,028	180,067	75,401	63,716	91,189	10,221	3,264	741,886	
Adjustment	47	24,615	-	-	-	-	-	-	24,615	
Effects of adopting the amendments to FRS 117	2.2	54,668	-	-	-	-	-	-	54,668	
As restated		397,311	180,067	75,401	63,716	91,189	10,221	3,264	821,169	
Additions		48,836	26,985	28,287	6,258	6,183	2,527	682	119,758	
Disposals		(64)	(775)	(12,270)	(851)	(339)	-	-	(14,299)	
Write off		(18)	(26)	-	(24)	(2,008)	(368)	-	(2,444)	
Reclassification		2,074	(2,530)	517	2,513	(2,732)	158	-	-	
Transfer to investment properties		(29,930)	-	-	-	-	-	-	(29,930)	
Revaluation surplus		323,868	-	-	-	-	-	-	323,868	
Elimination of accumulated depreciation on revaluation		(50,111)	-	-	-	-	-	-	(50,111)	
Exchange differences		(16,205)	(7,709)	(3,621)	(2,727)	(441)	(59)	-	(30,762)	
At 31 December 2010		675,761	196,012	88,314	68,885	91,852	12,479	3,946	1,137,249	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 16. PROPERTY, PLANT AND EQUIPMENT

Group	Note	*Land and buildings	Plant, machinery and electrical fittings	Motor vehicles	Furniture and fittings	Office equipment and computer equipment	Renovation and improvements	Renovation work-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost or valuation</b>		----- At cost -----							
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2010									
Accumulated depreciation		38,835	81,072	35,529	41,271	76,158	5,425	-	278,290
Accumulated impairment losses		1,262	4,621	14	-	-	-	-	5,897
As previously stated		40,097	85,693	35,543	41,271	76,158	5,425	-	284,187
Effects of adopting the amendments to FRS 117	2.2	6,284	-	-	-	-	-	-	6,284
As restated		46,381	85,693	35,543	41,271	76,158	5,425	-	290,471
Depreciation charge for the year	9	6,396	13,051	21,048	5,519	7,396	1,765	-	55,175
Impairment loss recognised in profit or loss	13	4,922	-	-	-	-	-	-	4,922
Impairment loss reversed in profit or loss		(756)	-	-	-	-	-	-	(756)
Disposals		(5)	(427)	(9,591)	(760)	(229)	-	-	(11,012)
Write off		(10)	(13)	-	(23)	(1,936)	(364)	-	(2,346)
Reclassification		536	(717)	-	181	-	-	-	-
Transfer to investment properties		(9)	-	-	-	-	-	-	(9)
Elimination of accumulated depreciation on revaluation		(50,111)	-	-	-	-	-	-	(50,111)
Exchange differences		(1,611)	(3,768)	(1,407)	(1,856)	(301)	(56)	-	(8,999)
At 31 December 2010		5,733	93,819	45,593	44,332	81,088	6,770	-	277,335

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

Group	Note	Plant, machinery and electrical fittings		Motor vehicles	Furniture and fittings	Office equipment and computer equipment		Renovation and improvements	Renovation work-in-progress	Total
		*Land and buildings	and electrical fittings			RM'000	RM'000			
<b>Cost or valuation</b>		----- At cost -----								
Analysed as:										
Accumulated depreciation		-	89,508	45,579	44,332	81,088	6,770	-	-	267,277
Accumulated impairment losses		5,733	4,311	14	-	-	-	-	-	10,058
		<u>5,733</u>	<u>93,819</u>	<u>45,593</u>	<u>44,332</u>	<u>81,088</u>	<u>6,770</u>	<u>-</u>	<u>-</u>	<u>277,335</u>
<b>Net carrying amount</b>										
At 31 December 2010		<u>670,028</u>	<u>102,193</u>	<u>42,721</u>	<u>24,553</u>	<u>10,764</u>	<u>5,709</u>	<u>3,946</u>	<u>-</u>	<u>859,914</u>
<b>Group</b>										
<b>Cost</b>										
At 1 January 2009										
As previously stated		322,637	156,374	72,373	65,649	92,584	9,860	-	-	719,477
Adjustment	47	27,441	-	-	-	-	-	-	-	27,441
Effects of adopting the amendments to FRS 117	2.2	49,804	-	-	-	-	-	-	-	49,804
As restated		<u>399,882</u>	<u>156,374</u>	<u>72,373</u>	<u>65,649</u>	<u>92,584</u>	<u>9,860</u>	<u>-</u>	<u>-</u>	<u>796,722</u>
Additions		25,493	26,713	19,316	5,724	2,331	305	3,264	-	83,146
Disposals		(2,421)	(2,052)	(12,478)	(1,407)	(276)	-	-	-	(18,634)
Write off		-	-	-	(18)	(2,955)	(18)	-	-	(2,991)
Reclassification		(2,549)	2,549	-	42	(74)	32	-	-	-
Exchange differences		(23,094)	(3,517)	(3,810)	(6,274)	(421)	42	-	-	(37,074)
At 31 December 2009 (restated)		<u>397,311</u>	<u>180,067</u>	<u>75,401</u>	<u>63,716</u>	<u>91,189</u>	<u>10,221</u>	<u>3,264</u>	<u>-</u>	<u>821,169</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. PROPERTY, PLANT AND EQUIPMENT

Group	Note	*Land and buildings RM'000	Plant, machinery and electrical fittings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment and computer equipment RM'000	Renovation and improvements RM'000	Renovation work-in-progress RM'000	Total RM'000
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2009									
Accumulated depreciation		36,265	66,311	34,261	41,599	69,949	4,034	-	252,419
Accumulated impairment losses		1,193	77	14	-	-	-	-	1,284
As previously stated		37,458	66,388	34,275	41,599	69,949	4,034	-	253,703
Effects of adopting the amendments to FRS 117	2.2	6,051	-	-	-	-	-	-	6,051
As restated		43,509	66,388	34,275	41,599	69,949	4,034	-	259,754
Depreciation charge for the year	9	5,805	17,063	13,286	5,006	9,328	1,370	-	51,858
Impairment loss recognised in profit or loss	13	69	4,595	-	-	-	-	-	4,664
Disposals		(884)	(901)	(9,594)	(1,002)	(218)	-	-	(12,599)
Write off		-	-	-	(17)	(2,644)	(18)	-	(2,679)
Reclassification		(13)	13	-	41	(41)	-	-	-
Exchange differences		(2,105)	(1,465)	(2,424)	(4,356)	(216)	39	-	(10,527)
At 31 December 2009		46,381	85,693	35,543	41,271	76,158	5,425	-	290,471
Analysed as:									
Accumulated depreciation		45,119	81,072	35,529	41,271	76,158	5,425	-	284,574
Accumulated impairment losses		1,262	4,621	14	-	-	-	-	5,897
		46,381	85,693	35,543	41,271	76,158	5,425	-	290,471
<b>Net carrying amount</b>									
At 31 December 2009		350,930	94,374	39,858	22,445	15,031	4,796	3,264	530,698

# NOTES TO THE FINANCIAL STATEMENTS

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## \* Land and buildings

Group	Note	Long term		Buildings- in-progress	Total	
		Freehold land	leasehold land			
		RM'000	RM'000	RM'000	RM'000	
<b>At 31 December 2010</b>						
<b>Cost or valuation</b>		----- At valuation -----			<b>At cost</b>	
As 1 January 2010						
As previously stated		44,673	-	271,162	2,193	318,028
Adjustment	47	2,642	21,973	-	-	24,615
Effects of adopting the amendments to FRS 117	2.2	-	54,668	-	-	54,668
As restated		47,315	76,641	271,162	2,193	397,311
Additions		2,058	21,413	19,964	5,401	48,836
Disposals		-	-	(64)	-	(64)
Write off		-	-	(18)	-	(18)
Reclassification		-	18,729	(14,606)	(2,049)	2,074
Transfer to investment properties		(8,471)	(21,160)	(299)	-	(29,930)
Revaluation surplus		38,897	132,031	152,940	-	323,868
Elimination of accumulated depreciation on revaluation		-	(8,160)	(41,951)	-	(50,111)
Exchange differences		(960)	(3,856)	(11,284)	(105)	(16,205)
At 31 December 2010		78,839	215,638	375,844	5,440	675,761
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2010						
Accumulated depreciation		-	-	38,835	-	38,835
Accumulated impairment losses		-	-	1,262	-	1,262
As previously stated		-	-	40,097	-	40,097
Effects of adopting the amendments to FRS 117	2.2	-	6,284	-	-	6,284
As restated		-	6,284	40,097	-	46,381
Depreciation charge for the year		-	822	5,574	-	6,396
Impairment loss recognised in profit or loss		2,373	2,549	-	-	4,922
Impairment loss reversed in profit or loss		-	(252)	(504)	-	(756)
Disposals		-	-	(5)	-	(5)
Write off		-	-	(10)	-	(10)
Reclassification		-	1,684	(1,148)	-	536
Transfer to investment properties		-	-	(9)	-	(9)
Elimination of accumulated depreciation on revaluation		-	(8,160)	(41,951)	-	(50,111)
Exchange differences		153	(226)	(1,538)	-	(1,611)
At 31 December 2010		2,526	2,701	506	-	5,733
Analysed as:						
Accumulated depreciation		-	-	-	-	-
Accumulated impairment losses		2,526	2,701	506	-	5,733
		2,526	2,701	506	-	5,733
<b>Net carrying amount</b>						
At 31 December 2010		76,313	212,937	375,338	5,440	670,028

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 16. PROPERTY, PLANT AND EQUIPMENT

### \* Land and buildings

Group	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Buildings-in-progress RM'000	Total RM'000
<b>At 31 December 2009</b>						
<b>Cost</b>						
At 1 January 2009						
As previously stated		47,032	-	274,571	1,034	322,637
Adjustment	47	2,958	24,483	-	-	27,441
Effects of adopting the amendments to FRS 117	2.2	-	49,804	-	-	49,804
As restated		49,990	74,287	274,571	1,034	399,882
Additions		615	3,597	19,088	2,193	25,493
Disposals		-	-	(2,421)	-	(2,421)
Reclassification		-	-	(1,625)	(924)	(2,549)
Exchange differences		(3,290)	(1,243)	(18,451)	(110)	(23,094)
At 31 December 2009		47,315	76,641	271,162	2,193	397,311
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2009						
Accumulated depreciation		-	-	36,265	-	36,265
Accumulated impairment losses		-	-	1,193	-	1,193
As previously stated		-	-	37,458	-	37,458
Effects of adopting the amendments to FRS 117	2.2	-	6,051	-	-	6,051
As restated		-	6,051	37,458	-	43,509
Depreciation charge for the year		-	670	5,135	-	5,805
Impairment loss recognised in profit or loss		-	-	69	-	69
Disposals		-	-	(884)	-	(884)
Reclassification		-	-	(13)	-	(13)
Exchange differences		-	(437)	(1,668)	-	(2,105)
At 31 December 2009		-	6,284	40,097	-	46,381
Analysed as:						
Accumulated depreciation		-	6,284	38,835	-	45,119
Accumulated impairment losses		-	-	1,262	-	1,262
		-	6,284	40,097	-	46,381
<b>Net carrying amount</b>						
At 31 December 2009		47,315	70,357	231,065	2,193	350,930

# NOTES TO THE FINANCIAL STATEMENTS

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Company	Note	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment and computer equipment RM'000	Renovation and improvements RM'000	Renovation work-in-progress RM'000	Total RM'000
<b>At 31 December 2010</b>							
<b>Cost</b>							
At 1 January 2010		1,854	44	526	167	3,264	5,855
Additions		-	33	80	83	281	477
Disposal		(131)	-	-	-	-	(131)
At 31 December 2010		1,723	77	606	250	3,545	6,201
<b>Accumulated depreciation</b>							
At 1 January 2010		1,227	12	263	28	-	1,530
Depreciation charge for the year	9	334	7	96	22	-	459
Disposal		(75)	-	-	-	-	(75)
At 31 December 2010		1,486	19	359	50	-	1,914
<b>Net carrying amount</b>							
At 31 December 2010		237	58	247	200	3,545	4,287
<b>At 31 December 2009</b>							
<b>Cost</b>							
At 1 January 2009		1,839	43	519	167	-	2,568
Additions		198	1	7	-	3,264	3,470
Disposal		(183)	-	-	-	-	(183)
At 31 December 2009		1,854	44	526	167	3,264	5,855
<b>Accumulated depreciation</b>							
At 1 January 2009		1,010	8	167	10	-	1,195
Depreciation charge for the year	9	357	4	96	18	-	475
Disposal		(140)	-	-	-	-	(140)
At 31 December 2009		1,227	12	263	28	-	1,530
<b>Net carrying amount</b>							
At 31 December 2009		627	32	263	139	3,264	4,325

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. PROPERTY, PLANT AND EQUIPMENT

### Revaluation of land and buildings

Land and buildings have been revalued at the reporting date based on valuations performed by accredited independent valuers. The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields, and the comparison method that makes reference to market values of similar properties in the same vicinity that have been transacted in the open market.

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

	<b>Group</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b>Land at 31 December:</b>		
- Cost	131,709	123,956
- Accumulated depreciation and impairment	(13,387)	(6,284)
- Net carrying amount	<u>118,322</u>	<u>117,672</u>
<b>Buildings at 31 December:</b>		
- Cost	264,855	271,162
- Accumulated depreciation and impairment	(42,457)	(40,097)
- Net carrying amount	<u>222,398</u>	<u>231,065</u>

### Assets held under hire purchase and finance leases

Net carrying amount of property, plant and equipment held under hire purchase and lease financing arrangements are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Plant, machinery and electrical fittings	23,227	22,836	-	-
Motor vehicles	37,903	34,090	237	627
Furniture and fittings	2,696	4,621	-	-
Office equipment and computer equipment	1,645	1,505	-	-
Renovation and improvements	1,258	2,067	-	-
Renovation work-in-progress	740	740	740	740
	<u>67,469</u>	<u>65,859</u>	<u>977</u>	<u>1,367</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## Assets pledged as security

The net carrying amount of property, plant and equipment pledged to financial institutions as securities for borrowings disclosed in Note 28 is as follows:

	Group	
	2010 RM'000	2009 RM'000
Land and buildings	653,983	341,440
Plant, machinery and electrical fittings	60,179	64,207
Motor vehicles	3,705	4,777
Furniture and fittings	20,052	18,356
Office equipment and computer equipment	-	1,919
	737,919	430,699

## Acquisitions during the year

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM119,758,000 (2009: RM83,146,000) and RM477,000 (2009: RM3,470,000) respectively, by way of the following:

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Cash	57,741	40,482	472	2,429
Hire purchase and lease financing arrangements	31,592	25,978	-	938
Term loans	30,420	16,583	-	-
Deferred payment	5	103	5	103
	119,758	83,146	477	3,470

## Impairment of land and buildings

During the current financial year, an impairment loss of RM4,922,000 (2009: RM69,000) was recognised in the profit or loss. The impairment was made after taking into consideration valuations performed by accredited independent valuers. In the previous year, the valuation was based on directors' estimates with reference to market evidence of transaction prices of similar properties.

## Titles of land and buildings

The titles of land and buildings of the Group with net carrying amount of RM1,860,000 (2009: RM11,927,000) had not been transferred by the developer pending the subdivision of master title or issuance of strata titles. The directors are confident that these titles will be transferred to the Group in due course.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. INVESTMENT PROPERTIES

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000 (Restated)
At 1 January	107,778	114,730	11,867	11,497
Additions from acquisition	10,362	121	-	-
Transfer from property, plant and equipment	29,921	-	-	-
Net gains/(losses) from fair value adjustments recognised in profit or loss (Note 8 and Note 13)	24,179	(6,077)	5,933	370
Exchange differences	(8,269)	(996)	-	-
At 31 December	163,971	107,778	17,800	11,867

Investment properties comprise commercial properties and an apartment complex.

### **Valuation of investment properties**

Investment properties are stated at fair value, which has been determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers. The valuations are based on the comparison method that makes reference to market values of similar properties in the same vicinity that have been transacted in the open market.

### **Properties pledged as security**

Investment properties with an aggregate carrying amount of RM142,741,000 (2009: RM93,181,000) are pledged as securities for borrowings and secured bonds disclosed in Notes 28 and 31 respectively.

### **Titles yet to be transferred**

The titles of certain investment properties of the Group and of the Company with an aggregate carrying amount of RM44,440,000 (2009: RM13,740,000) and RM13,490,000 (2009: RM10,617,000) respectively, have yet to be registered in the name of the Group of Company as they are pending the subdivision of the master titles or issuance of the strata titles or in the process of being transferred. The directors are confident that these titles will be transferred to the Group and the Company in due course.

# NOTES TO THE FINANCIAL STATEMENTS

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## 18. INTANGIBLE ASSETS

	Goodwill RM'000	Franchise RM'000	Total RM'000
<b>Group</b>			
<b>Cost</b>			
At 1 January 2009	35,049	1,323	36,372
Exchange differences	211	79	290
At 31 December 2009	35,260	1,402	36,662
Additions	-	332	332
Exchange differences	(212)	(82)	(294)
At 31 December 2010	35,048	1,652	36,700
<b>Accumulated impairment losses</b>			
At 1 January 2009/31 December 2010	6,312	-	6,312
<b>Net carrying amount</b>			
At 31 December 2010	28,736	1,652	30,388
At 31 December 2009	28,948	1,402	30,350

### Impairment tests for goodwill

#### Allocation of goodwill

Goodwill has been allocated to the Group's CGU identified according to country of operation and business segment as follows:

	South Pacific Islands and Australia RM'000	Malaysia RM'000	Total RM'000
<b>At 31 December 2010</b>			
Card and payment services	-	25,222	25,222
Trading and manufacturing	3,514	-	3,514
	3,514	25,222	28,736
<b>At 31 December 2009</b>			
Card and payment services	-	25,222	25,222
Trading and manufacturing	3,726	-	3,726
	3,726	25,222	28,948

# NOTES TO THE FINANCIAL STATEMENTS

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## 18. INTANGIBLE ASSETS

### Key assumptions used in value-in-use calculations

At the reporting date, the management determines whether the carrying values of its non-financial assets are impaired. This involves measuring the receivable amount using the discounted cash flow (DCF) analysis taking into consideration the current market indicators, past trends and more recent performance and recent market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts. The DCFs performed by the management covers periods ranging between 5 and 10 years to reflect the maturity of the business development cycle as well as the industry growth potential.

#### (a) Budgeted revenue

The growth rates used to forecast the projected cash flows for the following year approximate the recent performance and/or budgets of the respective CGUs to reflect the growing momentum and economic effects arising from management's experience, strategies and directions. The growth rates used to extrapolate cash flows beyond the following year reflect the past experiences of the respective CGUs ranging between 5% and 15% (2009: 5% and 24%) and thereafter reflect a progressive decline, maintaining a minimum growth rate of 5% (2009: 5%).

#### (b) Operating and capital expenses

These have been budgeted to be in tandem with the business volume at rates which are not significantly different from the previous years.

#### (c) Operating environment

There will be no significant changes in the prevailing economic, political, legislation and regulatory conditions that may affect the activities or performance of the subsidiaries.

### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of these CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in the prevailing operating environment which impact the management is unable to ascertain.

## 19. SELF-GENERATING AND REGENERATING ASSETS

	Group	
	2010 RM'000	2009 RM'000
<b>At fair value</b>		
Crop plantations	5,349	3,430
Timber forest	7,634	2,255
Livestocks	3,418	4,368
	<u>16,401</u>	<u>10,053</u>

# NOTES TO THE FINANCIAL STATEMENTS

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The crop plantations comprised 1,084 (2009: 1,084) hectares of coffee and 1,825 (2009: 2,094) hectares of tea situated in the Wahgi Valley of the Western Highlands in Papua New Guinea and 776 (2009: 776) hectares of cocoa and 2,202 (2009: 2,202) hectares of coconut palms on the New Britain Island in Papua New Guinea. The timber forest comprised 1,184 (2009: 789) hectares of balsa trees situated in the New Britain Island in Papua New Guinea.

There is no suitable market evidence available to value the trees by reference to equivalent sales. Consequently, the trees are valued at fair value based on net present value. The fair value of trees is determined by the directors as the net present value of cash flows attributable to the trees discounted at a rate which reflects the risks associated with applicable cash flow streams.

## 20. INVESTMENT IN SUBSIDIARIES

	Note	Company	
		2010 RM'000	2009 RM'000
Unquoted shares, at cost			
- In Malaysia	(e)	72,566	69,408
- Outside Malaysia	(f)	155,703	155,590
		228,269	224,998
Accumulated impairment losses		(32,733)	(32,733)
		195,536	192,265
Provision for financial guarantees		1,879	-
		197,415	192,265

(a) The Group's equity interests in the subsidiaries, their respective principal activities and countries of incorporation are disclosed in Note 39.

(b) Incorporation of subsidiaries

During the current financial year, the Group incorporated six (6) wholly owned subsidiaries, namely, MBf Carpenters Shipping Limited, Carpenters Trading International Limited, MBf Carpenters Shipping (NZ) Limited, MBf Carpenters Shipping Agency Pty Ltd, Frezhasia Telecoms Sdn Bhd and Frezhtalkz Mobile Sdn Bhd which further details are disclosed in Note 41(b).

(c) Acquisition of subsidiaries

In the previous financial year, MBf Printing Industry Sdn Bhd, ("MBfPI") a wholly owned subsidiary company held through MBf Equities Sdn Bhd ("MBfE") was restructured to be held directly by the Company. The entire issued and paid up share capital of MBfPI of 3,000,000 ordinary shares of RM1 each was transferred from MBfE to the Company at a cash consideration of RM4,705,318 set off against the amount due from MBfE.

Thereafter the issued and paid-up share capital of MBfPI was increased to RM10,000,000 with the issuance of 7,000,000 ordinary shares to MBfH at RM1.00 each, satisfied by capitalising a sum of RM7,000,000 out of the amount due by MBfPI to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 20. INVESTMENT IN SUBSIDIARIES

(d) Deconsolidation of a subsidiary

In the previous financial year, the Group deconsolidated MBf Auto Corridor Sdn. Bhd., a 72.34% owned subsidiary of the Company which was placed under a Court Winding Up by a creditor.

The effects of the deconsolidation of the said subsidiary of the Group for the previous financial period up to the date of deconsolidation are as follows:

(i) On the results of the Group

	<b>2009 Financial period up to date of deconsolidation RM'000</b>
Revenue	-
Loss before taxation	(16)
	<hr/>

(ii) On the financial position of the Group

	<b>At deconsolidation date RM'000</b>
Payables	(1,049)
Current tax payable	(3,397)
Net liabilities	(4,446)
	<hr/>
Gain arising from the deconsolidation of the subsidiary (Note 8)	4,446
	<hr/>
Cash outflow arising on deconsolidation of the subsidiary:	
Cash and cash equivalents of a deconsolidated subsidiary, representing net cash outflow on deconsolidation of interest in the subsidiary	-
	<hr/>

(e) Unquoted shares in Malaysia

Included herein is a 51% (2009: 51%) direct interest in a wholly owned subsidiary, MBF Cards (M'sia) Sdn. Bhd., with a carrying value of RM15,897,000 (2009: RM15,897,000) which is pledged to secure the USD RCSLS B as disclosed in Note 32(c)(j).

(f) Unquoted shares outside Malaysia

This represents a 100% (2009: 100%) interest in MBf Carpenters Pty Limited of which 95.96% (2009: 97.59%) is pledged to secure the USD RCSLS A as disclosed in Note 32(c)(i).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 21. INVESTMENT IN ASSOCIATES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	7,110	7,110	50	50
Amount due from associate	5,949	5,949	-	-
Deemed interest in associates	13,059	13,059	50	50
Share of post-acquisition reserves	4,438	(528)	-	-
	17,497	12,531	50	50
Less: Accumulated impairment losses	(5,363)	(5,363)	(36)	(36)
	12,134	7,168	14	14
Represented by:				
Share of net tangible assets	11,551	6,585		

The Group's equity interest in associates, their respective principal activities and countries of incorporation are disclosed in Note 40.

The summarised financial information of the associates based on their management financial statements is as follows:

	2010 RM'000	2009 RM'000
<b>Assets and liabilities</b>		
Total assets	153,096	122,893
Total liabilities	126,104	108,111
<b>Results</b>		
Revenue	126,066	105,402
Profit for the year	10,446	8,067

The Group has discontinued the recognition of its share of losses of certain associates because the share of losses of these associates have exceeded the Group's interest in the associates. The Group's share of losses for the year and losses cumulatively unrecognised is RM3,500 (2009: RM1,700) and RM381,000 (2009: RM378,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Trade receivables	236,539	198,182	-	-
Credit card receivables	543,544	486,731	-	-
Factored receivables	11,577	12,111	-	-
Hire purchase and finance lease receivables	25,317	33,292	-	-
	816,977	730,316	-	-
Less:				
Unearned interest	(7,987)	(9,810)	-	-
Allowance for impairment	(38,642)	(36,739)	-	-
Trade receivables, net	770,348	683,767	-	-
<b>Other receivables</b>				
Amount due from subsidiaries	-	-	421,524	463,763
Amount due from associates	2,985	3,056	54	-
Amount due from non-consolidated subsidiaries	14,823	14,828	14,247	14,247
Loans to subsidiaries	-	-	222,730	205,374
Loans to non-consolidated subsidiaries	5,362	5,362	5,362	5,362
Deposits	32,901	30,214	132	15
Prepayments	26,413	11,729	-	-
Warranty and insurance claims	3,053	2,004	-	-
Staff loan	528	57	-	-
Goods and services tax receivable	43,090	37,588	-	-
Sundry receivables	29,288	39,938	487	352
	158,443	144,776	664,536	689,113
Less:				
Management fee in suspense	-	-	(1,440)	(1,440)
Interest in suspense	(42)	(880)	(9,236)	(5,985)
Allowance for impairment	(33,615)	(46,405)	(539,666)	(587,361)
	124,786	97,491	114,194	94,327
	895,134	781,258	114,194	94,327

# NOTES TO THE FINANCIAL STATEMENTS

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	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Non-current</b>				
<b>Trade receivables</b>				
Credit card receivables	590	4,120	-	-
Hire purchase and finance lease receivables	14,234	17,588	-	-
	14,824	21,708	-	-
Less:				
Unearned interest	(988)	(1,389)	-	-
Allowance for impairment	(1,269)	(1,404)	-	-
Trade receivables, net	12,567	18,915	-	-
<b>Other receivables</b>				
Deposits	107	143	-	-
Prepayments	901	793	-	-
Staff loan	334	-	-	-
	1,342	936	-	-
	13,909	19,851	-	-
Total trade and other receivables (current and non-current)	909,043	801,109	114,194	94,327
Add: Cash and bank balances (Note 27)	245,604	312,259	3,895	19,419
Total loans and receivables	1,154,647	1,113,368	118,089	113,746

## (a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's normal trade credit term ranges from 3 to 90 days (2009: 3 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in the credit card receivables are RM 445,074,000 (2009: RM394,245,000) where interest at rates ranging from 15% to 18% (2009: 15% to 18%) per annum is charged.

As at the reporting date, a subsidiary, MBF Cards (M'sia) Sdn. Bhd. has to maintain a minimum of RM 436,893,000 (2009: RM411,199,000) of cardmember receivables (after individual impairment), computed based on 1.1 times the nominal value of the Commercial Paper ("CP") and Medium Term Notes ("MTN") drawdown, as required by the terms of the CP/MTN programme as disclosed in Note 28.

The subsidiary also provides consumer credit to their customers under the Easy Payment Plan ("EPP") programme with instalment periods ranging from 3 to 24 months (2009: 3 to 24 months). The unbilled amount to cardmember for EPP balances as at 31 December 2010 amounts to RM13,931,000 (2009: RM25,013,000).

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. TRADE AND OTHER RECEIVABLES

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk.

### Ageing analysis of trade receivables

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

	Group	
	2010 RM'000	2009 RM'000
Neither past due nor impaired	572,935	515,022
1 to 30 days past due not impaired	85,820	67,964
31 to 60 days past due not impaired	47,003	35,792
61 to 90 days past due not impaired	25,317	21,501
91 to 120 days past due not impaired	12,644	11,250
More than 121 days past due not impaired	21,947	31,858
	192,731	168,365
Impaired	66,135	68,637
	831,801	752,024

### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM192,731,000 (2009: RM168,365,000) that are past due at the reporting date but not impaired. The Group has a long relationship with these customers and based on historical payments trend, the Group believes that these amounts are recoverable and that no impairment allowance is necessary.

### Assessment of collective impairment

A subsidiary of the Group adopts the requirements of Bank Negara Malaysia's Credit Card Guidelines applicable for an issuer of credit card who is a non-licensed institution on the estimation of provision for bad and doubtful debts, whereby the non-impaired loans are collectively assessed and subject to a 1.5% allowance for impairment. The subsidiary's trade receivables that are neither past due nor impaired and past due but not impaired are as follows:

	Group Collectively impaired	
	2010 RM'000	2009 RM'000
Trade receivables - nominal amounts	532,657	476,786
Less: Allowance for impairment	(6,578)	(8,594)
	526,079	468,192

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Group</b>	
	<b>Individually impaired</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables - nominal amounts		
- Credit card receivables	11,477	14,065
- Other than credit card receivables	54,658	54,572
	<u>66,135</u>	<u>68,637</u>
Less: Allowance for impairment	(33,333)	(29,549)
	<u>32,802</u>	<u>39,088</u>

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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables - nominal amounts	831,801	752,024
Less:		
Allowance for impairment		
- Collectively impaired	(6,578)	(8,594)
- Individually impaired	(33,333)	(29,549)
Unearned interest	(8,975)	(11,199)
	<u>782,915</u>	<u>702,682</u>

Movements in unearned interest:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year	11,199	11,699
(Decrease)/increase during the year	(1,690)	770
Exchange differences	(534)	(1,270)
At end of the year	<u>8,975</u>	<u>11,199</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 22. TRADE AND OTHER RECEIVABLES

Movements in allowance for impairment:

	Group	
	2010 RM'000	2009 RM'000
At beginning of the year	38,143	58,381
Effect of adopting FRS 139	3,394	-
Charge for the year	43,913	42,008
Reversal of impairment losses	(223)	(191)
Deconsolidation of a subsidiary	-	(5,874)
Written off	(44,560)	(55,324)
Exchange differences	(756)	(857)
At end of the year	39,911	38,143

### (b) Related party balances and staff loans

- Amounts due from subsidiaries and associates are unsecured, non-interest bearing and are repayable upon demand.
- At the reporting date, the Group and the Company have fully provided for impairment the loan and amount due from non-consolidated subsidiaries, which are in creditors' voluntary liquidation.
- Loans to fellow subsidiaries are unsecured, bear interest at 1.00% to 7.50% p.a. (2009: 1.00% to 10.00% p.a.).

Staff loans bear interest at 0% - 3.8% flat p.a. and are unsecured. All other staff loans are non-interest bearing. Non-current amounts have an average maturity of 4.1 years. The loans are recognised initially at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

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## Other receivables that are impaired

Movements in allowance for impairment:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of the year	46,405	302,353	587,361	1,052,767
Charge for the year	730	1,334	-	838
Reversal of impairment losses	(1,018)	(3,646)	(378)	(16,289)
Written off	(12,641)	(253,350)	(36)	(443,530)
Written back	610	-	-	-
Deconsolidation of a subsidiary	-	(3)	-	-
Exchange differences	(471)	(283)	(47,281)	(6,425)
At end of the year	33,615	46,405	539,666	587,361
Allowance for impairment analysed as:				
Amount due from subsidiaries	-	-	407,325	444,939
Amount due from associates	2,895	3,024	-	-
Amount due from non-consolidated subsidiaries	14,781	14,786	14,217	14,217
Loans to subsidiaries	-	-	112,663	122,708
Loans to non-consolidated subsidiaries	5,362	5,362	5,362	5,362
Sundry receivables	10,577	23,233	99	135
	33,615	46,405	539,666	587,361

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 22. TRADE AND OTHER RECEIVABLES

Movements in interest in suspense:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of the year	880	166,229	5,985	184,201
Increase during the year	-	30	3,251	547
Written off during the year	(838)	(165,379)	-	(178,763)
At end of the year	42	880	9,236	5,985
Interest in suspense analysed as:				
Amount due from non-consolidated subsidiaries	42	42	30	30
Loan to subsidiaries	-	-	9,206	5,955
Sundry receivables	-	838	-	-
	42	880	9,236	5,985

Movements in management fee in suspense:

	Company	
	2010 RM'000	2009 RM'000
At beginning of the year	1,440	672
Increase during the year	-	1,440
Reversal during the year	-	(10)
Written off during the year	-	(662)
At end of the year	1,440	1,440
Management fee in suspense analysed as:		
Amount due from subsidiaries	1,440	1,440

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 23. INVESTMENT SECURITIES

Group	2010 RM'000		2009 RM'000	
	Carrying amount	Market value of quoted investments	Carrying amount*	Market value of quoted investments
<b>Current</b>				
<i>Held for trading investment</i>				
- Equity instruments (quoted outside Malaysia)	4,436	4,436	-	-
<i>Held-to-maturity investment</i>				
- 7.25% p.a. Government of Tonga bonds due 2011 (unquoted)	1,236		-	
- 3.00% p.a. Government of Tonga treasury note due 2011 (unquoted)	1,384		-	
	2,620		-	
Total current investment securities	7,056		-	
<b>Non-current</b>				
<i>Financial assets designated at fair value through profit or loss</i>				
- Equity instruments (quoted in Malaysia)	20	20	14	14
- Equity instruments (quoted outside Malaysia)	5,851	5,851	1,727	3,740
- Equity instruments (unquoted)	3,084		3,938	
	8,955		5,679	
<i>Available-for-sale financial assets</i>				
- Equity instruments (unquoted)	1,861		2,224	
<i>Held-to-maturity investment</i>				
- 5.00%-6.65% p.a. Government of Tonga bonds 2012-2016 (unquoted)	2,183		2,784	
Total non-current investment securities	12,999		10,687	
Total investment securities	20,055		10,687	
<b>Company</b>				
<b>Non-current</b>				
<i>Available-for-sale financial assets</i>				
- Equity instruments (unquoted)	701		1,064	
Total investment securities	701		1,064	

\* Prior to 1 January 2010, the non-current investments are stated at costs less impairment.



# NOTES TO THE FINANCIAL STATEMENTS

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## 23. INVESTMENT SECURITIES

### **Unquoted equity instrument designated at fair value through profit or loss**

Included in unquoted shares designated at fair value through profit or loss is an amount of RM3,084,000 (2009: RM3,938,000) attributable to the remaining shares allocated to a subsidiary which have yet to be converted to quoted shares before sale. These shares are valued at the quoted price but are discounted to the net present value until the scheduled conversion date.

The Group has recognised a gain on redemption of unquoted shares of RM Nil (2009: RM600,000) as disclosed in Note 8.

### **Impairment losses**

During the current financial year, the Group recognised impairment loss of RM363,000 (2009: RM436,000) for unquoted equity instruments classified as available-for-sale financial assets, which do not have an active trading market, after taking into consideration the probability of diminution in value of the investment.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 24. DEFERRED TAX

Deferred tax as at 31 December 2010 relates to the following:

Group	At 1.1. 2009 RM'000	Recognised in profit or loss RM'000	Exchange differences RM'000	At 1.1. 2009 (Restated)		Recognised in profit or loss RM'000	Exchange differences RM'000	At 31.12. 2009 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	At 31.12. 2010 RM'000
				At 1.1. 2009 RM'000	At 31.12. 2009 RM'000							
<b>Deferred tax liabilities:</b>												
Property, plant and equipment	14,026	-	-	14,026	(1,337)	(215)	12,474	(2,830)	85,023	(2,114)	92,553	
Investment properties	12,841	12,342	503	25,686	(2,856)	(259)	22,571	4,586	-	(2,745)	24,412	
Receivables	497	-	-	497	(33)	-	464	(79)	-	-	385	
Others	5,380	-	-	5,380	5,590	(954)	10,016	5,985	-	(452)	15,549	
	32,744	12,342	503	45,589	1,364	(1,428)	45,525	7,662	85,023	(5,311)	132,899	
<b>Deferred tax assets:</b>												
Provision for liabilities	(11,479)	-	-	(11,479)	2,621	707	(8,151)	(5,992)	-	200	(13,943)	
Others	(9,106)	-	-	(9,106)	(937)	489	(9,554)	(3,995)	-	719	(12,830)	
	(20,585)	-	-	(20,585)	1,684	1,196	(17,705)	(9,987)	-	919	(26,773)	
	12,159	12,342	503	25,004	3,048	(232)	27,820	(2,325)	85,023	(4,392)	106,126	

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. DEFERRED TAX

	2010 RM'000	Group 2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)
<b>Presented after appropriate offsetting as follows:</b>			
Deferred tax assets	(3,888)	(3,477)	(8,105)
Deferred tax liabilities	110,014	31,297	33,109
	106,126	27,820	25,004

### Unrecognised tax losses

At the reporting date, the Group has tax losses and capital allowances of approximately RM267,765,000 (2009: RM298,232,000) that are available for offset against future taxable profits of the companies in which the losses arose. The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the subsidiaries in Malaysia is subject to no substantial changes in shareholdings of the respective companies under the Income Tax Act, 1967 and guidelines issued by the tax authority. Included in the above are unused tax losses amounting to RM122,192,000 (2009: RM131,283,000) that arose in Papua New Guinea, Hong Kong and Australia and are available indefinitely for offset against future taxable profits of the respective foreign subsidiaries. Deferred tax assets are not recognised by companies that have a recent history of losses, or have ceased operation, or where future taxable profits may be insufficient to trigger the utilisation of these items.

## 25. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
<b>At cost</b>		
Raw materials	52,907	39,006
Work-in-progress	9,552	2,584
Finished goods	227,680	156,270
Consumables	5,567	179
	295,706	198,039
<b>At net realisable value</b>		
Work-in-progress	1,246	960
Finished goods	107,868	129,952
Consumables	2,373	2,628
SGARA		
- Crop plantations	4,261	4,713
- Timber forest	3,864	1,997
- Livestocks	8,620	3,652
	128,232	143,902
<b>Total</b>	423,938	341,941

# NOTES TO THE FINANCIAL STATEMENTS

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Finished goods comprise agricultural products, consumer products, heavy machinery, passenger vehicles and spare parts.

Inventories of the Group with an aggregate carrying amount of RM399,739,000 (2009: RM323,087,000) are pledged as securities for borrowings as disclosed in Note 28.

The cost of inventories recognised as an expense during the current financial year by the Group amounted to RM1,324,348,000 (2009: RM1,271,717,000).

## 26. DERIVATIVES

	2010			2009		
	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
<b>Group</b>						
<b>Non-hedging derivatives:</b>						
<b>Current</b>						
Forward currency contracts	17,007	583	(44)	3,783	-	-
Total derivatives		583	(44)		-	-

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in Japanese Yen and US Dollar for which firm commitments existed at the reporting date.

During the financial year, the Group recognised a gain of RM533,000 (2009: nil) arising from fair value changes of derivative assets and liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

# NOTES TO THE FINANCIAL STATEMENTS

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## 27. CASH AND BANK BALANCES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash on hand and at banks	69,826	62,439	1,595	719
Short term deposits with:				
- licensed banks	150,208	188,911	2,300	18,700
- other financial institutions	23,179	59,043	-	-
Statutory deposit	2,391	1,866	-	-
	<b>245,604</b>	<b>312,259</b>	<b>3,895</b>	<b>19,419</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group and the Company are 2.61% (2009: 2.40%) and 2.38% (2009: 1.50%) respectively.

Deposits with licensed banks of the Group amounting to RM128,594,000 (2009: RM152,364,000) are pledged as securities for borrowings as disclosed in Note 28.

Statutory deposit is maintained with the National Reserve Bank of Tonga pursuant to Section 39 of the Reserve Bank Act of Tonga and hence is not available for general use.

Included in cash and bank balances is RM2,784,000 (2009: RM2,336,000) not available for general use by the Group due to certain restrictions stipulated in a bond agreement entered by a subsidiary of the Group, which requires the said subsidiary to maintain certain reserve funds with the trustee and mortgage servicing agent.

Other financial information on financial risk of cash and bank balances are disclosed in Note 45.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	245,604	312,259	3,895	19,419
Less: Bank overdrafts (Note 28)	(249,187)	(215,478)	-	-
	(3,583)	96,781	3,895	19,419
Less: Statutory deposit	(2,391)	(1,866)	-	-
Less: Restricted cash	(2,784)	(2,336)	-	-
Total cash and cash equivalents	<b>(8,758)</b>	<b>92,579</b>	<b>3,895</b>	<b>19,419</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 28. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Current</b>					
Secured:					
Bank overdrafts (Note 27)	on demand	249,187	215,478	-	-
Revolving credits	2011	126,791	128,782	-	-
Trust receipts and bankers' acceptances	2011	10,380	7,377	-	-
Hire purchase and obligations under finance lease (Note 35 (c))		19,105	16,510	2,636	2,235
Term loans:					
- 5.05%-16.00% p.a. fixed rate loans	2011	13,422	14,206	-	-
- 4.50%-10.95% p.a. floating rate loans	2011	39,650	42,784	-	6,500
Commercial papers ("CP")	2011	280,300	367,649	-	-
Less: Unamortised discount		(4,648)	(3,792)	-	-
		275,652	363,857	-	-
		734,187	788,994	2,636	8,735
Unsecured:					
Term loan:					
- 8.5% p.a. fixed rate RM loan	2011	4,250	13,000	-	-
		4,250	13,000	-	-
		738,437	801,994	2,636	8,735

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 28. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Non-current</b>					
Secured:					
Hire purchase and obligations under finance lease (Note 35 (c))	2012 - 2016	25,379	28,940	2,980	3,750
Term loans:					
- 5.05%-16.00% p.a. fixed rate loans	2013 - 2027	100,314	110,711	-	-
- 4.50%-10.95% p.a. floating rate loans	2015 - 2024	131,498	64,943	-	4,000
Medium term notes	2012	105,600	-	-	-
		<b>362,791</b>	<b>204,594</b>	<b>2,980</b>	<b>7,750</b>
Unsecured:					
Term loan:					
- 8.5% p.a. fixed rate RM loan	2012	3,000	4,750	-	-
		<b>365,791</b>	<b>209,344</b>	<b>2,980</b>	<b>7,750</b>
<b>Total loans and borrowings</b>					
Bank overdrafts (Note 27)		249,187	215,478	-	-
Revolving credits		126,791	128,782	-	-
Trust receipts and bankers' acceptances		10,380	7,377	-	-
Hire purchase and lease payables		44,484	45,450	5,616	5,985
Term loans					
- 5.05%-16.00% p.a. fixed rate loans		120,986	142,667	-	-
- 4.50%-10.95% p.a. floating rate loans		171,148	107,727	-	10,500
Commercial papers		275,652	363,857	-	-
Medium term notes		105,600	-	-	-
		<b>1,104,228</b>	<b>1,011,338</b>	<b>5,616</b>	<b>16,485</b>

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
On demand or within one year	738,437	801,994	2,636	8,735
More than 1 year and less than 2 years	173,975	58,504	1,420	6,263
More than 2 years and less than 5 years	95,391	71,504	1,560	1,487
5 years or more	96,425	79,336	-	-
	<b>1,104,228</b>	<b>1,011,338</b>	<b>5,616</b>	<b>16,485</b>

### **Hire purchase and obligations under finance leases**

These obligations are secured by the properties and equipment as disclosed in Note 16. The average discount rate implicit in the leases is 6.17% p.a. (2009: 6.51% p.a.).



# NOTES TO THE FINANCIAL STATEMENTS

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## **Bank overdrafts**

Bank overdrafts are denominated in RM, Kina Dollar (“PGK”) and Fijian Dollar (“FJD”) and are secured by fixed deposits as disclosed in Note 27, fixed charges over certain property, plant and equipment, investment properties of the Group, as disclosed in Note 16 and 17, and floating charges over all other assets of the borrowing subsidiaries of the Group.

## **Revolving credits**

Revolving credits of the Group are secured by fixed deposits as disclosed in Note 27, fixed charges over certain property, plant and equipment, investment properties of the Group, as disclosed in Note 16 and 17, and the assignment of designated sinking fund and corporate guarantees of a subsidiary.

## **Trust receipts and bankers’ acceptance**

The trust receipts and banker’s acceptances are secured over certain fixed deposits as disclosed in Note 27, fixed charges over a leasehold land and buildings as disclosed in Notes 16 and corporate guarantee of the Company.

## **Term loans**

The term loans of the Group are principally secured by way of fixed charges over certain land and buildings as disclosed in Notes 16 and 17, floating charges over all other assets of certain subsidiaries of the Group, and corporate guarantee of the Company and certain subsidiaries.

## **Commercial papers/Medium term notes**

The RM600 million CP/MTN programme of a subsidiary is secured by first ranking charge over all present and future credit card receivables of the subsidiary at 1.1 times the nominal value of the CP/MTN drawdown and first ranking assignment of and charge over the subsidiary’s title, benefits and interest in and to the Debt Service Reserve Account and Proceeds Account.

As at the reporting date, RM280.30 million (2009: RM367.65 million) of CP and RM105.60 million (2009: RM Nil) of MTN with an average remaining maturity of 9 months (2009: 4 months) and 24 months (2009: nil months) respectively, were utilised. The CP/MTN were drawdown to finance the subsidiary’s own line of credit lending to cardmembers.

## **Margin account**

Reported in the previous year was a sum of RM7,200,000 due from the Company in respect of an unsecured margin account and included in Investment Properties of the Company was a parcel of land located in Tebrau, Johor Bharu (“Tebrau Land”) valued at RM7,200,000.

Pursuant to a settlement arrangement dated 12 July 2004, the indebtedness of the Company should have been fully relinquished with the lender having exercised its option on 26 July 2005 to acquire the Tebrau Land despite the lender not having registered its ownership over the said property. Accordingly, the indebtedness of RM7,200,000 by the Company had been excluded from the above and so had the Tebrau Land from the Investment Properties in Note 17.

## **Cross guarantees and negative pledges**

Term loans, bank overdrafts and revolving credits amounting to RM351,190,000 (2009: RM270,208,000) are secured by cross guarantees and negative pledges by certain subsidiaries.

Other financial information on financial risk of borrowings are disclosed in Note 45.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	248,759	205,151	-	-
<b>Other payables</b>				
Deferred leasing income	22,381	14,720	-	-
Accruals	76,249	40,467	16,220	3,492
Due to MBf Leasing Sdn. Bhd.	2,500	2,500	2,500	2,500
Deposits payable	11,949	4,555	-	-
Goods and services tax payable	25,655	24,713	-	-
Advance from customers	9,633	11,102	-	-
Amount due to parties related to directors (Note 38)	22,205	13,803	5,478	-
Sundry payables	50,996	34,067	2,232	2,296
Amount due to subsidiaries	-	-	161,725	165,531
Amount due to associates	77	71	-	-
	<b>221,645</b>	<b>145,998</b>	<b>188,155</b>	<b>173,819</b>
	<b>470,404</b>	<b>351,149</b>	<b>188,155</b>	<b>173,819</b>
<b>Non-current</b>				
<b>Other payables</b>				
Deferred leasing income	20,428	7,642	-	-
Due to MBf Leasing Sdn. Bhd.	1,875	4,375	1,875	4,375
Financial guarantees	-	-	678	-
	<b>22,303</b>	<b>12,017</b>	<b>2,553</b>	<b>4,375</b>
Total trade and other payables	492,707	363,166	190,708	178,194
Add:				
Loans and borrowings (Note 28)	1,104,228	1,011,338	5,616	16,485
Secured bonds (Note 31)	39,186	43,491	-	-
Redeemable Convertible Secured Loan Stocks (Note 32)	8,180	8,991	-	-
Total financial liabilities carried at amortised cost	<b>1,644,301</b>	<b>1,426,986</b>	<b>196,324</b>	<b>194,679</b>



# NOTES TO THE FINANCIAL STATEMENTS

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**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 1 to 90 days (2009: 1 to 90 days).

**(b) Other payables**

(i) The amounts due to MBf Leasing Sdn. Bhd. (“MBf Leasing”) (an unrelated company) represent the balance of the settlement sum of RM7.50 million payable by the Company consequent to a legal settlement arrangement between the parties. The settlement sum was payable over thirty six (36) monthly instalments commencing October 2009 for the full and final settlement of the litigation actions by the parties including Lourdes Medical Services Sdn Bhd, a party related to Tan Sri Datuk Dr Ninian Mogan Lourdenadin and Madam Susan A/P Rajanayagam.

(ii) The amount due to related parties by the Group includes a sum of RM6,212,000 (2009: RM10,706,000) which attract interest at weighted average effective rate of 4.56% (2009: 3.28%) per annum. The remaining amounts due to related parties are unsecured and have no fixed terms of repayment.

**(c) Amount due to subsidiaries**

Included in amount due to subsidiaries is an amount of RM138,934,000 (2009: RM145,776,000) which attracted interest at weighted average effective rate of 4.27% (2009: 3.93%) per annum. The remaining amount due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

**(d) Amount due to associates**

This amount is unsecured, non-interest bearing and has no fixed term of repayment.

**(e) Financial guarantees**

This amount relates to corporate guarantees provided by the Company to banks for banking facilities of RM254,455,000 (2009: RM320,827,000) taken by its subsidiaries (Note 28) and associates.

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. PROVISION FOR LIABILITIES

<b>Group</b>	<b>Provision for commitment arising from others RM'000</b>	<b>Employee benefits RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2010</b>				
At 1 January 2010	47,414	17,344	5,404	70,162
Additional provision	1,980	8,171	9,590	19,741
Utilisation of provision	(2,446)	(7,364)	(9,130)	(18,940)
Reversal of provision	(17,068)	(805)	(573)	(18,446)
Reclassification to other payables	(11,985)	-	-	(11,985)
Exchange differences	-	(853)	(282)	(1,135)
At 31 December 2010	<u>17,895</u>	<u>16,493</u>	<u>5,009</u>	<u>39,397</u>
Current	17,895	13,174	5,009	36,078
Non-current:				
Later than 1 year and not later than 2 years	-	1,459	-	1,459
Later than 2 years and not later than 5 years	-	801	-	801
Later than 5 years	-	1,059	-	1,059
	<u>-</u>	<u>3,319</u>	<u>-</u>	<u>3,319</u>
Total	<u>17,895</u>	<u>16,493</u>	<u>5,009</u>	<u>39,397</u>
<b>At 31 December 2009</b>				
At 1 January 2009	47,931	19,730	5,039	72,700
Additional provision	10,342	9,791	9,691	29,824
Utilisation of provision	(702)	(10,519)	(9,144)	(20,365)
Reversal of provision	(10,157)	(511)	-	(10,668)
Exchange differences	-	(1,147)	(182)	(1,329)
At 31 December 2009	<u>47,414</u>	<u>17,344</u>	<u>5,404</u>	<u>70,162</u>
Current	47,414	13,257	5,404	66,075
Non-current				
Later than 1 year and not later than 2 years	-	1,738	-	1,738
Later than 2 years and not later than 5 years	-	1,064	-	1,064
Later than 5 years	-	1,285	-	1,285
	<u>-</u>	<u>4,087</u>	<u>-</u>	<u>4,087</u>
Total	<u>47,414</u>	<u>17,344</u>	<u>5,404</u>	<u>70,162</u>

# NOTES TO THE FINANCIAL STATEMENTS

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<b>Company</b>	<b>Provision for commitment arising from others RM'000</b>
Current	
At 1 January 2010	45,392
Additional provision	1,980
Utilisation of provision	(2,446)
Reversal of provision	(15,046)
Reclassification to other payables	(11,985)
At 31 December 2010	<u>17,895</u>
At 1 January 2009	45,909
Additional provision	10,342
Utilisation of provision	(702)
Reversal of provision	(10,157)
At 31 December 2009	<u>45,392</u>

## **Provision for commitment arising from others**

This is in respect of anticipated losses arising from guarantees given for loans granted to certain deconsolidated and disposed subsidiaries.

## **Employee benefits**

Provision for employee benefits is in respect of short term accumulating compensated absences such as paid annual leave and other employee benefits such as employee long service leave, severance payments and labour repatriation payments which are recognised when services are rendered by employees that increase their entitlement to future compensated absences.

## **Others**

Included herein are provision for:

- (i) warranty claims under the motor vehicle warranty program of certain subsidiaries.
- (ii) insurance and levies in respect of forward contracts entered into by certain subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 31. SECURED BONDS

The secured bonds comprise USD12,700,000 (equivalent to RM39,186,000) (2009: USD12,700,000 (equivalent to RM43,491,000)) tax-exempt bonds (“the Bonds”), issued by a subsidiary, Crow Wood Terrace Associates, L.P. (“CWTA”).

- (a) The Bonds mature on 15 December 2020, while the credit enhancement expires on 15 June 2014.
- (b) The Bonds are secured by the property of CWTA as referred to in Note 17, assignment of leases and rents, and a credit enhancement agreement between CWTA and Redstone Partners II LLC (“Redstone”). As a credit enhancer for the Bonds, Redstone is entitled to a fee at a fixed rate equivalent to 2.25% per annum on the outstanding principal balance of the Bonds net of the amount in certain reserves and escrow accounts.
- (c) The Bonds attracted interest at weekly floating rates averaging 0.32% (2009: 0.51%) per annum and interest is payable on the first business day of each month.
- (d) The Bonds agreement specifies that certain reserve and escrow accounts must be maintained by US Bank National Association (the “Trustee”) and Redstone. The Trustee maintains a principal reserve fund which provides for monthly principal payments based on an underwriting rate over a 30-year amortisation period. Such payments may be applied against the principal of the Bonds on certain redemption dates.
- (e) The Bonds agreement requires that at least 20% of the project units be set aside for low income tenants under low-income housing as defined in the Bonds agreement.

Movements in secured bonds are as follows:

	Group	
	2010 RM'000	2009 RM'000
At beginning of the year	43,491	55,302
Redemption made during the year	-	(11,078)
Exchange differences	(4,305)	(733)
At end of the year	39,186	43,491

## 32. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

The USD denominated RCSLS (“USD RCSLS A and B”) were issued as part of the Scheme of Arrangement implemented by the Company and certain of its subsidiaries which was completed on 30 June 2003.

The liability component and the equity component of the USD RCSLS A and B (collectively known as “RCSLS”) have been apportioned to reflect the fair value of the conversion option and its liability element. The RCSLS accounted for in the statement of financial position of the Group is as follows:

	Group	
	2010 RM'000	2009 RM'000
USD RCSLS A	59,355	65,876
USD RCSLS B	17,480	19,401
Total RCSLS	76,835	85,277
Equity component	(56,994)	(69,468)
	19,841	15,809

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

	Group	
	2010 RM'000	2009 RM'000
Accretion of premium in income statements		
At 1 January	(6,818)	(5,654)
Recognised during the year (Note 12)	(2,801)	(532)
Exchange difference	(2,042)	(632)
At 31 December	<u>(11,661)</u>	<u>(6,818)</u>
Coupon payable		
At 1 January	-	-
Recognised during the year (Note 12)	1,509	2,137
Paid during the year	(1,509)	(2,137)
At 31 December	<u>-</u>	<u>-</u>
Liability component at 31 December	<u>8,180</u>	<u>8,991</u>

- (a) Interest expense on the RCSLS is calculated on the effective yield basis by applying the coupon rate of 12% per annum for an equivalent non-convertible bond to the liability component of the RCSLS.
- (b) In prior years, the issuer of the USD RCSLS B, Onglory Holdings Limited, had redeemed USD5,629,012 of the USD RCSLS B (equivalent to then RM21,369,000).
- (c) The principal terms of the RCSLS are as follows:

On 30 June 2003, two wholly owned subsidiaries of the Company, Wellink Investments Limited ("WIL") and Onglory Holdings Limited ("OHL") issued USD19,236,664 (equivalent to then RM73,003,000) of USD RCSLS A and USD11,294,335 (equivalent to then RM42,862,000) of USD RCSLS B respectively. At 31 December 2010 and 31 December 2009, the outstanding balance of the USD RCSLS A and USD RCSLS B were USD19,236,664 (RM59,355,000; 2009: RM65,876,000) and USD5,665,323 (RM17,480,000; 2009: RM19,401,000) respectively.

The terms of the USD RCSLS A and B are as follows:

- a. Conversion rights - the registered holders of the USD RCSLS A and B will have the option at any time during the conversion period to convert the USD RCSLS A and B at the conversion rate into new MBfH Shares.
- b. Conversion rate - each USD RCSLS A and B will entitle its holder to convert USD denominated RCSLS A and B equivalent to nominal amount of RM1.00 of USD RCSLS A and B for 1 new MBfH Shares. The conversion rate is subject to adjustments in certain circumstances under the terms and conditions of the Trust Deed.
- c. Conversion period - the USD RCSLS A and B shall be convertible into new MBfH Shares on any business day from the date of issue of the USD RCSLS A and B and until 15 days prior to the maturity date.
- d. Redemption - the USD RCSLS A and B can be redeemed by WIL and OHL at any time up to the end of the tenure from date of issue. Any balance of nominal amount of USD RCSLS A and B not redeemed on the maturity date will be automatically converted into new MBfH Shares at the conversion rate.

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

- e. Redemption rate - at 100% of the nominal amount of the USD RCSLS A and B.
- f. The USD RCSLS A and B are interest bearing at the London Interbank Offered Rate (LIBOR) for the first two years after the issue date and are payable on the second anniversary of the issue date on 30 June 2005. Thereafter, the interest rate will be increased by 0.5% for every year, up to LIBOR plus 1.5% in the fifth and subsequent years, and the interest will be payable on a quarterly basis commencing from three months after the second anniversary from the issue date on 30 September 2005.
- g. The USD RCSLS A and B shall mature upon the expiry of a 5 year period. In the event that WIL and OHL are not able to redeem the outstanding nominal amount of the USD RCSLS A and B at the end of the 5 year period, the tenure of the same shall be automatically extended for another 5 year period from 1 July 2008 to mature on 30 June 2013.
- h. The new MBfH Shares to be issued upon conversion of the USD RCSLS A and B shall upon allotment and issue, rank pari passu in all respect with the existing Company's shares of RM1.00 each including the entitlements to dividends, rights, allotments or other distributions except that they will not be entitled to:
  - (i) any dividend in respect of the financial year preceding that in which the new MBfH Shares are issued; and
  - (ii) rights, allotments or other distributions, declared by the Company which entitlement date thereof precedes the relevant conversion date of the USD RCSLS A and B.
- i. The USD RCSLS A are guaranteed by the Company and secured against shares in a subsidiary, MBf Carpenters Pty Limited, of which the Company is the sole registered and beneficial owner as disclosed in Note 20(f).
- j. The USD RCSLS B are guaranteed by the Company and secured against shares in a subsidiary, MBF Cards (M'sia) Sdn. Bhd. which are registered and owned by the Company as disclosed in Note 20(e).

# NOTES TO THE FINANCIAL STATEMENTS

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## 33.SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
<b>Authorised share capital</b>				
1 January/31 December	1,500,000	1,500,000	1,500,000	1,500,000
<b>Issued and fully paid</b>				
1 January/31 December	570,050	570,050	570,050	570,050

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

### (a) Warrants

On 30 June 2003, as part of its Scheme of Arrangement ("SOA"), the Company issued 11,509,106 warrants to the existing shareholders then of the Company on the basis of one warrant for every five new shares held upon completion of the Reduction and Consolidation of Share Capital and 253,554,710 warrants to the lenders pursuant to the implementation of the SOA. Each warrant entitles its holder to subscribe for one new share at an exercise price of RM1 per share or such adjusted price as may be applicable during the time of exercise of rights which shall be at any time before the maturity date on 19 May 2013. All warrants not exercised by the maturity date shall lapse and shall become null and void.

	Number of Warrants '000
At 1 January, 2010	265,064
Exercised during the year	*
At 31 December, 2010	265,064

\* 30 warrants exercised

# NOTES TO THE FINANCIAL STATEMENTS

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## 34.RESERVES

<----- Non-distributable ----->							
	Equity portion of RCLS		Foreign currencies	Asset revaluation		(Accumulated losses)/ Distributable	Total
Note	Capital reserves RM'000	Warrant reserves RM'000	translation reserves RM'000	Capital reserves RM'000	reserves RM'000	retained earnings RM'000	RM'000
<b>Group</b>							
<b>Opening balance at 1 January 2010</b>							
As previously stated	58,325	17,959	(20,999)	3,873	-	(28,251)	30,907
Effects of changes in accounting policy	2.2	-	-	2,786	-	1,534	4,320
<b>Opening balance at 1 January 2010, as restated</b>							
Effects of adopting FRS 139	-	-	-	-	-	4,097	4,097
	58,325	17,959	(18,213)	3,873	-	(22,620)	39,324
<b>Profit attributable to owners of the parent</b>	-	-	-	-	-	45,032	45,032
<b>Other comprehensive income:</b>							
Revaluation of land and buildings	-	-	-	-	324,516	-	324,516
Foreign currencies translation	(10,430)	-	(25,246)	(5)	-	-	(35,681)
Income tax relating to components of other comprehensive income	14	-	-	-	(85,023)	-	(85,023)
	(10,430)	-	(25,246)	(5)	239,493	-	203,812
<b>Transactions with owners</b>							
Dividends on ordinary shares	-	-	-	-	-	(4,014)	(4,014)
Transfer from/(to) income statement	2,801	-	-	216	-	(3,017)	-
	2,801	-	-	216	-	(7,031)	(4,014)
<b>At 31 December 2010</b>	50,696	17,959	(43,459)	4,084	239,493	15,381	284,154

# NOTES TO THE FINANCIAL STATEMENTS

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<----- Non-distributable ----->

	Note	Equity portion of RCSLS		Foreign	Capital	Asset	Accumulated	Total
		Capital reserves	Warrant reserves	currencies translation reserves		revaluation reserves		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>								
<b>Opening balance at 1 January 2009</b>								
As previously stated		57,161	17,959	(2,720)	3,788	-	(134,145)	(57,957)
Effects of changes in accounting policy	2.2	-	-	3,112	-	-	1,719	4,831
<b>Opening balance at 1 January 2009, as restated</b>								
		57,161	17,959	392	3,788	-	(132,426)	(53,126)
<b>Profit attributable to owners of the parent</b>								
		-	-	-	-	-	106,329	106,329
<b>Other comprehensive income:</b>								
Foreign currencies translation		632	-	(18,605)	(3)	-	-	(17,976)
<b>Transactions with owners</b>								
Transfer from/(to) income statement		532	-	-	88	-	(620)	-
<b>At 31 December 2009</b>								
		58,325	17,959	(18,213)	3,873	-	(26,717)	35,227

The nature and purpose of each category of reserves are as follows:

**(a) Equity portion of RCSLS**

This reserve which comprised capital and warrant reserves represents the fair value of:

- (i) the equity component of the RCSLS as determined on the date of issuance of the respective RCSLS; and
- (ii) capital reserve transferred from the income statement during the year is maintained for future conversion of RCSLS into shares.

The amount transferred from the income statement is equivalent to the accretion of premium recognised during the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 34. RESERVES

### (b) Foreign currencies translation reserves

The foreign currencies translation reserves are used to record all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency. It also includes exchange differences from the translation of foreign currency loans used to finance investments in foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

### (c) Capital reserves

Capital reserves comprise principally capital gains from the disposal of property, plant and equipment and investments of certain foreign subsidiaries maintained for future appropriation of dividends.

### (d) Asset revaluation reserves

The asset revaluation reserves represent increases in the fair value of land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

## 35. COMMITMENTS

### (a) Capital commitments

Capital expenditures as at the reporting date are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised and contracted for				
- Purchase of property, plant and equipment	106,262	115,670	-	546
- Purchase of investment in unquoted shares*	23,617	23,086	-	-
	<u>129,879</u>	<u>138,756</u>	<u>-</u>	<u>546</u>
Authorised but not contracted for				
- Purchase of property, plant and equipment	8,672	1,022	250	250

- \* This is consequent to a subsidiary company, Carpenters Properties Limited having entered into a Sale and Purchase Agreement on 7 January 2006 to acquire 100% equity interest in Watson Brothers Limited, a property holding company for a total consideration of AUD7,424,000 (approximately RM23,617,000 (2009: RM23,086,000)). The matter fell into dispute due to an income tax implication to the vendors from this transaction and as a result the matter was referred to Arbitration as provided in the Sale and Purchase Agreement. On 4 September 2009, the Arbitrator ruled for specific performance of the Sale and Purchase Agreement in favour of Carpenters Properties Limited. The matter is still before the Arbitrator and is currently pending further directions and continuation of hearing.

# NOTES TO THE FINANCIAL STATEMENTS

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## (b) Non-cancellable operating lease and marketing commitments

Future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Not later than one year	32,865	24,701	12	15
Later than one year and not later than two years	6,176	6,314	2	15
Later than two years and not later than five years	7,980	11,596	-	6
More than 5 years	18,515	34,005	-	-
	<b>65,536</b>	<b>76,616</b>	<b>14</b>	<b>36</b>

## (c) Hire purchase and finance lease commitments

The Group and the Company have finance leases and hire purchase contracts for various items of property and equipment as disclosed in Note 16. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group and the Company by entering into these leases and no arrangements have been entered into for contingent rental payments.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Minimum hire purchase and lease payments:</b>				
Not later than one year	22,164	20,814	3,061	2,684
Later than one year and not later than two years	14,396	18,089	1,648	2,512
Later than two years and not later than five years	13,053	11,709	1,729	1,623
Later than five years	1,105	102	-	-
Total minimum lease payments	50,718	50,714	6,438	6,819
Less: Amounts representing finance charges	(6,234)	(5,264)	(822)	(834)
Present value of minimum lease payments	<b>44,484</b>	<b>45,450</b>	<b>5,616</b>	<b>5,985</b>
<b>Present value of payments:</b>				
Not later than one year	19,105	16,510	2,636	2,235
Later than one year and not later than two years	12,541	16,101	1,420	2,263
Later than two years and not later than five years	11,781	12,839	1,560	1,487
Later than five years	1,057	-	-	-
Present value of minimum lease payments	44,484	45,450	5,616	5,985
Less: Amount due within twelve months (Note 28)	(19,105)	(16,510)	(2,636)	(2,235)
Amount due after twelve months (Note 28)	<b>25,379</b>	<b>28,940</b>	<b>2,980</b>	<b>3,750</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 36. CONTINGENT LIABILITIES

### Guarantees

The Group has provided the following guarantees at the reporting date:

#### *Secured:*

- The guarantees extended by the Group and the Company in support of banking and other credit facilities granted to an associate and others are secured by the said associate's and a non-consolidated subsidiary's assets.
- The guarantees extended by the Company in support of banking and credit facilities granted to its subsidiaries are secured by its investments in certain subsidiaries as disclosed in Notes 20, and subsidiaries' property, plant and equipment as disclosed in Note 16.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Contingent liabilities are in respect of:</b>				
Guarantees extended in support of banking and other credit facilities granted to:				
Subsidiaries				
- secured	-	-	163,681	149,592
- unsecured	-	-	55,750	66,250
Associate				
- secured	3,167	3,812	3,167	3,812
Others				
- secured	-	75,003	-	75,003
Others - unsecured	2,911	2,997	-	-
	<b>6,078</b>	<b>81,812</b>	<b>222,598</b>	<b>294,657</b>

Included in others is an amount of RM2,207,000 (2009: RM2,326,000) in respect of penalty on late payment of tax which is disputed by a foreign subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services, and has seven reportable operating segments as follows:

- |                                      |  |
|--------------------------------------|--|
| (i) Card and Payment Services        | Business of issuing credit cards, acquiring merchants, and other related services.   |
| (ii) Papua New Guinea-Automotive     | Retailing in automotive and heavy earthmoving equipment, servicing and sales of parts and tyres in Papua New Guinea.   |
| (iii) Papua New Guinea - Agriculture | Involved in :-<br>Agriculture - copra, cocoa, coffee, tea production and coconut oil mill operation; and<br>Agro/aquaculture - cattle and prawn farming.   |
| (iv) Fiji - Retail and wholesale     | Operator of supermarkets, retailing and wholesaling of merchandise in Fiji.  |
| (v) Fiji - Automotive                | Retailing in automotive, light machinery, tyres and operating petrol stations and convenience stores in Fiji.  |
| (vi) Fiji-Property                   | Property owners cum property management service provider.  |
| (vii) Shipping                       | Line operator and agency services.   |
| (viii) Others                        | Include provision of support services for information systems and office equipment, printing of packaging boxes, manufacturing and distribution of tinned food, provision of financial services and investment holding, none of which are of a significant size to be reported separately. |

Except as indicated above, the other operating segments have not been aggregated to form other reportable operating segments.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 37. SEGMENT INFORMATION

	Card and payment services		Papua New Guinea Automotive		Papua New Guinea Agriculture		Fiji Retail and wholesale		Fiji Automotive	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Revenue:</b>										
External sales	235,364	242,259	500,362	382,141	222,442	201,222	328,226	372,839	242,763	258,619
Inter-segment	-	-	-	-	-	-	-	-	-	-
Total revenue	<u>235,364</u>	<u>242,259</u>	<u>500,362</u>	<u>382,141</u>	<u>222,442</u>	<u>201,222</u>	<u>328,226</u>	<u>372,839</u>	<u>242,763</u>	<u>258,619</u>
<b>Results:</b>										
Interest income	3,773	4,092	49	362	19	152	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-	-	-
Fair value gains on investment properties	1,300	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	9,491	11,337	15,423	12,082	6,786	7,856	4,380	3,394	966	906
Share of results of associate	3,047	1,968	-	-	-	-	-	-	-	-
Impairment of non-financial assets	(753)	69	136	-	4,702	1,961	-	-	-	-
Other non-cash expenses	35,909	35,403	9,332	-	709	3,448	11,055	12,312	-	-
Segment profit/(loss)	<u>109,821</u>	<u>121,635</u>	<u>46,759</u>	<u>29,740</u>	<u>9,571</u>	<u>(5,804)</u>	<u>(34,451)</u>	<u>(14,932)</u>	<u>9,032</u>	<u>12,088</u>
<b>Assets:</b>										
Investment in associates	5,351	2,303	-	-	-	-	-	-	-	-
Additions to non-current assets	6,968	3,606	27,141	26,669	4,701	9,511	4,530	7,887	828	1,367
Segment assets	<u>855,889</u>	<u>834,636</u>	<u>371,031</u>	<u>222,486</u>	<u>261,223</u>	<u>163,799</u>	<u>109,791</u>	<u>150,191</u>	<u>43,634</u>	<u>47,512</u>
<b>Segment liabilities</b>	<u>640,795</u>	<u>620,661</u>	<u>212,361</u>	<u>112,907</u>	<u>201,825</u>	<u>137,265</u>	<u>58,025</u>	<u>64,715</u>	<u>16,997</u>	<u>16,692</u>

# NOTES TO THE FINANCIAL STATEMENTS

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Fiji Property		Shipping		Others		Adjustments and eliminations		Notes	Per consolidated financial statements	
2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000		2010 RM'000	2009 RM'000
4,185	5,156	64,915	22,422	445,381	401,181	-	-		2,043,638	1,885,839
20,737	21,396	9,089	-	-	-	(29,826)	(21,396)	A	-	-
<u>24,922</u>	<u>26,552</u>	<u>74,004</u>	<u>22,422</u>	<u>445,381</u>	<u>401,181</u>	<u>(29,826)</u>	<u>(21,396)</u>		<u>2,043,638</u>	<u>1,885,839</u>
-	-	-	-	838	993	-	-		4,679	5,599
-	-	-	-	5	11	-	-		5	11
8,122	-	-	-	14,757	(6,077)	-	-		24,179	(6,077)
3,570	3,243	1,398	1,327	13,430	12,001	(269)	(288)		55,175	51,858
-	-	-	-	(688)	685	-	-		2,359	2,653
-	-	-	-	445	3,070	-	-		4,530	5,100
-	-	2,639	-	(16,263)	(36,303)	-	-	B	43,381	14,860
<u>24,793</u>	<u>17,425</u>	<u>(40,677)</u>	<u>7,855</u>	<u>39,939</u>	<u>52,855</u>	<u>(78,972)</u>	<u>(83,625)</u>	C	<u>85,815</u>	<u>137,237</u>
-	-	-	-	6,783	4,865	-	-		12,134	7,168
9,209	11,861	6,978	901	69,765	21,465	-	-	D	130,120	83,267
<u>285,219</u>	<u>204,097</u>	<u>45,035</u>	<u>13,195</u>	<u>805,176</u>	<u>598,231</u>	<u>(82,060)</u>	<u>(65,062)</u>	E	<u>2,694,938</u>	<u>2,169,085</u>
<u>146,018</u>	<u>139,842</u>	<u>81,784</u>	<u>8,864</u>	<u>532,162</u>	<u>455,915</u>	<u>(72,089)</u>	<u>(9,341)</u>	F	<u>1,817,878</u>	<u>1,547,520</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 37. SEGMENT INFORMATION

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

The directors are of the opinion that all inter-segment transactions had been entered into in the normal course of business and had been established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2010 RM'000	2009 RM'000
Inventories written down	4,354	8,648
Provisions	1,295	19,156
Impairment of financial assets	44,643	43,342
Unrealised gain on foreign exchange	(14,537)	(3,178)
Unrealised loss on foreign exchange	6,591	1,789
Reversal of provision for doubtful debts - others	(1,241)	(3,837)
Waiver of debts and interests	(225)	(51,106)
Net fair value (gains)/losses on financial instruments:		
- held for trading investment securities	(99)	-
- designated at fair value through profit or loss	3,122	(6)
- derivatives	(533)	-
Bad debts written off	11	52
	<u>43,381</u>	<u>14,860</u>

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income:

	2010 RM'000	2009 RM'000
Share of results of associates	2,359	2,653
Profit from inter-segment sales	(4,053)	(9,712)
Finance costs	(77,278)	(76,566)
	<u>(78,972)</u>	<u>(83,625)</u>

D Additions to non-current assets consist of:

	2010 RM'000	2009 RM'000
Property, plant and equipment	119,758	83,146
Investment properties	10,362	121
	<u>130,120</u>	<u>83,267</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

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

	2010 RM'000	2009 RM'000
Investment in associates	12,134	7,168
Inter-segment assets	(94,194)	(72,230)
	<u>(82,060)</u>	<u>(65,062)</u>

- F The following 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
Inter-segment liabilities	(72,089)	(9,341)

## **Geographical information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
South Pacific Islands and Australia	1,613,065	1,514,466	790,190	455,162
Malaysia	343,156	294,417	169,635	120,694
United States of America	10,596	11,538	77,138	82,187
East Asia	76,821	65,418	17,310	10,783
	<u>2,043,638</u>	<u>1,885,839</u>	<u>1,054,273</u>	<u>668,826</u>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Property, plant and equipment	859,914	530,698
Investment properties	163,971	107,778
Intangible assets	30,388	30,350
	<u>1,054,273</u>	<u>668,826</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2010 RM'000	2009 RM'000
<b>(a) Companies in which an Executive Director cum Group Chief Executive Officer of the Company, Tan Sri Datuk Dr. Ninian Mogan Lourdenadin has interest:</b>		
<b>Expenses:</b>		
Coral Security Ltd.		
- Performance based profit incentive fees		
- current year	2,639	-
- underprovision in prior year	-	378
- Management fees	1,181	1,118
- Interest payable	441	1,501
Nadin Management Sdn. Bhd.		
- Office rental	88	83
Nadin Sdn. Bhd.		
- Rental of residence	59	126
Royal Departmental Stores Sdn. Bhd.		
- Office rental	3	10
- Purchase of goods and services	3,700	1,521
- Commission payable for the procurement of trade purchases	62	124
Nadin Properties Sdn. Bhd.		
- Office rental	7,330	6,942
- Parking fees and utilities	785	716
Lourdes Medical Services Sdn. Bhd. and Lourdes Medical Centre Sdn. Bhd.		
- Medical services	290	210
Lourdes Medical Services Sdn. Bhd.		
- Compensation payable for a settlement arrangement	5,400	-
Red Alert Online Sdn. Bhd.		
- Administration fee	18	18
Independent Aviation Sdn. Bhd.		
- Flight services	4,371	3,561
Nadin Holdings Sdn. Bhd.		
- Facility fee for property offered as security for a banking facility *	1,500	-
	27,867	16,308

\* A 5-storeyed shopping complex valued at RM250 million, belonging to Nadin Holdings Sdn. Bhd., was offered as security for a RM150 million standby banking facility extended to the Company for a subsidiary's financing needs.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

<b>Group</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b>Receipts:</b>		
Repayment from Royel Departmental Stores Sdn. Bhd.	-	428
<b>Payments:</b>		
Repayments to:		
- Corali Securities Ltd.	5,248	32,471
- Royel Departmental Stores Sdn. Bhd.	432	3,475
- Independent Aviation Sdn. Bhd.	4,803	3,645
- Red Alert Online Sdn. Bhd.	18	18
- Lourdes Medical Services Sdn. Bhd. and Lourdes Medical Centre Sdn. Bhd.	290	210
- Nadin Sdn. Bhd.	59	126
- Nadin Management Sdn. Bhd.	92	83
- Nadin Holdings Sdn. Bhd.	1,500	-
- Nadin Properties Sdn. Bhd.	8,235	7,658
	<b>20,677</b>	<b>47,686</b>
<b>Balance due from:</b>		
Nadin Sdn. Bhd. - rental deposit	24	24
Nadin Management Sdn. Bhd. - rental deposit	25	22
Nadin Properties Sdn. Bhd.		
- rental deposit	1,849	1,721
- parking and utilities deposits	306	313
Royel Departmental Stores Sdn. Bhd.		
- rental deposit	4	4
	<b>2,208</b>	<b>2,084</b>
<b>Balance due to:</b>		
Corali Securities Ltd.		
- non-interest bearing	2,809	-
- interest bearing	6,212	10,706
- management fee	1,886	612
Royel Departmental Stores Sdn. Bhd.	3,448	130
Independent Aviation Sdn. Bhd.	2,372	2,355
Lourdes Medical Services Sdn. Bhd.	5,400	-
Nadin Holdings Sdn. Bhd.	78	-
	<b>22,205</b>	<b>13,803</b>

(Note: The Executive Director cum Managing Director of the Company, Susan A/P Rajanayagam is also the Managing Director of the above companies except for Corali Securities Ltd.)

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2010 RM'000	2009 RM'000
<b>(b) Associates</b>		
Purchases from BlueScope Lysaght (Fiji) Ltd.	775	321
<b>Balance due from:</b>		
MBf Taylors Limited	7,587	7,579
MCI Carpenter Ltd.	2,895	3,040
	<u>10,482</u>	<u>10,619</u>
<b>Balance due to:</b>		
BlueScope Lysaght (Fiji) Ltd.	77	70
<b>Company</b>		
<b>Revenue/income:</b>		
Gross dividends from subsidiaries	31,885	53,425
Interest receivable from subsidiaries	2,339	3,736
	<u>34,224</u>	<u>57,161</u>
<b>Expenses:</b>		
Interest to subsidiaries	6,139	6,164
Office rental expense to a subsidiary	892	828
Office rental expense to Nadin Properties Sdn. Bhd. *	330	-
Medical services to Lourdes Medical Services Sdn. Bhd. * and Lourdes Medical Centre Sdn. Bhd. *	21	14
Compensation payable to Lourdes Medical Services Sdn. Bhd. for a settlement arrangement **	5,400	-
Administration fee to Red Alert Online Sdn. Bhd. *	1	1
Parking fees and utilities to Nadin Properties Sdn. Bhd. *	54	25
	<u>12,837</u>	<u>7,032</u>
<b>Receipts:</b>		
Management fee charged to subsidiaries	4,800	3,415
Repayment from a subsidiary, MBf Printing Industry Sdn. Bhd.	10,477	-
Repayment from a subsidiary, Jastura Sdn. Bhd.	-	7,120
WR Carpenter (South Pacific) Ltd.	560	-
WR Carpenter (PNG) Ltd.	5,000	-
	<u>20,837</u>	<u>10,535</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

<b>Company</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b>Payments:</b>		
Advances to subsidiaries		
- Carpenter Products Pty Ltd	-	880
- Carpenters Vanuatu Holding Ltd	1,030	1,096
- MBf Carpenters Pty Ltd	5,000	14,976
- WR Carpenter (South Pacific) Ltd.	5,000	-
- WR Carpenter (PNG) Ltd.	5,000	-
- MBf Carpenters Shipping Ltd.	13,202	-
Payment of rental and utilities		
- Nadin Properties Sdn. Bhd.	483	25
	<b>29,715</b>	<b>16,977</b>
<b>Balance due to:</b>		
- Lourdes Medical Services Sdn. Bhd.	5,400	-
- Nadin Holdings Sdn Bhd	78	-
	<b>5,478</b>	<b>-</b>
<b>Balance due from:</b>		
- Nadin Properties Sdn. Bhd.	99	-

\* An Executive Director cum Group Chief Executive Officer of the Company, Tan Sri Datuk Dr. Ninian Mogan Lourdenadin has interest in and is a director of these companies, whereas an Executive Director cum Managing Director of the Company, Susan A/P Rajanayagam is a director of these companies except for Corali Securities Ltd.

\*\* The RM5.40 million compensation to Lourdes Medical Services Sdn Bhd ("Lourdes") was in connection with the legal settlement arrangement with MBf Leasing as disclosed in Note 29(b) which the terms of the settlement arrangement amongst others, involved Lourdes having to withdraw its interpleader action against MBf Leasing for a put option of USD1.80 million and release the securities in the put option to Leisure Holidays Berhad. MBf Leasing and Leisure Holidays Berhad were related companies at one point in time which they ceased to be so subsequently.

The directors are of the opinion that all the above transactions and arrangements had been entered into in the normal course of business and had been established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 38. SIGNIFICANT RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other emoluments	6,941	7,071	2,313	2,082
Bonus	957	1,006	581	609
Fees	749	705	226	206
Defined contribution plans	745	658	366	323
Estimated money value of benefits-in-kind	634	495	55	65
	<b>10,026</b>	<b>9,935</b>	<b>3,541</b>	<b>3,285</b>
Directors' remuneration and estimated value of benefits-in-kind (Note 11)	<b>6,299</b>	<b>6,411</b>	<b>1,586</b>	<b>1,470</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 39. SUBSIDIARIES

(a) Details of the subsidiaries included in the consolidated financial statements are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
∞ Atox Cards Sdn. Bhd.	Malaysia	Investment holding	100	100
∞ Jastura Sdn. Bhd.	Malaysia	Investment holding	100	100
MBf Building Technology Sdn. Bhd.	Malaysia	Property investment and letting of office space	100	100
MBF Cards (M'sia) Sdn. Bhd.	Malaysia	Business of issuing credit cards, acquiring merchants and other related services	100	100
MBf Card & Travel Network Sdn. Bhd.	Malaysia	Dormant	100	100
@ MBf Discount Card Sdn. Bhd.	Malaysia	Dormant	100	100
MBf Education Group Sdn. Bhd.	Malaysia	Letting of property and investment holding	100	100
∞ φ MBf Equities Sdn. Bhd.	Malaysia	Investment holding	100	100
∞ φ MBf Management Sdn. Bhd.	Malaysia	Investment holding	100	100
MBf Media Sdn. Bhd.	Malaysia	Media booking	100	100
MBf Printing Industry Sdn. Bhd.	Malaysia	Printing and manufacturing of packaging boxes	100	100
∞ φ MBf Project Management Sdn. Bhd.	Malaysia	Letting of property	100	100
∞ φ MBf Protection Services Sdn. Bhd.	Malaysia	Dormant	100	100
∞ @ MBf Trading Sdn. Bhd.	Malaysia	Dormant	100	100
∞ φ MBf Elevators Sdn. Bhd.	Malaysia	Ceased operation	100	100
∞ Vintage Developers Sdn. Bhd.	Malaysia	Property development	100	100
Frezhasia Telecoms Sdn. Bhd.	Malaysia	Telecommunication and related services	100	-
Frezhtalkz Mobile Sdn. Bhd.	Malaysia	Telecommunication and related services	100	-
MBf Carpenters Shipping Limited	Labuan, Malaysia	General shipping and related services	100	-
∞ φ MBf Carpenters Pty. Ltd.	Australia	Investment holding	100	100
∞ φ MBf Carpenters (Australia) Pty. Ltd.	Australia	Investment holding	100	100

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 39. SUBSIDIARIES

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
∞ φ Carpenter Products Pty. Ltd.	Australia	Trading and investment holding	100	100
∞ MBf Carpenters Shipping Agency Pty. Ltd.	Australia	Shipping agency	100	-
∞ Daltron (Australia) Pty Ltd.	Australia	Dormant	100	100
∞ Morecambe Pastoral Company Pty. Ltd.	Australia	Cattle farming	100	100
∞ MBf Carpenters Shipping (NZ) Ltd.	New Zealand	Managing shipping agency	100	-
∞ Onglory Holdings Limited	British Virgin Islands	Investment holding	100	100
∞ Wellink Investments Limited	British Virgin Islands	Investment holding	100	100
∞ Hangzhou Xinma Elevator Co. Ltd.	China	Manufacturing, trading, installing and servicing of elevator and lifts	51.00	51.00
∞ Carpenters Fiji Ltd.	Fiji	Merchandising, automotive and heavy earthmoving equipment sales & service, hardware merchants, transport & shipping agents, financial services, owners & administrators of properties & investments	100	100
∞ Carpenters Properties Ltd.	Fiji	Property owners and administrators	100	100
∞ MH Money Express Limited (f.k.a. Carpenter Steel Company Ltd.)	Fiji	Dormant	100	100
∞ Coral Island Motors Ltd.	Fiji	Dormant	100	100
∞ Hyundai Automotive (Fiji) Ltd.	Fiji	Dormant	100	100
∞ Industrial and Marine Engineering Ltd.	Fiji	Ship repairs and general engineering	100	100
∞ Properties Trust (Fiji) Ltd.	Fiji	Property owners and administrators	100	100
∞ WR Carpenter (South Pacific) Limited	Fiji	Investment holding	100	100
∞ Woolworths Ltd.	Fiji	Dormant	100	100
∞ Hunter Investments Limited	Fiji	Property owners	100	100

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
∞ Computech Electronics Ltd.	Fiji	Trading in information technology products and services	100	100
∞ ϕ MBf Asia Capital Corporation Holdings Ltd.	Hong Kong	Investment holding	100	100
∞ MBf Asia Capital Corporation Ltd.	Hong Kong	Investment holding	100	100
∞ ϕ MBf Education Group (H.K.) Ltd.	Hong Kong	Investment holding	100	100
∞ ϕ MBf International Ltd.	Hong Kong	Investment holding	100	100
∞ Bunum Wo Estate Limited	Papua New Guinea	Tea and coffee estates	100	100
∞ Boroko Motors Ltd.	Papua New Guinea	Automotive dealer	100	100
∞ BM Leasing Ltd.	Papua New Guinea	Car rental business	100	100
∞ Carpenter Technologies Limited	Papua New Guinea	Trading in information technology products and services	100	100
∞ Courts (PNG) Limited	Papua New Guinea	Retailing of electronic and electrical appliances, household furniture & furnishing	100	100
∞ Higaturu Motors Ltd.	Papua New Guinea	Dormant	74.00	74.00
∞ Island Estates Ltd.	Papua New Guinea	Plantations owner	100	100
∞ Merchants Ltd.	Papua New Guinea	Property owner	100	100
∞ Minjigina Estates Ltd.	Papua New Guinea	Tea estate	100	100
∞ Carpenters Hardware Ltd.	Papua New Guinea	Hardware store operator	100	100
∞ Pacific Trading Company Ltd.	Papua New Guinea	Export company	100	100
∞ Tabubil Automotive Ltd.	Papua New Guinea	Automotive dealer	50.00	50.00
∞ Tovarur Plantations Ltd.	Papua New Guinea	Plantations owner / Prawn Farming	100	100
∞ W.R. Carpenter (PNG) Ltd.	Papua New Guinea	Investment holding	100	100
∞ W.R. Carpenter (PNG) Nominees Ltd.	Papua New Guinea	Nominee company	100	100
∞ W.R. Carpenter (Properties) Ltd.	Papua New Guinea	Property owner	100	100

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 39. SUBSIDIARIES

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
∞ WRC Limited	Papua New Guinea	Oil mill operator and plantations owner/operator	100	100
∞ Coconut Products Ltd.	Papua New Guinea	Shipping agency	100	100
∞ Carpenter Trading Ltd.	Papua New Guinea	Sales & Marketing	100	100
∞ J. Gadsden (South Pacific) Limited	Papua New Guinea	Manufacturing and distribution of tinned food	100	100
∞ Globe Manufacturing Ltd.	Papua New Guinea	Manufacturing and distribution of tinned food	100	100
∞ James Barnes Packaging Limited.	Papua New Guinea	Manufacturing and distribution of tinned food	100	100
∞ φ MBf Factors (Thailand) Ltd.	Thailand	Factoring services	100	100
∞ MBf Bank Ltd.	Tonga	Banking services	93.35	93.35
∞ MBf Insurance Services Ltd.	Tonga	Dormant	93.35	93.35
∞ MBf Life Insurance Ltd.	Tonga	Dormant	93.35	93.35
∞ MBf Wood Terrace Capital Corporation	United States of America	Investment holding	100	100
∞ Crow Wood Terrace Associates, L.P.	United States of America	Owner and manager of an apartment complex	100	100
∞ Carpenters Vanuatu Holding Ltd.	Vanuatu	Investment holding	100	100
∞ Daltron (Vanuatu) Ltd (f.k.a. Coconut Products (Vanuatu) Ltd.)	Vanuatu	Trading in information technology products and services	100	100
∞ Carpenter Motors (Vanuatu) Ltd.	Vanuatu	Automotive trading	100	100
∞ Carpenters (South Pacific) Vanuatu Ltd.	Vanuatu	Property holding	100	100
∞ Carpenters Hardware Limited	Vanuatu	Trading in homeware and hardware products	100	100
∞ Carpenters Cash & Carry Limited	Vanuatu	Trading in groceries	100	100
∞ Carpenters Trading International Limited	Vanuatu	Trading	100	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
∞ Daltron (Solomon Island) Ltd.	Solomon Island	Trading in information technology products and services	100	100
∞ BM Leasing (Solomon Island) Limited	Solomon Island	Car rental business	100	100
∞ Courts Home Maker (Solomon Island) Limited	Solomon Island	Retailing of electronic and electrical appliances, household furniture & furnishings	100	100

(b) Details of the subsidiaries excluded from the consolidated financial statements are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
Alamanda Development Sdn. Bhd. (In creditors' voluntary liquidation)	Malaysia	Dormant	100	100
MBf Commercial Vehicles Sdn. Bhd. (In court winding up)	Malaysia	Dormant	70.00	70.00
Melawati Recreation Bhd. (In creditors' voluntary liquidation)	Malaysia	Dormant	100	100
Melawati Management Sdn. Bhd. (Held through Melawati Recreation Bhd.)	Malaysia	Dormant	100	100
Wisma City Sdn. Bhd. (In creditors' voluntary liquidation)	Malaysia	Dormant	100	100
Pacific Centre Sdn. Bhd. (In creditors' voluntary liquidation)	Malaysia	Dormant	100	100
Carpenters Guam Ltd. (In members' voluntary liquidation)	Guam	Dormant	100	100
MBf Auto Corridor Sdn. Bhd. (In court winding up)	Malaysia	Dormant	72.34	72.34

∞ Subsidiary not audited by Ernst & Young, Malaysia.

φ Appropriateness of going concern basis of accounting is dependent on its ability to continue profitable operations and/or its holding or ultimate holding company's continued financial support.

@ Financial statements are prepared on a break up basis.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 40. ASSOCIATES

The financial statements of the associates are coterminous with that of the Group except for BlueScope Lysaght (Fiji) Ltd and MBf Trustees Berhad, which have financial year ends of 30 June and 31 March, respectively. For the purposes of applying the equity method of accounting, the management financial statements of these associate companies as at 31 December 2010 have been used and appropriate adjustments have been made for the effect of significant transactions, if any.

Details of associates are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2010	2009
Bonuskad Loyalty Sdn. Bhd.	Malaysia	Managing customer loyalty schemes	25	25
MAN Truck & Bus (M) Sdn. Bhd.	Malaysia	Sale and services of commercial vehicle chassis & provision of maintenance services	30	30
MBf Trustees Berhad	Malaysia	Trustee services	20	20
MBf Discount Cards (Thailand) Ltd.	Thailand	Dormant	49	49
MBf Taylors Limited	Thailand	Provision of education services	39	39
BlueScope Lysaght (Fiji) Ltd.	Fiji	Manufacturing of steel and other building products & office equipment	29.10	29.10
MCI Carpenters Ltd.	Fiji	Dormant	50	50

# NOTES TO THE FINANCIAL STATEMENTS

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## 41. SIGNIFICANT EVENTS

The significant events during the year are as follows:

### (a) New business

During the year the Group expanded its shipping operations by venturing into the liner shipping business plying the East Asia - Australasia - South Pacific route. This new venture was undertaken primarily for group synergies to transport containerised and bulk cargoes in and out of the South Pacific companies and to capitalise on the booming economy in Papua New Guinea which is a net importing country.

### (b) Incorporation of subsidiaries

In facilitation of the Group's diversification into the liner shipping business and to prepare for the venture into the telecommunication business, the following wholly-owned subsidiaries were incorporated during the year:-

Subsidiaries	Place of Incorporation	Principal activities
MBf Carpenters Shipping Limited	Federal Territory of Labuan, Malaysia	Liner shipping
Carpenters Trading International Limited	Republic of Vanuatu	General trading
MBf Carpenters Shipping (NZ) Limited	New Zealand	Shipping management services and agency
MBf Carpenters Shipping Agency Pty Ltd	Australia	Shipping agency
Frezhasia Telecoms Sdn Bhd	Malaysia	Telecommunication
Frezhtalkz Mobile Sdn Bhd	Malaysia	Telecommunication

### (c) Proposed Privatisation of the Company

The Company's public shareholding spread was reduced to 18.46% on 28 October 2009 upon Tan Sri Mogan acquiring a block of MBfH shares and warrants through his wholly own company, Market Share Investments Limited. The acquisition resulted in Tan Sri Mogan owning 79.12% of the equity interest in the Company and 80.78% of the Company's warrants in issue then, the interests of which were held through his wholly own companies, namely, Tor Pte Ltd, Nadin Holdings Sdn Bhd, Impact Action Sdn Bhd and Market Share Investments Ltd (collectively, "the Major Shareholders").

On 11 January 2010, the Major Shareholders proposed to privatise the Company via a selective capital reduction and repayment exercise under Section 64 of the Companies Act 1965 ("Proposed SCR") and also proposed the acceleration of maturity of warrants and the cancellation of warrants thereof ("Proposed WAC") in conjunction with the Proposed SCR. The Proposed SCR involved the cancellation of the entire issued and paid up shares of the Company, save for the MBfH shares held by the Major Shareholders. The shareholders of the Company were to receive a cash consideration of RM0.65 for each of the MBfH shares, save for the Major Shareholders who were not entitled to any repayment of capital. Whereas for the Proposed WAC, the warrant holders were to receive cash amount of RM0.05 for each of the warrant held and likewise, the Major Shareholders would waive their entitlement under the Proposed WAC.

The Proposed SCR failed to obtain the required approval of the shareholders in the Extraordinary General Meeting ("EGM") held on 27 April 2010. Accordingly the Special Resolution for the Proposed SCR was not carried. As the Proposed WAC was conditional upon the Proposed SCR, it was not tabled at the warrant holders' meeting held immediately after the EGM.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 41. SIGNIFICANT EVENTS

### (d) Public Shareholding Spread

The Company's public shareholding spread as at 31 December 2010 was 16.31% and Bursa Malaysia Securities Berhad ("Bursa Securities") had granted further extension of time of three (3) months to 31 May 2011 for the Company to comply with the minimum public shareholding spread.

The MBfH share has yet to trade above its par value of RM1.00 since its re-listing on Bursa Securities upon the completion of its Restructuring Scheme in mid 2003. Rectification of the public shareholding spread by the issuance of new MBfH shares at a discount is deemed not viable as such an exercise requires the shareholders' approval and thereafter the confirmation of the Court. Hence the most practical option for the Company to increase its public shareholding spread is for Tan Sri Mogan to privately pare down his stake.

The Company had been informed by Tan Sri Mogan that his discussion with various parties to place out his stake has not been successful thus far. To rectify the public shareholding spread of the Company, Tan Sri Mogan has to sell down his stake in MBfH by approximately 9%, equivalent to about 50 million shares. Due to the sizeable volume of the shares, it is a challenging task for Tan Sri Mogan to seek potential investors at an amicable price, more so in this current weak investment sentiment, both locally and globally.

At the date of this report, the Company has yet to have a rectification plan for its public shareholding spread.

## 42. SUBSEQUENT EVENT

### Conversion of warrants

On 17 February 2011 there was a conversion of 20 warrants to an equal number of ordinary shares of RM1.00 each. The number of warrants outstanding after the conversion of the said warrants was 265,063,596 and remained the same as at the date of this report.

## 43. MATERIAL LITIGATIONS

### (i) MBF Cards (M'sia) Sdn. Bhd. ("MBF Cards") Vs GrandTech Systems Sdn. Bhd. ("GrandTech") ("MBF Cards Action") and GrandTech Vs MBF Cards ("GrandTech Action")

The MBF Cards Action is a claim for approximately RM13.6 million for the non-fulfillment of certain representations by GrandTech, the supplier for goods used in one of MBF Cards' credit card marketing campaigns.

The GrandTech Action for approximately RM6.4 million was filed for the goods delivered, anticipated profit from the remaining undelivered goods and other related expenses. GrandTech had also filed an application for summary relief and interim payment for about RM4.0 million with Kuala Lumpur High Court ("KL High Court"). The KL High Court had dismissed GrandTech's summary relief application and appeal against the said dismissal. GrandTech thereafter filed an appeal to the Court of Appeal against the order. At the hearing on 5 March 2010, GrandTech had withdrawn its appeal against the High Court's Order.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

Both the actions have been consolidated and the full trial fixed for 24 to 26 May 2010 did not proceed. In the case management held on 24 March 2011, it was decided that the case be heard by a new judge and the case management fixed on 11 May 2011 with the trial date on 6 to 8 September 2011.

The Board is confident that MBF Cards has a sound claim for the MBF Cards Action and a good defence for the GrandTech Action.

**(ii) MBf Holdings Berhad (“MBfH”) & MBf Finance Berhad (now AmBank (M) Berhad) (collectively called the “Plaintiffs”) Vs Houg Hai Kong, Loi Hean Sso & Wee Choo Keong (collectively called the “Defendants”).**

The Plaintiffs had on 9 February 1993 obtained an ex-parte injunction to restrain the Defendants from printing, circulating, distributing or publishing in any manner any allegation of impropriety or irregularity or illegality of whatever nature against the Plaintiffs or any of their respective subsidiaries or affiliates.

Wee Choo Keong and Houg Hai Kong (“Appellants”) had applied to set aside the ex-parte injunction which was refused by the High Court in 1996. However the Appellants’ appeal against the court order was allowed by the Court of Appeal in April 2007.

Wee Choo Keong’s application to the High Court for legal and incidental costs was dismissed on 30 November 2007. His application for assessment of damages amounting to approximately RM40 million was fixed for hearing several times but were postponed. The Court has fixed 5th May 2011 for continued hearing on the assessment of damages.

Whereas Houg Hai Kong’s application on the inquiry of damages was heard on 5th April 2011 wherein the court fixed the matter for further hearing on 22 June 2011.

It is not possible to ascertain the quantum of damages payable by the Plaintiffs at this juncture and the directors are of the view that the Company’s liability, if any, is not material and accordingly the Company had not provided for it in its book.

**(iii) MBf Holdings Berhad (“MBfH”) & MBf Education Group Sdn Bhd (“MEG”) [collectively called “the Plaintiffs”] Vs Dato Loy Teik Ngan, Datin Chong Kwei Kee, Puan Sri Datin Ling Mah Lee, Tan Sri Dato Lim Cheng Pow, Taylor’s Education Bhd, Taylor’s College Sdn Bhd, Educrest Sdn Bhd, Lim Tian Huat & Chew Cheng Leong [collectively called “the Defendants”]**

The claim is to recover the Plaintiffs’ assets which were purportedly disposed wrongfully by the directors of MBfH & MEG at the material time. The assets in question are MBfH’s 66.67% equity interest in MBf Taylors Sdn Bhd [renamed as Taylor’s Education Sdn Bhd & later as Taylor’s Education Bhd] & a parcel of land in Subang on which Taylor’s College was constructed & are presently registered under companies owned and/or control by the Loy Family.

The Court has fixed the action for further case management on 26 May 2011 and the trial on 22 to 25 August 2011.

The Company is unable to quantify the above claims at this juncture and the Board believes to the best of its knowledge that if the Plaintiffs succeed in its claim, it may have a material impact on the Group’s financials.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS

### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Group 2010		Company 2010	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets:</b>					
Investment securities (non-current)					
- unquoted equity instruments, at cost	23	1,861	^	701	^
<b>Financial liabilities:</b>					
Loans and borrowings (non-current)					
- fixed rate term loans	28	100,314	81,389	-	-
Hire purchase and lease payables (non-current)	28	25,379	20,505	2,980	2,852
RCSLS	32	8,180	12,263	-	-

The carrying amount of other financial assets and financial liabilities as at 31 December 2010 are at reasonable approximation of fair value.

	Note	Group 2009		Company 2009	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets:</b>					
Investment securities					
- quoted equity instruments	23	1,741	3,754	-	-
- unquoted equity instruments	23	3,938	*	-	-
- unquoted equity instruments, at cost	23	2,224	*	1,064	*
- unquoted government bonds	23	2,784	*	-	-
<b>Financial liabilities:</b>					
Loans and borrowings					
- fixed rate term loans	28	110,711	65,687	-	-
Hire purchase and lease payables	28	28,940	23,937	3,750	3,506
RCSLS	32	8,991	16,160	-	-

\* It is not practical to estimate the fair value of the Group's and the Company's non-current unquoted shares due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

^ Investment in equity instruments carried at cost (Note 23)

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group does not intend to dispose of this investment in the foreseeable future.

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## B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

	<b>Note</b>
Trade and other receivables (current)	22
Trade and other payables (current)	29
Loans and borrowings	
- floating rate term loans 4.50% to 10.95%	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced immediately upon maturity and their interest rates approximate those financial instrument of similar risk profile.

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

The fair values of current loans and 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.

Amounts due from subsidiaries and associates, loans to/from subsidiaries and associates, fixed rate bank loans, hire purchase and finance lease obligations

The fair values of these financial instruments 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.

Commercial papers and medium term notes

The fair values of commercial papers and medium term notes as at the reporting date are estimated based on their indicative quotations on BondWeb, a Bond Pricing Agency approved by Securities Commission, as at the reporting date that was available since January 2007.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

Unquoted equity instruments

These investments are valued using valuation model which uses both observable and non-observable data. The non-observable inputs to the model include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.



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## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Unquoted debt securities and unquoted corporate bonds

Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

### Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

### Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for 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 was to default.

## 45. 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, which are executed by the Executive Directors, Chief Financial Officers, Heads of Treasury and Credit of the major companies in the Group. The audit committee provides independent oversight to the effectiveness of the risk management process.

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. The Group and the Company do not apply hedge accounting.

### **(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group's credit risk is controlled by the application of credit approvals, limits and monitoring procedures. 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.

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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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

## Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.
- An amount of RM254,455,000 (2009: RM320,827,000) relating to corporate guarantees provided by the Company to banks on loans given to its subsidiaries and associates.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22(a).

## Credit risk concentration profile

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

	<b>Group</b>			
	<b>2010 RM'000</b>	<b>% of total</b>	<b>2009 RM'000</b>	<b>% of total</b>
<b>By country:</b>				
Malaysia	541,216	69.13%	482,428	68.66%
Papua New Guinea	129,705	16.57%	100,219	14.26%
Fiji	63,347	8.09%	76,688	10.91%
Tonga	32,900	4.20%	30,228	4.30%
Other countries	15,747	2.01%	13,119	1.87%
	<b>782,915</b>	<b>100.00%</b>	<b>702,682</b>	<b>100.00%</b>
<b>By industry sectors:</b>				
Card and payment services	526,782	67.28%	474,690	67.55%
Retail and merchandise	71,468	9.13%	77,719	11.06%
Automotive	58,777	7.51%	37,296	5.31%
Agriculture	27,039	3.45%	25,059	3.57%
Shipping	14,333	1.83%	8,839	1.26%
Finance	71,267	9.10%	75,961	10.81%
Others	13,249	1.70%	3,118	0.44%
	<b>782,915</b>	<b>100.00%</b>	<b>702,682</b>	<b>100.00%</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (b) 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. 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 monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows.

The Group's and the Company's objective is to maintain available banking facilities at a reasonable level to its overall debts position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	470,404	22,303	-	492,707
Loans and borrowings	760,601	296,815	97,530	1,154,946
Derivatives- settled net	44	-	-	44
Total undiscounted financial liabilities	<u>1,231,049</u>	<u>319,118</u>	<u>97,530</u>	<u>1,647,697</u>
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables, excluding financial guarantees *	188,155	1,875	-	190,030
Loans and borrowings	<u>3,061</u>	<u>3,377</u>	-	<u>6,438</u>
Total undiscounted financial liabilities	<u>191,216</u>	<u>5,252</u>	-	<u>196,468</u>

\* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.



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## (c) Interest rate risk

Interest rate 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 interest rates. The Group's interest-bearing financial assets are mostly placed in fixed deposits, credit card receivables, factoring receivables and hire purchase receivables.

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings at floating rate exposure the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not apply hedge accounting. The Group's loans at floating rate form a natural hedge for its non-current floating rate loans. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts and continuously negotiate with the lenders to derive favourable terms which are mutually agreeable.

All of the Group's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2009: less than 6 months) from the reporting date except for term loans and floating rate loans which are repriced annually.

### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM1,014,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## (d) 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.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM, US Dollar ("USD"), Kina Dollar ("PGK") and Fijian Dollar ("FJD").

The Group manages its transactional exposure by matching, as far as possible, its receipts and payments in each individual currencies.

The Group does not use any foreign currency instruments to hedge foreign currency exposure on purchases and sales except for short term forward contracts taken by subsidiaries operating in Malaysia, Papua New Guinea and Fiji.

# NOTES TO THE FINANCIAL STATEMENTS

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## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, PGK and FJD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		<b>Group 2010 RM'000</b>	<b>Company 2010 RM'000</b>
		<b>Profit net of tax</b>	<b>Profit net of tax</b>
USD/RM	- strengthened 3% (2009: 3%)	-1,930	-2,305
	- weakened 3% (2009: 3%)	+1,930	+2,305
USD/PGK	- strengthened 3% (2009: 3%)	+513	-
	- weakened 3% (2009: 3%)	-513	-
USD/FJD	- strengthened 3% (2009: 3%)	+137	-
	- weakened 3% (2009: 3%)	-137	-

### **(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, whereas the quoted equity instruments outside Malaysia are substantially listed on POMSoX in Papua New Guinea. These instruments are designated at fair value through profit or loss.

The Group enters into forward agricultural commodity sale contracts to fix the selling price in foreign currency of a proportion of its anticipated future production. All forward commodity contracts are completed by the delivery of physical product. At reporting date, the nominal value of forward agricultural commodity sale contracts were PGK17,898,000 (equivalent to RM21,943,000) (2009: PGK23,940,000 (equivalent to RM30,493,000)).

# NOTES TO THE FINANCIAL STATEMENTS

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## 46. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it receives a strong credit rating and maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to keep the gearing ratio between 1.0 and 2.0 times. The Group's and Company's net debt comprises:-

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and borrowings	28	1,104,228	1,011,338	5,616	16,485
Secured bonds	31	39,186	43,491	-	-
Convertible Redeemable Secured Loan Stocks	32	76,835	85,277	-	-
Due to subsidiaries - interest bearing		-	-	138,934	145,776
Net debt		1,220,249	1,140,106	144,550	162,261
Equity attributable to the owners of the parent representing total capital		854,204	605,277	130,267	95,111
<b>Gearing ratio</b>		1.43	1.88	1.11	1.71

## 47. COMPARATIVES

Certain comparative amounts have been restated, arising from the adjustment as disclosed in Note 3.

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
<b>Statements of financial position</b>			
<b>Group</b>			
<b>31 December 2009</b>			
Property, plant and equipment	457,699	24,615	482,314
Land held for development	24,615	(24,615)	-
<b>1 January 2009</b>			
Property, plant and equipment	465,774	27,441	493,215
Land held for development	27,441	(27,441)	-

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## 48. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

	<b>Group RM '000</b>	<b>Company RM '000</b>
<b>Total retained profits/(accumulated losses) of the Company and its subsidiaries</b>		
- Realised	(3,754)	(435,957)
- Unrealised	17,304	(3,826)
	<u>13,550</u>	<u>(439,783)</u>
<b>Total share of retained profits from associate</b>		
- Realised	1,831	-
	<u>15,381</u>	<u>(439,783)</u>