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DIALOG

**DIALOG GROUP BERHAD**
(178694-V)

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DIALOG GROUP BERHAD (178694-V) 2011 Annual Report

DIALOG

# DIALOG GROUP BERHAD
(178694-V)

## Annual Report 2011
## Financial Statements

***Strength to Strength, We Deliver***

# Contents



# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 9 to the financial statements, are the provision of specialist technical services and products, provision of engineering & construction, provision of plant maintenance & catalyst services, fabrication, provision of centralised tankage facilities, provision of upstream services, petroleum retailing and provision of ePayment technology & solutions. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 160,125 | 127,535 |
| Attributable to: | | |
| Owners of the parent | 152,298 | 127,535 |
| Non-controlling interests | 7,827 | – |
| | 160,125 | 127,535 |

## DIVIDENDS

The dividends paid or proposed by the Company since the end of the previous financial year are as follows:

(a) Final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to RM35,398,411 in respect of the previous financial year was paid on 15 December 2010;

(b) Interim single tier dividend of 13% per ordinary share of RM0.10 each, amounting to RM25,643,130 in respect of the current financial year was paid on 20 June 2011; and

(c) Proposed final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to approximately RM35,524,000 in respect of the current financial year as recommended by the Directors subsequent to the end of the reporting period for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM198,052,323 to RM199,581,543 by way of issuance of 15,292,200 new ordinary shares of RM0.10 each pursuant to the exercise of 15,292,200 shares options under the Employees' Share Option Scheme ("ESOS") at option prices ranging from RM0.42 to RM1.12 per share for cash.

These newly issued shares rank pari passu in all respects with the existing shares of the Company.

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

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issuance of options pursuant to the Company's ESOS.

The Company implements an ESOS which is in force for a period of ten years until 29 July 2017 ("the option period"). The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;

(b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;

(c) The option price of a new ordinary share under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;

(d) The actual number of shares which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:

    (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and

    (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years;

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and

(g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

## OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The numbers of unissued ordinary shares of RM0.10 each under options at the respective option prices were as follows:

| | Number of options over ordinary shares of RM0.10 each | | | | | |
|---|---|---|---|---|---|---|
| Option price: | Balance as at 1.7.2010 | Granted | Retracted* | Exercised | Balance as at 30.6.2011^ | Exercisable as at 30.6.2011 |
| RM1.01 | 10,761,000 | – | (436,480) | (7,782,600) | **2,541,920** | **2,541,920** |
| RM1.12 | 24,318,000 | – | (1,025,400) | (3,173,800) | **20,118,800** | **1,830,880** |
| RM0.88 | 9,594,060 | – | (658,200) | (1,474,300) | **7,461,560** | **423,880** |
| RM0.42 | 7,816,840 | – | (427,480) | (1,050,300) | **6,339,060** | **210,460** |
| RM0.51 | 7,000,000 | – | – | (420,000) | **6,580,000** | **280,000** |
| RM0.69 | 17,596,600 | – | (894,600) | (1,391,200) | **15,310,800** | **648,600** |
| RM1.02 | – | 32,296,000 | (1,725,000) | – | **30,571,000** | **–** |
| RM1.48 | – | 5,754,000 | (270,000) | – | **5,484,000** | **–** |
| RM2.20 | – | 46,620,000 | (224,000) | – | **46,396,000** | **–** |
| | 77,086,500 | 84,670,000 | (5,661,160) | (15,292,200) | **140,803,140** | **5,935,740** |

* Due to resignation or rejection of the options granted.

^ Exerciseable by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years.

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 12 August 2011 from having to disclose the list of option holders and the number of options granted to them pursuant to Section 169 (11) of the Companies Act, 1965 except for information on employees who were individually granted in aggregate 1,756,000 options and above.

Other than those disclosed in the Directors' interests, the following employees are granted 1,756,000 options and above:

| | Number of options over ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | Balance as at 1.7.2010 | Granted | Exercised | Balance as at 30.6.2011 |
| Loy Ah Wei | 323,400 | 1,936,000 | – | **2,259,400** |
| Mustaffa Kamal Bin Abu Bakar | 1,304,800 | 905,000 | (400,400) | **1,809,400** |
| Jamal Bin Kamaludin | 1,071,000 | 708,000 | (165,800) | **1,613,200** |
| Tan Lek Lek | 1,043,000 | 702,000 | (243,600) | **1,501,400** |
| Chong Chong Wooi | 1,218,000 | 522,000 | (386,400) | **1,353,600** |
| Ho Kam Yong | 1,258,600 | 435,000 | (460,600) | **1,233,000** |

## REPURCHASE OF OWN SHARES

At the Annual General Meeting held on 24 November 2010, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

(i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;

(ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings and share premium of the Company at the time of purchase; and

(iii) The Directors may retain the shares so repurchased as treasury shares and may resell the treasury shares and/or distribute them as share dividend and/or cancel them in a manner they deem fit in accordance with the provisions of the Companies Act, 1965 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased 4,488,300 of its own ordinary shares of RM0.10 each from the open market for a total consideration of RM5,431,252 at an average price of RM1.21 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia and none of the treasury shares held were re-sold or cancelled during the financial year.

The Company has the right to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 1,995,815,433 (2010: 1,980,523,233) issued and fully paid ordinary shares of RM0.10 each as at 30 June 2011, 22,744,971 (2010: 18,256,671) ordinary shares of RM0.10 each amounting to RM24,589,428 (2010: RM19,158,176) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.10 each in issue after deducting the treasury shares is 1,973,070,462 (2010: 1,962,266,562).

## DIRECTORS OF THE COMPANY

The Directors who held office since the date of the last report are as follows:

| | |
|---|---|
| Ngau Boon Keat | |
| Chan Yew Kai | |
| Dato' Mohamed Zakri Bin Abdul Rashid | |
| Dr. Junid Bin Abu Saham | |
| Datuk Oh Chong Peng | |
| Chew Eng Kar | |
| Kamariyah Binti Hamdan | (Appointed on 27 July 2010) |
| Zainab Binti Mohd Salleh | |
| Ja'afar Bin Rihan | (Appointed on 25 November 2010) |
| Siti Khairon Bt Shariff | (Retired on 24 November 2010) |

In accordance with Article 96 of the Company's Articles of Association, Mr Chan Yew Kai, Dr. Junid Bin Abu Saham and Mr Chew Eng Kar retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS OF THE COMPANY (CONTINUED)

In accordance with Article 101 of the Company's Articles of Association, Encik Ja'afar Bin Rihan who was appointed since the last Annual General Meeting, retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2011 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

| | -------- Number of ordinary shares of RM0.10 each -------- | | | |
|---|---|---|---|---|
| **Shares in the Company** | **Balance as at 1.7.2010/ * Date of appointment** | **Bought** | **Sold** | **Balance as at 30.6.2011** |
| Direct interests: | | | | |
| Ngau Boon Keat | 27,240,740 | 1,855,000 | – | **29,095,740** |
| Chan Yew Kai | 4,879,821 | 1,007,400 | – | **5,887,221** |
| Dato' Mohamed Zakri Bin Abdul Rashid | 1,147,288 | – | – | **1,147,288** |
| Dr. Junid Bin Abu Saham | 3,140,559 | – | – | **3,140,559** |
| Chew Eng Kar | 1,212,372 | 873,200 | (400,000) | **1,685,572** |
| Kamariyah Binti Hamdan | 736,962* | – | – | **736,962** |
| Zainab Binti Mohd Salleh | 1,245,385 | 649,800 | (310,000) | **1,585,185** |
| Indirect interests: | | | | |
| Ngau Boon Keat | 496,434,057 | 1,527,600 | – | **497,961,657** |
| Dato' Mohamed Zakri Bin Abdul Rashid | 164,276 | – | – | **164,276** |
| Dr. Junid Bin Abu Saham | 78,540 | – | – | **78,540** |
| Chew Eng Kar | 3,611,014 | – | – | **3,611,014** |
| Kamariyah Binti Hamdan | 101,959* | – | – | **101,959** |

| | --------- Number of options over ordinary shares of RM0.10 each ---------- | | | |
|---|---|---|---|---|
| **Share options in the Company** | **Balance as at 1.7.2010** | **Granted** | **Exercised** | **Balance as at 30.6.2011** |
| Direct interests: | | | | |
| Ngau Boon Keat | 11,515,000 | 9,000,000 | (1,855,000) | **18,660,000** |
| Chan Yew Kai | 7,434,000 | 3,000,000 | (757,400) | **9,676,600** |
| Chew Eng Kar | 2,865,800 | 2,005,000 | (623,200) | **4,247,600** |
| Zainab Binti Mohd Salleh | 2,002,000 | 1,851,000 | (499,800) | **3,353,200** |
| Indirect interests: | | | | |
| Ngau Boon Keat | 264,600 | 809,000 | (33,600) | **1,040,000** |

## DIRECTORS' INTERESTS (CONTINUED)

By virtue of Ngau Boon Keat's substantial interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares, options over ordinary shares and debentures of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive benefits from the significant related party transactions in the ordinary course of business as disclosed in Note 36 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS as mentioned in Note 35 to the financial statements.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(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 have satisfied themselves that no known bad debts is required to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) 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.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (CONTINUED)

(d) In the opinion of the Directors:

(i) there has not been any item, transaction or event of a material or unusual nature which has arisen and which is likely to substantially affect the results of operations of the Group and of the Company for the financial year in which this report is made except for those as disclosed in Note 42 to the financial statements; and

(ii) 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 and of the Company to meet their obligations as and when they fall due.

### (III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

## SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are disclosed in Note 42 to the financial statements.

## AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Ngau Boon Keat**
Director

**Dato' Mohamed Zakri Bin Abdul Rashid**
Director

Petaling Jaya
5 October 2011

# Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 12 to 105 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of 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 30 June 2011 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Ngau Boon Keat**
Director

**Dato' Mohamed Zakri Bin Abdul Rashid**
Director

Petaling Jaya
5 October 2011

# Statutory Declaration

I, Zainab Binti Mohd Salleh, being the Director primarily responsible for the financial management of Dialog Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 105 are, to the best of my knowledge and belief, 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 at
Petaling Jaya this 5 October 2011

Before me:

PESURUHJAYA SUMPAH
No: B 228
Nama: FARIDAH BT
SULAIMAN
MALAYSIA

No. 42C (3rd floor)
Jalan SS 22/21, Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan

# Independent Auditors' Report

to the members of Dialog Group Berhad

## Report on the Financial Statements

We have audited the financial statements of Dialog Group Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 104.

## Directors' Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

## Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

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

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

## Other Reporting Responsibilities

The supplementary information set out in Note 44 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of such 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.

## Other Matters

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

**BDO**
AF : 0206
Chartered Accountants

**Ooi Thiam Poh**
2495/01/12 (J)
Chartered Accountant

Kuala Lumpur
5 October 2011

# Statements of Financial Position

as at 30 June 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 7 | **223,718** | 153,711 | **–** | – |
| Intangible assets | 8 | **33,631** | 8,436 | **–** | – |
| Investment in subsidiaries | 9 | **–** | – | **246,753** | 149,660 |
| Investment in associates | 10 | **81,092** | 87,541 | **4** | 4 |
| Interest in jointly controlled entities | 11 | **66,870** | 55,588 | **75,169** | 68,561 |
| Other investments | 12 | **2,414** | 2,430 | **–** | – |
| Deferred tax assets | 13 | **13,887** | 8,819 | **–** | 2 |
| | | **421,612** | 316,525 | **321,926** | 218,227 |
| **Current assets** | | | | | |
| Inventories | 14 | **65,091** | 20,667 | **–** | – |
| Trade and other receivables | 15 | **299,269** | 261,169 | **29** | 10 |
| Amounts owing by subsidiaries | 17 | **–** | – | **40,666** | 98,776 |
| Amounts owing by associates | 18 | **552** | 743 | **–** | – |
| Amounts owing by jointly controlled entities | 19 | **13,259** | 28,494 | **15** | – |
| Current tax assets | | **3,258** | 5,054 | **5** | 185 |
| Cash and cash equivalents | 20 | **278,463** | 261,062 | **27,834** | 781 |
| | | **659,892** | 577,189 | **68,549** | 99,752 |
| **TOTAL ASSETS** | | **1,081,504** | 893,714 | **390,475** | 317,979 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 21 | **199,582** | 198,052 | **199,582** | 198,052 |
| Treasury shares | 21 | **(24,589)** | (19,158) | **(24,589)** | (19,158) |
| Reserves | 22 | **408,119** | 298,599 | **174,456** | 89,285 |
| | | **583,112** | 477,493 | **349,449** | 268,179 |
| Non-controlling interests | | **36,800** | 34,688 | **–** | – |
| **TOTAL EQUITY** | | **619,912** | 512,181 | **349,449** | 268,179 |

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 23 | **58,421** | 65,864 | **40,000** | 40,000 |
| Deferred tax liabilities | 13 | **3,931** | 6,134 | **–** | – |
| | | **62,352** | 71,998 | **40,000** | 40,000 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | **326,185** | 285,995 | **536** | 992 |
| Amounts owing to subsidiaries | 17 | **–** | – | **490** | 8,808 |
| Amounts owing to associates | 18 | **1,519** | 581 | **–** | – |
| Amounts owing to jointly controlled entities | 19 | **138** | 501 | **–** | – |
| Borrowings | 23 | **51,629** | 9,539 | **–** | – |
| Current tax liabilities | | **19,769** | 12,919 | **–** | – |
| | | **399,240** | 309,535 | **1,026** | 9,800 |
| **TOTAL LIABILITIES** | | **461,592** | 381,533 | **41,026** | 49,800 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,081,504** | 893,714 | **390,475** | 317,979 |

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

# Income Statements

for the financial year ended 30 June 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 28 | **1,208,378** | 1,139,146 | **131,075** | 84,800 |
| Cost of sales and services | | **(1,024,293)** | (998,389) | **–** | – |
| Gross profit | | **184,085** | 140,757 | **131,075** | 84,800 |
| Other operating income | | **12,483** | 6,210 | **4,013** | 1,754 |
| Marketing and distribution costs | | **(2,827)** | (2,050) | **–** | – |
| Administration expenses | | **(26,660)** | (22,967) | **(1,147)** | (1,206) |
| Other operating expenses | | **(2,069)** | (3,389) | **–** | (50) |
| Finance costs | | **(3,053)** | (2,182) | **(1,591)** | (1,011) |
| Share of results of jointly controlled entities | | **7,351** | 1,786 | **–** | – |
| Share of results of associates | | **31,197** | 31,849 | **–** | – |
| **Profit before tax** | 29 | **200,507** | 150,014 | **132,350** | 84,287 |
| Tax expense | 31 | **(40,382)** | (25,354) | **(4,815)** | (2,087) |
| **Profit for the financial year** | | **160,125** | 124,660 | **127,535** | 82,200 |
| **Profit for the financial year attributable to:** | | | | | |
| Owners of the parent | | **152,298** | 118,297 | **127,535** | 82,200 |
| Non-controlling interests | | **7,827** | 6,363 | **–** | – |
| | | **160,125** | 124,660 | **127,535** | 82,200 |
| Earnings per ordinary share attributable to owners of the parent: | | | | | |
| Basic earnings per ordinary share of RM0.10 each (sen) | 32 | **7.75** | 6.01 | | |
| Diluted earnings per ordinary share of RM0.10 each (sen) | 32 | **7.70** | 6.01 | | |

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

# Statements of Comprehensive Income

for the financial year ended 30 June 2011

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Profit for the financial year** | **160,125** | 124,660 | **127,535** | 82,200 |
| **Other comprehensive income:** | | | | |
| Foreign currency translations | **4,715** | (9,991) | **–** | – |
| Cash flow hedge | **(13)** | – | **–** | – |
| **Other comprehensive income for the financial year** | **4,702** | (9,991) | **–** | – |
| **Total comprehensive income for the financial year** | **164,827** | 114,669 | **127,535** | 82,200 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | **155,656** | 110,193 | **127,535** | 82,200 |
| Non-controlling interests | **9,171** | 4,476 | **–** | – |
| | **164,827** | 114,669 | **127,535** | 82,200 |

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

# Statements of Changes in Equity

for the financial year ended 30 June 2011

| GROUP | Note | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Share options reserve RM'000 | Exchange translation reserve RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | <---------- Attributable to owners of the parent | | | | | | ----------> | | |
| Balance as at 1 July 2009 | | 141,321 | (9,489) | 25,043 | 3,671 | 4,202 | 275,848 | 440,596 | 30,816 | 471,412 |
| Total comprehensive income | | – | – | – | – | (8,104) | 118,297 | 110,193 | 4,476 | 114,669 |
| **Transactions with owners** | | | | | | | | | | |
| Previous financial year:- | | | | | | | | | | |
| Special share dividend | 33 | – | 24,877 | (24,877) | – | – | – | – | – | – |
| Final dividend | 33 | – | – | – | – | – | (24,951) | (24,951) | – | (24,951) |
| Current financial year:- | | | | | | | | | | |
| Interim dividend | 33 | – | – | – | – | – | (19,241) | (19,241) | – | (19,241) |
| Share options granted under ESOS | | – | – | – | 4,165 | – | – | 4,165 | 277 | 4,442 |
| Share options exercised | 21 | 171 | – | 2,241 | (779) | – | – | 1,633 | (35) | 1,598 |
| Share issue expenses * | | – | – | (356) | – | – | – | (356) | – | (356) |
| Shares repurchased | 21 | – | (34,546) | – | – | – | – | (34,546) | – | (34,546) |
| Acquisition of subsidiaries | 9 | – | – | – | – | – | – | – | (18) | (18) |
| Dividend paid to non-controlling interest | | – | – | – | – | – | – | – | (828) | (828) |
| Bonus issue | 21 | 56,560 | – | – | – | – | (56,560) | – | – | – |
| Total transactions with owners | | 56,731 | (9,669) | (22,992) | 3,386 | – | (100,752) | (73,296) | (604) | (73,900) |
| Balance as at 30 June 2010 | | 198,052 | (19,158) | 2,051 | 7,057 | (3,902) | 293,393 | 477,493 | 34,688 | 512,181 |

* Included an amount of non-audit fees of RM30,000 paid to the auditors of the Company

| GROUP | Note | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Share options reserve RM'000 | Exchange translation reserve RM'000 | Hedging reserve RM'000 | Retained earnings RM'000 | Total attributable to owners of the parent RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <------ Attributable to owners of the parent | | | | | | | ------> | | |
| Balance as at 1 July 2010 | | 198,052 | (19,158) | 2,051 | 7,057 | (3,902) | – | 293,393 | 477,493 | 34,688 | 512,181 |
| Effects of the adoption of FRS 139 | | – | – | – | – | – | – | (27) | (27) | – | (27) |
| Restated balance as at 1 July 2010 | | 198,052 | (19,158) | 2,051 | 7,057 | (3,902) | – | 293,366 | 477,466 | 34,688 | 512,154 |
| Total comprehensive income | | – | – | – | – | 3,371 | (13) | 152,298 | 155,656 | 9,171 | 164,827 |
| **Transactions with owners** | | | | | | | | | | | |
| Previous financial year:- Final dividend | 33 | – | – | – | – | – | – | (35,398) | (35,398) | – | (35,398) |
| Current financial year:- Interim dividend | 33 | – | – | – | – | – | – | (25,643) | (25,643) | – | (25,643) |
| Share options granted under ESOS | | – | – | – | 5,679 | – | – | – | 5,679 | 260 | 5,939 |
| Share options exercised | 21 | 1,530 | – | 19,512 | (6,363) | – | – | – | 14,679 | (351) | 14,328 |
| Share issue expenses | | – | – | (60) | – | – | – | – | (60) | – | (60) |
| Shares repurchased | 21 | – | (5,431) | – | – | – | – | – | (5,431) | – | (5,431) |
| Acquisition of subsidiaries | 9 | – | – | – | – | – | – | – | – | 2,431 | 2,431 |
| Acquisition of shares from non-controlling interest | | – | – | – | – | – | – | (3,836) | (3,836) | (9,399) | (13,235) |
| Total transactions with owners | | 1,530 | (5,431) | 19,452 | (684) | – | – | (64,877) | (50,010) | (7,059) | (57,069) |
| Balance as at 30 June 2011 | | 199,582 | (24,589) | 21,503 | 6,373 | (531) | (13) | 380,787 | 583,112 | 36,800 | 619,912 |

| COMPANY | Note | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Share options reserve RM'000 | Revaluation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| Balance as at 1 July 2009 | | 141,321 | (9,489) | 25,043 | 4,076 | 34,397 | 63,745 | 259,093 |
| Total comprehensive income | | – | – | – | – | – | 82,200 | 82,200 |
| **Transactions with owners** | | | | | | | | |
| Previous financial year:- | | | | | | | | |
| Special share dividend | 33 | – | 24,877 | (24,877) | – | – | – | – |
| Final dividend | 33 | – | – | – | – | – | (24,951) | (24,951) |
| Current financial year:- | | | | | | | | |
| Interim dividend | 33 | – | – | – | – | – | (19,241) | (19,241) |
| Share options granted under ESOS | | – | – | – | 4,382 | – | – | 4,382 |
| Share options exercised | 21 | 171 | – | 2,206 | (779) | – | – | 1,598 |
| Share issue expenses * | | – | – | (356) | – | – | – | (356) |
| Shares repurchased | 21 | – | (34,546) | – | – | – | – | (34,546) |
| Bonus issue | 21 | 56,560 | – | – | – | (34,397) | (22,163) | – |
| Total transactions with owners | | 56,731 | (9,669) | (23,027) | 3,603 | (34,397) | (66,355) | (73,114) |
| Balance as at 30 June 2010 | | 198,052 | (19,158) | 2,016 | 7,679 | – | 79,590 | 268,179 |

* Included an amount of non-audit fees of RM30,000 paid to the auditors of the Company

| COMPANY | Note | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Share options reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|
| Balance as at 1 July 2010 | | **198,052** | **(19,158)** | **2,016** | **7,679** | **79,590** | **268,179** |
| Total comprehensive income | | – | – | – | – | **127,535** | **127,535** |
| **Transactions with owners** | | | | | | | |
| Previous financial year:- Final dividend | 33 | – | – | – | – | **(35,398)** | **(35,398)** |
| Current financial year:- Interim dividend | 33 | – | – | – | – | **(25,643)** | **(25,643)** |
| Share options granted under ESOS | | – | – | – | **5,939** | – | **5,939** |
| Share options exercised | 21 | **1,530** | – | **19,512** | **(6,714)** | – | **14,328** |
| Share issue expenses | | – | – | **(60)** | – | – | **(60)** |
| Shares repurchased | 21 | – | **(5,431)** | – | – | – | **(5,431)** |
| Total transactions with owners | | **1,530** | **(5,431)** | **19,452** | **(775)** | **(61,041)** | **(46,265)** |
| Balance as at 30 June 2011 | | **199,582** | **(24,589)** | **21,468** | **6,904** | **146,084** | **349,449** |

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

# Statements of Cash Flows

for the financial year ended 30 June 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | **200,507** | 150,014 | **132,350** | 84,287 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | 8 | **300** | – | **–** | – |
| Bad debt written off | | **–** | 139 | **–** | – |
| Depreciation of property, plant and equipment | 7 | **19,749** | 17,975 | **–** | – |
| Dividend income from subsidiaries | | **–** | – | **(131,075)** | (84,800) |
| Gain on disposal of property, plant and equipment | | **(940)** | (496) | **–** | – |
| Impairment losses on receivables | 15 | **44** | 3,844 | **–** | – |
| Interest expenses | | **2,813** | 2,080 | **1,590** | 1,011 |
| Interest income | | **(6,730)** | (3,106) | **(3,028)** | (1,754) |
| Impairment loss on goodwill | 8 | **–** | 905 | **–** | – |
| Property, plant and equipment written off | 7 | **2** | 566 | **–** | – |
| Reversal of impairment losses on receivables | 15 | **(3,751)** | (29) | **–** | – |
| Share options granted under ESOS | | **5,876** | 4,442 | **–** | 8 |
| Share of results of jointly controlled entities | | **(7,351)** | (1,786) | **–** | – |
| Share of results of associates | | **(31,197)** | (31,849) | – | – |
| Unrealised (gain)/loss on foreign exchange | | **(598)** | 2,486 | **(984)** | 50 |
| Operating profit/(loss) before working capital changes | | **178,724** | 145,185 | **(1,147)** | (1,198) |
| (Increase)/Decrease in inventories | | **(42,388)** | 150 | **–** | – |
| Increase in trade and other receivables | | **(482)** | (37,462) | **(19)** | (5) |
| Net decrease in amounts owing by associates | | **1,129** | 287 | **–** | – |
| Net decrease in amounts owing by jointly controlled entities | | **20,641** | 12,281 | **–** | – |
| Increase/(Decrease) in trade and other payables | | **8,079** | 75,097 | **(456)** | 674 |
| Cash generated from operations | | **165,703** | 195,538 | **(1,622)** | (529) |
| Interest received | | **6,730** | 2,349 | **555** | 71 |
| Interest paid | | **(1,590)** | (1,011) | **(1,590)** | (1,011) |
| Dividend received | | **38,550** | 27,000 | **126,766** | 82,850 |
| Tax paid | | **(42,904)** | (23,221) | **(323)** | (244) |
| Tax refund | | **1,823** | 246 | **–** | – |
| Net cash from operating activities | | **168,312** | 200,901 | **123,786** | 81,137 |

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of subsidiaries, net of cash acquired | 9 | **(58,617)** | 103 | **–** | – |
| Acquisition of shares from non-controlling interest | | **(13,235)** | (571) | **–** | – |
| Additional interest in subsidiaries | | **–** | – | **(97,272)** | (36,390) |
| Additions in intangible assets | | **–** | (677) | **–** | – |
| Incorporation of subsidiaries | | **–** | – | **(600)** | – |
| Investment in jointly controlled entities | | **(6,611)** | (37,323) | **(4,302)** | (35,640) |
| Purchase of other investments | 12 | **(15)** | (33) | **–** | – |
| Purchase of property, plant and equipment | 7 | **(59,671)** | (20,130) | **–** | – |
| Proceeds from disposal of property, plant and equipment | | **6,152** | 1,154 | **–** | – |
| Repayment from subsidiaries | | **–** | – | **50,931** | 48,331 |
| Upliftment of deposits | | **1,559** | 1,158 | **–** | – |
| Net cash used in investing activities | | **(130,438)** | (56,319) | **(51,243)** | (23,699) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Interest paid | | **(1,223)** | (1,069) | **–** | – |
| Dividend paid to non-controlling interests | | **–** | (828) | **–** | – |
| Dividend paid to owners of the Company | | **(61,041)** | (44,192) | **(61,041)** | (44,192) |
| Proceeds from shares issued | | **14,328** | 1,598 | **21,042** | 2,377 |
| Repayment of hire purchase creditors | | **(1,772)** | (1,911) | **–** | – |
| Drawdown of loan, net | | **28,122** | 25,559 | **–** | 20,000 |
| Share issue expenses paid | | **(60)** | (356) | **(60)** | (356) |
| Shares repurchased | 21 | **(5,431)** | (34,546) | **(5,431)** | (34,546) |
| Net cash used in financing activities | | **(27,077)** | (55,745) | **(45,490)** | (56,717) |
| Net increase in cash and cash equivalents | | **10,797** | 88,837 | **27,053** | 721 |
| Cash and cash equivalents at beginning of financial year | | | | | |
| As previously reported | | **258,075** | 174,568 | **781** | 60 |
| Effects of exchange rate changes on cash and cash equivalents | | **5,454** | (5,330) | **–** | – |
| As restated | | **263,529** | 169,238 | **781** | 60 |
| Cash and cash equivalents at end of financial year | 20 | **274,326** | 258,075 | **27,834** | 781 |

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

## 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.

The registered office and principal place of business of the Company is located at 109, Block G, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 October 2011.

## 2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company incorporated to manage various subsidiaries which serve a wide spectrum of the oil, gas and petrochemical industry. The principal activities of the subsidiaries, as listed in Note 9 to the financial statements, are the provision of specialist technical services and products, provision of engineering & construction, provision of plant maintenance & catalyst services, fabrication, provision of centralised tankage facilities, provision of upstream services, petroleum retailing and provision of ePayment technology & solutions. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia. However, the supplementary information set out in Note 44 to the financial statements has been 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgment in the process of applying the accounting policies. The areas involving such judgments, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are modified to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The Group has applied the revised FRS 3 *Business Combinations* in accounting for business combinations from 1 July 2010 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the Standard.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.2 Basis of consolidation (continued)

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or jointly controlled entity.

### 4.3 Business combination

Business combinations from 1 July 2010 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to the replacements by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and

(c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the service are received.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.8(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.3 Business combination (continued)

Business combinations before 1 July 2010

Under the purchase method of accounting, the cost of a business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of a business combination is allocated to the identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill (see Note 4.8(a) to the financial statements on goodwill). If the cost of the business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in the profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual rates used are as follows:

| | |
|---|---|
| Leasehold land | 11 – 99 years |
| Buildings | 15 – 50 years |
| Furniture, fittings and office equipment | 15% – 50% |
| Machinery, equipment and cabin | 15% – 20% |
| Motor vehicles | 20% |
| Renovation and electrical installation | 15% |

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.4 Property, plant and equipment and depreciation (continued)

Freehold land has unlimited useful life and is not depreciated.

Property, plant and equipment under construction represent building and plant and equipment under construction. Property, plant and equipment under construction are not depreciated until such time when the assets are available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation reserve related to those assets, if any, is transferred directly to retained earnings.

### 4.5 Leases and hire purchase

#### (a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in the profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

#### (b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.6 Construction contracts

Contract costs comprise costs related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract.

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

### 4.7 Investments

#### (a) Subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

#### (b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group's net interest in the associate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.7 Investments (continued)

#### (b) Associates (continued)

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. The Group's share of results of associates is based on the audited financial statements made up to 30 June 2011 except for Kertih Terminals Sdn. Bhd., which is based on the latest audited financial statements made up to 31 March 2011, and LMK Resources (Malaysia) Sdn. Bhd., which is based on unaudited financial statements made up to 30 June 2011. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### (c) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entities over which there is contractually agreed sharing of joint control over the economic activity of the entity. Joint control exists when strategic financial and operational decisions relating to the activity require the unanimous consent of all the parties sharing control.

In the Company's separate financial statements, an investment in jointly controlled entities is stated at cost less impairment losses, if any.

The investment in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. The investment in jointly controlled entities in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.7 Investments (continued)

#### (c) Jointly controlled entities (continued)

The interest in jointly controlled entities is the carrying amount of the investment in the jointly controlled entities under the equity method together with any long-term interest that, in substance, form part of the Group's net interest in the jointly controlled entities.

The Group's share of the profit or loss of the jointly controlled entities during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. Distributions received from the jointly controlled entities reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the jointly controlled entities arising from changes in the jointly controlled entities equity that have not been recognised in the jointly controlled entities' profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

When the Group's share of losses in the jointly controlled entities equals or exceeds its interest in the jointly controlled entities, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the jointly controlled entities are used by the Group in applying the equity method. The Group's share of results of jointly controlled entities is based on the audited financial statements made up to 30 June 2011 except for Tracerco Asia Sdn. Bhd., and Fineline Services Limited which are based on unaudited financial statements made up to 30 June 2011.

Upon disposal of an investment in jointly controlled entities, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

### 4.8 Intangible assets

#### (a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.8 Intangible assets (continued)

#### (a) Goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of the cost of investment over the Group's share of the net fair value of net assets of the associate's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate profit or loss in the period in which the investment is acquired.

#### (b) Development costs

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Capitalised development costs are amortised on a straight line basis over a period of 15 years commencing from the date they are available for use and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in the profit or loss as incurred.

#### (c) Intellectual property

Intellectual property relates to welding process and procedures acquired through business combination and is initially measured at cost. After initial recognition, welding procedures are stated at cost less any accumulated amortisation and any accumulated impairment losses.

Intellectual property is amortised on a straight line basis over a period of 10 years commencing from the date of acquisition and are assessed for any indication that the assets may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset to determine whether impairment is required in accordance with Note 4.9 below. The amortisation expense on intellectual property is recognised in profit or loss.

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.9 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries, associates and jointly controlled entities), construction contract assets, inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with FRS 8.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flows estimates have not been adjusted. An impairment loss is recognised in the profit or loss when the carrying amount of the asset or the CGU, including the allocated goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in the profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in the profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in-first-out and weighted average formula. The cost of trading inventories and construction materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition.

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.

### 4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

#### (a) Financial assets

After initial recognition, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets for the purpose of subsequent measurement.

The Group's financial assets include cash and deposits with licensed banks, loan and receivables and other investments. The financial assets of the Group are classified into the following categories:

##### (i) Loans and receivables

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.11 Financial instruments (continued)

### (a) Financial assets (continued)

#### (i) Loans and receivables (continued)

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

#### (ii) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise the Group's equity unquoted investment in another entities.

Unquoted equity investments are initially recognised at fair value plus transaction costs and subsequently measured at cost less impairment.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

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

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or market place convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

### (b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. After initial recognition, a financial liability is classified as financial liabilities at fair value through profit or loss or other financial liabilities for the purpose of subsequent measurement.

The Group's financial liabilities comprise payables and borrowings. The financial liabilities are classified as other financial liabilities.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.11 Financial instruments (continued)

#### (b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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 in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group shall assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

#### (c) Hedge accounting

***Cash flow hedge***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.11 Financial instruments (continued)

#### (d) Equity

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 classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared.

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

Following the adoption of FRS 139 during the financial year, the Group reassessed the classification and measurement of financial assets and financial liabilities as at 1 July 2010. Consequently, the Group reclassified and remeasured financial assets and financial liabilities as disclosed in Note 43 to the financial statements.

### 4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at each reporting period.

#### (a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial 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 loans and receivables are reduced through the use of an allowance account.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.12 Impairment of financial assets (continued)

#### (a) Loans and receivables (continued)

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates 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 impairment reversed is recognised in profit or loss.

#### (b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and 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. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the 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.

### 4.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are completed, after which such expenses are charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during the extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowings during the period less any investment income on the temporary investment of the borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or jointly controlled entities on distributions to the Group and the Company, and real property gains tax payable on disposal of properties.

Taxes in the statement of comprehensive income comprise current tax and deferred tax.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.14 Income taxes (continued)

#### (a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is 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 have been enacted or substantively enacted at the end of the reporting period.

#### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of the reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

### 4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise this contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

### 4.17 Employee benefits

#### 4.17.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees rendered services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.17 Employee benefits (continued)

### 4.17.2 Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

### 4.17.3 Share-based payments

The Company operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will be vested.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share options reserve until the options are exercised, upon which it will be transferred to share premium, or until the options expire, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

### 4.18 Foreign currencies

### 4.18.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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 the Company's functional and presentation currency.

### 4.18.2 Foreign currency transactions and balances

Transactions in foreign currencies are converted into the functional currency of each company in the Group at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of reporting period are translated into the respective functional currency at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss in the period. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.18 Foreign currencies (continued)

#### 4.18.3 Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

Financial statements of foreign operations are translated at financial year end exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to profit or loss. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

#### 4.18.4 Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the net investment of the Company in foreign operations, are recognised in profit or loss in the separate financial statements of the Company. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

### 4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

**(a) Construction contracts**

Profits from contracts works are recognised on a percentage of completion method. Percentage of completion is determined based on completion of physical proportion of the contract work.

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

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contracts costs are recognised as an expense in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.19 Revenue recognition (continued)

#### (b) Services

Revenue from rendering of services is recognised in profit or loss upon performance of services.

#### (c) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods has been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

#### (d) Dividend income

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

#### (e) Interest income

Interest income is recognised as it accrues, using the effective interest method.

#### (f) Rental income

Rental income is recognised on a straight-line basis over the term of an ongoing lease.

### 4.20 Earnings per share

#### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

#### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

### 4.21 Operating segments

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

## 5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs

### 5.1 New FRSs adopted during the current financial year

The Group adopted the following FRSs and their consequential amendments, Amendments to FRSs and IC Interpretations that are effective during the financial year issued by the Malaysian Accounting Standards Board ("MASB").

| FRSs/Interpretations | | Effective date |
|---|---|---|
| Amendments to FRS 1 and FRS 127 | First-time adoption of Financial Reporting Standards; and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate (*) | 1 January 2010 |
| FRS 4 | Insurance Contracts | 1 January 2010 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 101 | Presentation of Financial Statements | 1 January 2010 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (*) | 1 January 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes (**) | 1 January 2010 |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (*) | 1 January 2010 |
| Amendments to FRS 139, FRS 7 and IC Interpretation 9 | Financial Instruments: Recognition and Measurement; Financial Instrument: Disclosures; and Reassessment of Embedded Derivatives (*) | 1 January 2010 |
| Amendments to FRS 132 | Financial Instruments: Presentation (*) | 1 January 2010 |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement (*) | 1 January 2010 |
| Improvements to FRSs (2009) | Amendment to FRS 5,8,107,108,110,116,118, 119,120,123,127,128,129,131,134,136,138 & 140 (*) | 1 January 2010 |
| Amendments to FRS 132 | Financial Instruments: Presentation (*) | 1 March 2010 |
| FRS 1 | First-time Adoption of Financial Reporting Standards (*) | 1 July 2010 |
| FRS 3 | Business Combinations | 1 July 2010 |
| FRS 127 | Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 2 | Share-based Payments (*) | 1 July 2010 |
| Amendments to FRS 5 | Non-Current Assets Held for Sale and Discontinued Operations (*) | 1 July 2010 |
| Amendments to FRS 138 | Intangible Assets (*) | 1 July 2010 |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives (*) | 1 July 2010 |
| 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 |

(*) The adoption of these FRSs, Amendments to FRSs and IC Interpretations does not have any significant impact on the Group's financial statements.

(**) These IC Interpretations are not relevant to the Group.

## 5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONTINUED)

### 5.1 New FRSs adopted during the financial year (continued)

(a) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS $202_{2004}$ *General Insurance Business and FRS* $203_{2004}$ *Life Insurance Business.*

This Standard applies to all insurance contracts, including financial guarantee contracts. This Standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities. This Standard also requires the Company to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities.

Following the adoption of this Standard, the Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(b) FRS 7 *Financial Instruments: Disclosures* and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 *Financial Instruments: Disclosure and Presentation.*

This Standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for the Group's financial position and performance.

(c) FRS 101 *Presentation of Financial Statements is mandatory* for annual periods beginning on or after 1 January 2010.

FRS 101 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

This Standard introduces the titles 'statement of financial position' and 'statement of cash flows' to replace the current titles 'balance sheet' and 'cash flow statement' respectively. A new statement known as the 'statement of comprehensive income' is also introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

This Standard also introduces a new requirement to present a statement of financial position as at the beginning of the earliest comparative period if there are applications of retrospective restatements that are defined in FRS 108, or when there are reclassifications of items in the financial statements.

## 5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONTINUED)

### 5.1 New FRSs adopted during the financial year (continued)

(c) FRS 101 *Presentation of Financial Statements* is mandatory for annual periods beginning on or after 1 January 2010 (continued)

Additionally, FRS 101 requires the disclosure of reclassification adjustments and income tax relating to each component of other comprehensive income, and the presentation of dividends recognised as distributions to owners together with the related amounts per share in the statement of changes in equity or in the notes to the financial statements.

This Standard introduces a new requirement to disclose information on the objectives, policies and processes for managing capital based on information provided internally to key management personnel as defined in FRS 124 Related Party Disclosures.

Following the adoption of this Standard, the Group has reflected the new format of presentation and additional disclosures warranted in the primary financial statements and relevant notes to the financial statements.

(d) FRS 139 *Financial Instruments: Recognition and Measurement* and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

The impact upon adoption of this Standard is disclosed in Note 43 to the financial statements.

(e) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 3 and now includes business combinations involving mutual entities and those achieved by way of contract alone. Any non-controlling interest in an acquiree shall be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The time limit on the adjustment to goodwill due to the arrival of new information on the crystallisation of deferred tax benefits shall be restricted to the measurement period resulting from the arrival of the new information. Contingent liabilities acquired arising from present obligations shall be recognised, regardless of the probability of outflow of economic resources.

Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred and the services are received. Consideration transferred in a business combination, including contingent consideration, shall be measured and recognised at fair value at acquisition date. Any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss.

## 5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONTINUED)

### 5.1 New FRSs adopted during the financial year (continued)

(e) FRS 3 *Business Combinations* is mandatory for annual periods beginning on or after 1 July 2010 (continued)

In business combinations achieved in stages, the acquirer shall remeasure its previously held equity interest at its acquisition date fair value and recognise the resulting gain or loss in profit or loss.

The revised FRS 3 has been applied prospectively in accordance with its transitional provisions. Assets and liabilities that arose from business combinations whose acquisition dates were before 1 July 2010 are not adjusted.

During the financial year, the newly acquired subsidiaries were accounted for in accordance with this new Standard as disclosed in Note 9 to the financial statements.

(f) FRS 127 *Consolidated and Separate Financial Statements* is mandatory for annual periods beginning on or after 1 July 2010.

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with the new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be remeasured at its fair value at the date when control is lost.

According to its transitional provisions, the revised FRS 127 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest, and disposal of subsidiaries before 1 July 2010. These changes would only affect future transactions with non-controlling interest.

The Group has reclassified RM36,800,000 as non-controlling interests and remeasured the non-controlling interests prospectively in accordance with the transitional provisions of FRS 127.

## 5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs (CONTINUED)

### 5.2 New FRSs, Amendments to FRSs and IC Interpretations that have been issued, but not yet effective and not yet adopted

The following FRSs, Amendments to FRSs and IC Interpretations that have been issued by MASB but are not yet effective, have not been applied by the Group:

| FRSs/Interpretations | | Effective date |
|---|---|---|
| Amendment 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 Payment Transactions | 1 January 2011 |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments (#) | 1 January 2011 |
| IC Interpretation 4 | Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Interpretation 18 | Transfers of Assets from Customers | 1 January 2011 |
| Amendments to IC Interpretation 13 | Customer Loyalty Programmes (*) | 1 January 2011 |
| Improvements to FRSs (2010) | Amendments to FRS 1,3,7,101,121,128,131, 132,134,139 & IC Interpretation 13 | 1 January 2011 |
| Amendments to IC Interpretation 14 | FRS 119 – The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 July 2011 |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate (*) | 1 January 2012 |
| FRS 124 | Related Party Disclosures | 1 January 2012 |

The adoption of these FRSs, Amendments to FRSs and IC Interpretations is not expected to have any significant impact on the consolidated financial statements of the Group.

(*) These IC Interpretations are not relevant to the Group.

(#) By virtue of the exemption provided under paragraph 44G of FRS 7, the impact of applying these amendments on the financial statements upon first adoption of FRS 7 as required by paragraph 30(b) of FRS 108 is not disclosed.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 6.1 Critical judgments made in applying accounting policies

There are no critical judgments made by the Group in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

### 6.2 Key sources of estimation uncertainty

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

#### 6.2.1 Impairment of goodwill on consolidation

The Group tests goodwill for impairment annually in accordance with its accounting policy. See accounting policy Note 4.8(a) to the financial statements on impairment of goodwill.

For the purposes of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgment is required in the estimation of the present value of future cash flows generated by the cash-generating units, which involve uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of goodwill. The key assumptions used are disclosed in Note 8 to the financial statements.

#### 6.2.2 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 unused tax losses and the capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

#### 6.2.3 Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the impairment of receivables. Where the expectations differ from the original estimates, the differences will impact the carrying value of receivables.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 6.2 Key sources of estimation uncertainty (continued)

#### 6.2.4 Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 4.4 to the financial statements reflects the Group's estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

#### 6.2.5 Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgment has been used to determine the discount rate for the cash flows and the future growth of the business.

#### 6.2.6 Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

#### 6.2.7 Impairment of intangible assets

The Group reviews the carrying amounts of the intangible assets as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value-in-use is estimated. Determining the value-in-use of intangible assets requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets.

Significant judgment is required in the estimation of the present value of future cash flows generated by the intangible assets, which involve uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of intangible assets.

#### 6.2.8 Employee's share option scheme

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date at which they are granted. Judgment is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. The Group is also required to use judgment in determining the most appropriate inputs to the valuation model including volatility and dividend yield. The assumptions and model used are disclosed in Note 35 to the financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.7.2010 RM'000 | Additions RM'000 | Acquisition of subsidiaries (Note 9) RM'000 | Disposals RM'000 | Written off RM'000 | Depreciation charge for the financial year RM'000 | Exchange differences RM'000 | Reclassi-fications RM'000 | Balance as at 30.6.2011 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | |
| Freehold land | 52,540 | 410 | – | – | – | – | – | – | **52,950** |
| Leasehold land | 10,414 | 10 | – | (4,836) | – | (114) | 94 | – | **5,568** |
| Buildings | 38,057 | 3,271 | 2,931 | – | – | (1,158) | (313) | – | **42,788** |
| Furniture, fittings and office equipment | 5,941 | 2,529 | 1,945 | (67) | – | (2,779) | 27 | – | **7,596** |
| Machinery, equipment and cabin | 34,165 | 7,817 | 25,646 | (175) | – | (11,985) | 1,482 | 226 | **57,176** |
| Motor vehicles | 7,824 | 2,242 | 1,998 | (134) | – | (3,022) | 166 | – | **9,074** |
| Renovation and electrical installation | 2,779 | 729 | 1,176 | – | (2) | (691) | (18) | – | **3,973** |
| Building under construction | 723 | 10,311 | – | – | – | – | – | – | **11,034** |
| Plant and equipment under construction | 1,268 | 32,423 | – | – | – | – | 94 | (226) | **33,559** |
| | 153,711 | 59,742 | 33,696 | (5,212) | (2) | (19,749) | 1,532 | – | **223,718** |

| | ------------------- At 30.6.2011 ------------------- | | |
|---|---|---|---|
| | **Cost RM'000** | **Accumulated depreciation RM'000** | **Carrying amount RM'000** |
| Freehold land | **52,950** | **–** | **52,950** |
| Leasehold land | **7,737** | **(2,169)** | **5,568** |
| Buildings | **53,750** | **(10,962)** | **42,788** |
| Furniture, fittings and office equipment | **27,078** | **(19,482)** | **7,596** |
| Machinery, equipment and cabin | **144,322** | **(87,146)** | **57,176** |
| Motor vehicles | **30,479** | **(21,405)** | **9,074** |
| Renovation and electrical installation | **9,193** | **(5,220)** | **3,973** |
| Building under construction | **11,034** | **–** | **11,034** |
| Plant and equipment under construction | **33,559** | **–** | **33,559** |
| | **370,102** | **(146,384)** | **223,718** |

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Balance as at 1.7.2009 | Additions | Acquisition of a subsidiary (Note 9) | Disposals | Written off | Depreciation charge for the financial year | Exchange differences | Reclassi- fications | Balance as at 30.6.2010 |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Carrying amount** | | | | | | | | | |
| Freehold land | 52,134 | 406 | – | – | – | – | – | – | 52,540 |
| Leasehold land | 10,666 | – | – | – | – | (149) | (103) | – | 10,414 |
| Buildings | 38,787 | 1,717 | – | – | (206) | (1,629) | (612) | – | 38,057 |
| Furniture, fittings and office equipment | 6,363 | 2,709 | 104 | (156) | (11) | (2,971) | (194) | 97 | 5,941 |
| Machinery, equipment and cabin | 35,527 | 9,085 | – | (128) | – | (9,872) | (1,354) | 907 | 34,165 |
| Motor vehicles | 8,379 | 3,605 | – | (373) | – | (2,612) | (328) | (847) | 7,824 |
| Renovation and electrical installation | 3,365 | 576 | – | – | (349) | (742) | (79) | 8 | 2,779 |
| Building under construction | – | 723 | – | – | – | – | – | – | 723 |
| Plant and equipment under construction | 138 | 1,309 | – | – | – | – | (14) | (165) | 1,268 |
| | 155,359 | 20,130 | 104 | (657) | (566) | (17,975) | (2,684) | – | 153,711 |

| | At 30.6.2010 Cost RM'000 | Accumulated depreciation RM'000 | Carrying amount RM'000 |
|---|---|---|---|
| Freehold land | 52,540 | – | 52,540 |
| Leasehold land | 12,469 | (2,055) | 10,414 |
| Buildings | 47,656 | (9,599) | 38,057 |
| Furniture, fittings and office equipment | 21,336 | (15,395) | 5,941 |
| Machinery, equipment and cabin | 89,268 | (55,103) | 34,165 |
| Motor vehicles | 23,619 | (15,795) | 7,824 |
| Renovation and electrical installation | 6,241 | (3,462) | 2,779 |
| Building under construction | 723 | – | 723 |
| Plant and equipment under construction | 1,268 | – | 1,268 |
| | 255,120 | (101,409) | 153,711 |

## 7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The strata titles of certain buildings with a carrying amount of RM5,373,000 (2010: RM5,517,000) have yet to be issued by the relevant authority.

(b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Purchase of property, plant and equipment | **59,742** | 20,130 |
| Financed by hire purchase arrangements | **(71)** | – |
| Cash payments on purchase of property, plant and equipment | **59,671** | 20,130 |

(c) Included in property, plant and equipment of the Group are assets acquired under hire purchase arrangements with a carrying amount of RM4,251,000 (2010: RM5,316,000). Freehold land and buildings with a carrying amount of RM42,012,000 (2010: RM45,249,000) are subject to fixed and floating charges created to secure banking facilities granted to certain subsidiaries as disclosed in Note 24 to the financial statements.

(d) Additions during the financial year include:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Interest expense | **410** | 406 |

Interest is capitalised at rates ranging from 3.70% to 4.03% (2010: 3.25% to 3.46%) per annum.

(e) Leasehold land is analysed as:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Short term (unexpired period less than 50 years) | **2,207** | 2,169 |
| Long term (unexpired period more than 50 years) | **3,361** | 8,245 |
| | **5,568** | 10,414 |

## 8. INTANGIBLE ASSETS

| Group | Balance as at 1.7.2010 | Additions (Note 9) | Amortisation | Exchange differences | Balance as at 30.6.2011 |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Carrying amount** | | | | | |
| Goodwill | 5,402 | 12,939 | – | 341 | **18,682** |
| Development costs | 3,034 | – | – | – | **3,034** |
| Intellectual property | – | 11,700 | (300) | 515 | **11,915** |
| Total | 8,436 | 24,639 | (300) | 856 | **33,631** |

| Group | Balance as at 1.7.2009 | Additions | Impairment | Exchange differences | Balance as at 30.6.2010 |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Carrying amount** | | | | | |
| Goodwill | 6,293 | 684 | (905) | (670) | 5,402 |
| Development costs | 2,357 | 677 | – | – | 3,034 |
| Total | 8,650 | 1,361 | (905) | (670) | 8,436 |

(a) Goodwill has been allocated to the Group's Cash Generating Unit ("CGU") identified according to relevant operating segments based on geographical location of customers as follows:

| | Group 2011 | Group 2010 |
|---|---|---|
| | RM'000 | RM'000 |
| Malaysia | **509** | 509 |
| Asia Pacific countries | **15,162** | 1,875 |
| Other countries | **3,011** | 3,018 |
| | **18,682** | 5,402 |

For the purpose of impairment testing, the recoverable amount of a CGU is determined based on its value in use. The value in use is determined by discounting the pre-tax cash flows based on financial budgets prepared by the Group covering a five-year period based on the following key assumptions:

| | % |
|---|---|
| **Growth rate:** | |
| Malaysia | 25 |
| Asia Pacific countries | 15 |
| Other countries | 20 |
| **Pre-tax weighted average cost of capital** | 13 |

## 8. INTANGIBLE ASSETS (CONTINUED)

(a) The management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount which would cause the CGU's carrying amount to materially exceed its recoverable amount.

Based on the annual impairment testing undertaken by the Group, no impairment loss was required for the carrying amounts of the remaining goodwill assessed as at 30 June 2011 as their recoverable amounts were in excess of their carrying amounts.

(b) Development costs relate to the development of prototypes of centralised switching infrastructure undertaken by a subsidiary. No amortisation is provided during the financial year as the assets have yet to be ready for its intended commercial use.

(c) Intellectual property relates to welding process and procedures acquired through the acquisition of Fitzroy Engineering Group Limited. These are skilled sets used in fabrication business and are amortised on a straight line basis over a period of 10 years.

## 9. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| Unquoted equity shares: | | |
| – At cost | **239,911** | 141,988 |
| Equity contributions in subsidiaries in respect of ESOS | **6,842** | 7,672 |
| | **246,753** | 149,660 |

The subsidiaries are as follows:

| Name of company | Country of incorporation | Effective interest in equity 2011 | Effective interest in equity 2010 | Principal activities |
|---|---|---|---|---|
| Dialog E & C Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of engineering, procurement, construction and commissioning services. |
| Dialog Plant Services Sdn. Bhd. | Malaysia | **100%** | 100% | Plant turnaround and specialist maintenance work, provision of bolting and on site flange face machining services and tensioning equipment. |
| Saga Dialog Sdn. Bhd. | Malaysia | **100%** | 100% | Mechanical works, construction of tankage pipings and pipelines, installation of equipment, hookup and commissioning, debottlenecking. |

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| Dialog Systems Sdn. Bhd. | Malaysia | **100%** | 100% | Marketing of specialty chemicals, catalysts and absorbents, petroleum additives, drilling base oil and specialty equipment, and provision of specialist technical services. |
| Dialog E & I Sdn. Bhd. | Malaysia | **100%** | 100% | Specialised electrical and instrumentation, construction, commissioning and calibration services. |
| Dialog Fabricators Sdn. Bhd. | Malaysia | **100%** | 100% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| Pacific Advance Composites Sdn. Bhd. | Malaysia | **100%** | 100% | Manufacturing, engineering and installation of composite pipe system. |
| Dialog Petroleum Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding and petroleum retailing. |
| Dialog Corporate Sdn. Bhd. | Malaysia | **100%** | 100% | Provision of management consultancy and administration services. |
| Dialog Equity Sdn. Bhd. | Malaysia | **100%** | 100% | Investment holding. |
| *Dialog Systems (Asia) Pte. Ltd. | Singapore | **100%** | 100% | Investment holding. |
| Dialog Services Sdn. Bhd. | Malaysia | **60%** | 60% | Provision of consultancy, technical support services and marketing of specialty equipment. |
| Dialog Energy Sdn. Bhd. | Malaysia | **100%** | 100% | Project management and provision of manpower supply and services. |
| Infodasia Sdn. Bhd. | Malaysia | **100%** | 100% | Project management services and provision of information technology support and services. |
| Dialog Properties Sdn. Bhd. | Malaysia | **100%** | 100% | Property investment. |
| Dialog Pengerang Sdn. Bhd. | Malaysia | **100%** | – | Investment holding. |
| Dialog D & P Sdn. Bhd. | Malaysia | **100%** | – | Investment holding and provision of upstream support services. |
| ^Corak Merah Sdn. Bhd. | Malaysia | **100%** | 100% | Inactive. |

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| **Subsidiary of Saga Dialog Sdn. Bhd.** | | | | |
| Dialog Construction Sdn. Bhd. | Malaysia | **100%** | 100% | Construction of plant and civil engineering works. |
| **Subsidiary of Dialog Fabricators Sdn. Bhd.** | | | | |
| Dialog OTEC Sdn. Bhd. | Malaysia | **100%** | 78% | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| **Subsidiaries of Dialog Systems (Asia) Pte. Ltd.** | | | | |
| *Dialog Systems Pte. Ltd. | Singapore | **100%** | 100% | Marketing of specialty chemicals and equipment and provider of technical services. |
| *Dialog Engineering Pte. Ltd. | Singapore | **89%** | 77% | Investment holding and contracting of oil, gas and petrochemical related works. |
| *Dialog Services Pte. Ltd. | Singapore | **100%** | 100% | Provision of catalyst and process material handling services. |
| *PT. Dialog Sistemindo | Indonesia | **95%** | 95% | Provision of marketing of specialty chemicals and equipment and technical support services. |
| Dialog International (L) Ltd. | Malaysia | **51%** | 51% | Supply of specialty chemicals. |
| *Dialog Systems (Thailand) Ltd. | Thailand | **49%** | 49% | Contracting of oil, gas and petrochemical related works and trading in specialty chemicals and equipment. |
| Dialog (Labuan) Ltd. | Malaysia | **100%** | 100% | Investment holding. |
| @Dialog Services (Hong Kong) Limited | Hong Kong | **100%** | 100% | Provision of consultancy and technical support services. |
| ^^+Dialog Services Pty. Ltd. | Australia | **100%** | 71% | Marketing of specialty chemicals and equipment, and provision of catalyst and process material handling services. |
| +Dialog Petroleum Technical Services (Beijing) Limited | China | **100%** | – | Provision of technical consulting and technical services. |

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| **Subsidiaries of Dialog Systems (Asia) Pte. Ltd. (continued)** | | | | |
| +Dialog OTEC Pte. Ltd. | Singapore | **80%** | – | Investment holding. |
| +Fitzroy Engineering Group Limited | New Zealand | **90%** | – | Provision of heavy fabrication and multi-disciplined engineering. |
| **Subsidiaries of Dialog Engineering Pte. Ltd.** | | | | |
| *Dialog Plant Services Pte. Ltd. (f.k.a. Toh Teck Seng Engineering & Construction Pte. Ltd.) | Singapore | **80%** | 69% | Provision of plant maintenance services and general civil and mechanical engineering works. |
| *OTEC Holdings Pte. Ltd. | Singapore | **65%** | 57% | Investment holding. |
| **Subsidiaries of Dialog (Labuan) Ltd.** | | | | |
| @GNT International Limited | Hong Kong | **57%** | 57% | Dormant. |
| *Dialog Services Saudi Arabia Company Limited | Kingdom of Saudi Arabia | **60%** | 60% | Contracting of oil, gas and petrochemical related works and trading in specialty chemicals and equipment. |
| **Subsidiary of Dialog OTEC Pte. Ltd.** | | | | |
| ^^^*Overseas Technical Engineering and Construction Pte. Ltd. | Singapore | **80%** | 57% | General stainless steel fabrication and supply of fabricated construction material, engineering equipment and related spares. |
| **Subsidiary of Overseas Technical Engineering and Construction Pte. Ltd.** | | | | |
| Overseas Manufacturing (Johor) Sdn. Bhd. | Malaysia | **80%** | 57% | Fabrication of steel storage tanks and structures. |

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| **Subsidiary of Dialog Plant Services Sdn. Bhd.** | | | | |
| Dialog Catalyst Services Sdn. Bhd. | Malaysia | **71%** | 71% | Provision of catalyst and process material handling services. |
| **Subsidiaries of Dialog Petroleum Sdn. Bhd.** | | | | |
| Corak Dahlia Sdn. Bhd. | Malaysia | **100%** | 100% | Inactive. |
| Oriental Valley Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum retailing. |
| Senyum Bestari Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum retailing. |
| Cendana Sutera Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum retailing. |
| Idaman Tropikal Sdn. Bhd. | Malaysia | **100%** | 100% | Petroleum retailing. |
| Emas Merdu Sdn. Bhd. | Malaysia | **100%** | 100% | Inactive. |
| Dialog Mall Sdn. Bhd. | Malaysia | **100%** | 100% | Inactive. |
| Tempo Setara Sdn. Bhd. | Malaysia | **100%** | 100% | Dormant. |
| **Subsidiaries of Dialog Services Pte. Ltd.** | | | | |
| *Dialog Services Europe Limited | United Kingdom | **71%** | 71% | Investment holding. |
| +Dialog Services, Inc. | United States of America | **71%** | 71% | Provision of catalyst and process material handling services. |
| **Subsidiary of Dialog Services Europe Limited** | | | | |
| *Dialog Technivac Limited | United Kingdom | **71%** | 71% | Provision of catalyst and process material handling services. |
| **Subsidiary of Dialog E & C Sdn. Bhd.** | | | | |
| Dialog Engineering Sdn. Bhd. | Malaysia | **100%** | 100% | Inactive. |

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| **Subsidiary of Infodasia Sdn. Bhd.** | | | | |
| ePetrol Services Sdn. Bhd. | Malaysia | 60% | 60% | Designing, development and deployment of front end payment solutions, terminals, infrastructure and systems. |
| **Subsidiary of Dialog Systems (Thailand) Ltd.** | | | | |
| *Ultimate Technology & Services Co., Ltd. | Thailand | **49%** | – | Fabrication of steel structures, process skids, pressure vessels, pipe spools, platform and ladder for process plants. |
| **Subsidiary of Fitzroy Engineering Group Limited** | | | | |
| +Fitzroy Engineering Australia Pty. Ltd. | Australia | **90%** | – | Provision of heavy fabrication and multi-disciplined engineering. |
| **Subsidiary of ePetrol Services Sdn. Bhd.** | | | | |
| ePetrol Systems Sdn. Bhd. | Malaysia | **39%** | 39% | Provision of centralised interchange services. |

+ Subsidiaries not required to be audited by local authority and consolidated using management financial statements
@ Subsidiaries audited by BDO member firms
* Subsidiaries not audited by BDO Malaysia or BDO member firms
^ Previously held by Dialog Petroleum Sdn. Bhd.
^^ Previously held by Dialog Services Pte. Ltd.
^^^ Previously held by OTEC Holding Pte. Ltd.

**Acquisition of subsidiaries during the financial year ended 30 June 2011**

(i) In March 2011, the Group subscribed for 500,000 ordinary shares of RM1 each, representing 100% equity interest of Dialog Pengerang Sdn. Bhd. (“DPSB”). DPSB acquired the entire shareholdings of Pengerang Terminals Sdn. Bhd. ("PTSB") comprising 2 ordinary shares of RM1 each at par. Subsequently, the paid up capital of PTSB was increased to RM500,000 comprising of 500,000 ordinary shares.

In March 2011, PTSB acquired the entire shareholdings of Pengerang Independent Terminals Sdn. Bhd., comprising 2 ordinary shares of RM1 each at par.

In June 2011, DPSB divested 49% of its equity interests in PTSB to Vopak Terminal Pengerang BV (“Vopak”) following the signing of joint venture agreement with Vopak. PTSB is now 51% owned by DPSB and the investment is classified as an investment in jointly controlled entities.

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

**Acquisition of subsidiaries during the financial year ended 30 June 2011 (continued)**

(ii) In April 2011, the Group through its 49% owned subsidiary, acquired 19,900 ordinary shares, representing 99.5% equity interest in Ultimate Technology & Services Co., Ltd., (a company incorporated in Thailand) for a cash consideration of THB79 million (approximately RM7.9 million).

(iii) In April 2011, the Group completed its acquisition of 2,382,352 ordinary shares, representing 90% equity interest of Fitzroy Engineering Group Limited ("FEGL") (a company incorporated in New Zealand), for a cash consideration of NZD13.5 million (approximately RM32.3 million).

The fair value of the net assets acquired and cash flow arising from the acquisition are as follows:

| | **2011<br>RM'000** |
|---|---|
| Property, plant and equipment | **33,696** |
| Intangible assets | **11,700** |
| Investment in a jointly controlled entity | **3,515** |
| Inventories | **1,033** |
| Trade and other receivables | **30,684** |
| Current tax assets | **18** |
| Cash and cash equivalents | **(18,398)** |
| Trade and other payables | **(26,486)** |
| Current tax payables | **(34)** |
| Borrowings | **(5,100)** |
| Deferred tax liabilities | **(917)** |
| Total identified net assets | **29,711** |
| Non-controlling interests | **(2,431)** |
| Goodwill arising from acquisition (Note 8) | **12,939** |
| Total purchase consideration | **40,219** |
| Cash and cash equivalents on the subsidiaries acquired | **18,398** |
| Net cash outflow of the Group on acquisition | **58,617** |

If the acquisition had occurred on 1 July 2010, the Group's revenue and net profit for the financial year ended 30 June 2011 would have been RM1,336,608,000 and RM160,434,000 respectively.

**Acquisitions of subsidiaries during the financial year ended 30 June 2010**

In September 2009, ePetrol Services Sdn. Bhd., a subsidiary of the Company subscribed for 102,000 new ordinary shares of RM1.00 each at par in ePetrol Systems Sdn. Bhd. ("ePetrol Systems") for RM102,000, representing a 51% equity interest in the enlarged share capital of ePetrol Systems.

## 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the net liabilities assumed and cash flow arising from the acquisition are as follows:

| | 2010 RM'000 |
|---|---|
| Property, plant and equipment | 104 |
| Other receivables | 515 |
| Cash and bank balances | 205 |
| Trade and other payables | (854) |
| Minority interests | 18 |
| Net liabilities assumed | (12) |
| Goodwill on consolidation | 114 |
| Total purchase consideration | 102 |
| Cash and bank balances on the subsidiary acquired | (205) |
| Net cash inflow on acquisition | 103 |

The acquisitions have no material effect on the Group's financial statements for the financial year ended 30 June 2010.

## 10. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Unquoted equity shares, at cost | **14,740** | 14,740 | **4** | 4 |
| Share of post acquisition reserves, net of dividends received | **66,111** | 72,714 | **–** | – |
| Exchange difference | **241** | 87 | **–** | – |
| | **81,092** | 87,541 | **4** | 4 |

## 10. INVESTMENT IN ASSOCIATES (CONTINUED)

The associates are as follows:

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| Direct:- | | | | |
| +LMK Resources (Malaysia) Sdn. Bhd. | Malaysia | **40%** | 40% | Dormant. |
| Indirect:- | | | | |
| +Kertih Terminals Sdn. Bhd. | Malaysia | **30%** | 30% | Providing bulk chemical storage and handling services. |
| Overseas Technical Engineering & Construction Sdn. Bhd. | Malaysia | **28%** | 28% | Inactive. |
| *EC-Dialog Pte. Ltd. | Singapore | **40%** | 40% | Investment holding. |

\+ Not audited by BDO Malaysia
* Not audited by BDO Malaysia or BDO member firms

The financial statements used for equity accounting of the above associates are co-terminous with those of the Group, which is 30 June, except for Kertih Terminals Sdn. Bhd. where its annual audited financial statements ended 31 March were used.

The summarised financial information of the associates is as follows:

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | **46,761** | 49,574 |
| Non-current assets | **302,919** | 325,298 |
| Total assets | **349,680** | 374,872 |
| Current liabilities | **17,640** | 16,671 |
| Non-current liabilities | **68,443** | 75,095 |
| Total liabilities | **86,083** | 91,766 |
| **Results** | | |
| Revenue | **210,986** | 211,802 |
| Profit for the financial year | **103,763** | 106,098 |

## 11. INTEREST IN JOINTLY CONTROLLED ENTITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Unquoted equity shares, at cost | **21,828** | 18,244 | **15,982** | 15,982 |
| Advances to jointly controlled entities | **59,125** | 52,579 | **59,125** | 52,579 |
| Equity contribution in jointly controlled entities in respect of ESOS | **62** | – | **62** | – |
| Share of post acquisition reserves, net of group unrealised profit | **(14,401)** | (15,234) | **–** | – |
| Exchange difference | **256** | (1) | **–** | – |
| | **66,870** | 55,588 | **75,169** | 68,561 |

Advances to jointly controlled entities are unsecured and bear interest at rates ranging from 3.94% to 4.5% per annum (2010: 4.5%) and not repayable within the next twelve months.

The details of the jointly controlled entities are as follows:

| Name of company | Country of incorporation | Effective interest in equity 2011 | Effective interest in equity 2010 | Principal activities |
|---|---|---|---|---|
| Direct:- | | | | |
| Centralised Terminals Sdn. Bhd. ("CTSB") | Malaysia | **55%** | 55% | Investment holding company. |
| Indirect:- | | | | |
| Tracerco Asia Sdn. Bhd. | Malaysia | **50%** | 50% | Provision of patented nucleonic instruments and range of diagnostic services using radioisotope technology. |
| Pengerang Terminals Sdn. Bhd. ("PTSB") | Malaysia | **51%** | – | Investment holding company and provision of management and operational services. |
| *Fineline Services Limited | New Zealand | **45%** | – | Provision of steel related works. |
| #WD International Limited | Hong Kong | **–** | 50% | Dormant. |
| **Subsidiaries of CTSB** | | | | |
| Langsat Terminal (One) Sdn. Bhd. | Malaysia | **44%** | 44% | Provision of tank terminal storage facilities and handling services. |
| Langsat Terminal (Two) Sdn. Bhd. | Malaysia | **44%** | 44% | Provision of tank terminal storage facilities and handling services. |

## 11. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

| Name of company | Country of incorporation | Effective interest in equity 2011 | 2010 | Principal activities |
|---|---|---|---|---|
| **Subsidiary of PTSB** | | | | |
| Pengerang Independent Terminals Sdn. Bhd. | Malaysia | **46%** | – | Provision of tank terminal storage facilities and handling services. |

* Not audited by member firms of BDO
\# Deregistered during the financial year

The Group's aggregate share of the assets, liabilities, income and expense of the jointly controlled entities are as follows:

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | **24,684** | 16,974 |
| Non-current assets | **267,504** | 250,562 |
| Total assets | **292,188** | 267,536 |
| Current liabilities | **26,086** | 33,203 |
| Non-current liabilities | **239,703** | 212,927 |
| Total liabilities | **265,789** | 246,130 |
| **Results** | | |
| Revenue | **33,982** | 22,551 |
| Expenses including finance costs and tax expense | **(26,631)** | (20,765) |
| Profit for the financial year | **7,351** | 1,786 |

## 12. OTHER INVESTMENTS

| | Group 2011 RM'000 |
|---|---|
| **Non-current** | |
| Available-for-sale financials assets | |
| – Unquoted shares in Malaysia | **1,792** |
| – Unquoted shares outside Malaysia | **1,788** |
| – Club membership, unquoted | **324** |
| | **3,904** |
| Less: Impairment loss | **(1,490)** |
| | **2,414** |

| | 2010 RM'000 |
|---|---|
| **Non-current** | |
| At cost | |
| – Unquoted shares in Malaysia | 1,792 |
| – Unquoted shares outside Malaysia | 1,700 |
| – Club membership, unquoted | 349 |
| | 3,841 |
| Less: Impairment loss | (1,411) |
| | 2,430 |

The comparative figures have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS7.44AA.

Information on the fair value hierarchy is disclosed in Note 38 to the financial statements.

The movement in carrying amount is as follows:

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At beginning of financial year | **2,430** | 2,434 |
| Additional investment during the financial year | **15** | 33 |
| Exchange differences | **(31)** | (37) |
| At end of financial year | **2,414** | 2,430 |

## 12. OTHER INVESTMENTS (CONTINUED)

Included in the unquoted shares outside Malaysia is an investment amounting to RM157,000 (2010: RM170,000) representing 20% equity interest in a company incorporated in China. The investment is not considered as the Group's associate as the Group does not have significant influence, managerial involvement and board representation in the investee company.

## 13. DEFERRED TAX

### Recognised deferred tax assets and liabilities

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Deferred tax assets | **13,887** | 8,819 | **–** | 2 |
| Deferred tax liabilities | **(3,931)** | (6,134) | **–** | – |
| | **9,956** | 2,685 | **–** | 2 |

(a) The amount of the deferred tax income or expense recognised in the statement of comprehensive income during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Balance at 1 July | **2,685** | 3,559 | **2** | – |
| Acquisition of subsidiaries (Note 9) | **(917)** | – | **–** | – |
| Recognised in profit or loss (Note 31) | | | | |
| – property, plant and equipment | **(355)** | 379 | **–** | – |
| – amounts due from customers for contract works | **2,696** | (8,909) | **–** | – |
| – unabsorbed capital allowances | **25** | 317 | **–** | – |
| – unused tax losses | **556** | (312) | **–** | – |
| – accrued expenses | **4,203** | 3,380 | **–** | – |
| – unrealised profits | **1,514** | 3,524 | **–** | – |
| – other temporary differences | **(366)** | 843 | **(2)** | 2 |
| | **8,273** | (778) | **(2)** | 2 |
| Exchange differences | **(85)** | (96) | **–** | – |
| Balance at 30 June | **9,956** | 2,685 | **–** | 2 |

## 13. DEFERRED TAX (CONTINUED)

(b) The components of deferred tax assets and liabilities at the end of the reporting period comprise the tax effects of:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| **Deferred tax assets** | | | | |
| Unused tax losses | **1,811** | 1,255 | **–** | – |
| Unabsorbed capital allowances | **798** | 773 | **–** | – |
| Unrealised profits | **5,038** | 3,524 | **–** | – |
| Accrued expenses | **17,233** | 13,030 | **–** | – |
| Other deductible temporary differences | **2,659** | 3,025 | **–** | 2 |
| Deferred tax assets (before offsetting) | **27,539** | 21,607 | **–** | 2 |
| Offsetting | **(13,652)** | (12,788) | **–** | – |
| Deferred tax assets (after offsetting) | **13,887** | 8,819 | **–** | 2 |
| **Deferred tax liabilities** | | | | |
| Property, plant and equipment | **3,905** | 2,548 | **–** | – |
| Amounts due from customers for contract works | **13,678** | 16,374 | **–** | – |
| Deferred tax liabilities (before offsetting) | **17,583** | 18,922 | **–** | – |
| Offsetting | **(13,652)** | (12,788) | **–** | – |
| Deferred tax liabilities (after offsetting) | **3,931** | 6,134 | **–** | – |

**Unrecognised deferred tax assets**

The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows:

| | Group | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| Unused tax losses | **5,699** | 3,977 |
| Unabsorbed capital allowances | **181** | 162 |
| Accrued expenses | **87** | – |
| | **5,967** | 4,139 |

## 14. INVENTORIES

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **At cost** | | |
| Construction materials | **4,227** | 2,436 |
| Trading inventories | **60,864** | 18,231 |
| | **65,091** | 20,667 |

## 15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Trade receivables** | | | | |
| Third parties | **204,665** | 198,846 | **–** | – |
| Amount due from customers for contract works (Note 16) | **78,476** | 54,759 | **–** | – |
| Hedge derivative assets | **71** | – | **–** | – |
| | **283,212** | 253,605 | **–** | – |
| Less: Impairment loss | **(419)** | (4,116) | **–** | – |
| Total trade receivables | **282,793** | 249,489 | **–** | – |
| **Other receivables** | | | | |
| Other receivables | **6,629** | 4,272 | **23** | – |
| Deposits | **3,615** | 2,521 | **6** | 10 |
| Prepayments | **6,301** | 4,957 | **–** | – |
| | **16,545** | 11,750 | **29** | 10 |
| Less: Impairment loss | **(69)** | (70) | **–** | – |
| Total other receivables | **16,476** | 11,680 | **29** | 10 |
| | **299,269** | 261,169 | **29** | 10 |

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The normal credit terms of trade receivables granted by the Group range from 7 to 60 days (2010: 7 to 60 days).

(b) The foreign currency exposure of trade and other receivables of the Group is as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Euro | **51** | 196 |
| Australian Dollar | **603** | – |
| Singapore Dollar | **2,903** | – |
| Sterling Pound | **15,799** | 158 |
| United States Dollar | **25,476** | 49,889 |

(c) The ageing analysis of trade receivables of the Group is as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Neither past due nor impaired | **170,198** | 102,370 |
| Past due, not impaired: | | |
| 61 to 90 days | **20,169** | 46,265 |
| 91 to 120 days | **8,439** | 16,734 |
| More than 120 days | **5,440** | 29,361 |
| | **34,048** | 92,360 |
| Past due and impaired | **419** | 4,116 |
| | **204,665** | 198,846 |

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Based on past experience, the Group is satisfied that no impairment is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default. These trade receivables are unsecured in nature.

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) The ageing analysis of trade receivables of the Group is as follows: (continued)

Receivables that are past due and impaired

Trade receivables of the Group that are past due and individually impaired at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| Trade receivables, gross | **419** | 4,116 |
| Less: Impairment loss | **(419)** | (4,116) |
| | **–** | – |

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

(d) The reconciliation of movement in impairment loss is as follows:

| | Group | |
|---|---|---|
| | **2011 RM'000** | **2010 RM'000** |
| At 1 July 2010/2009 | **4,186** | 380 |
| Reversal of impairment loss | **(3,751)** | (29) |
| Charge for the financial year | **44** | 3,844 |
| Exchange differences | **9** | (9) |
| At 30 June 2011/2010 | **488** | 4,186 |
| Represented by: | | |
| Impairment loss on trade receivables | **419** | 4,116 |
| Impairment loss on other receivables | **69** | 70 |
| | **488** | 4,186 |

(e) Information on financial risks of trade and other receivables is disclosed in Note 39 to the financial statements.

(f) Included in trade receivables is total retention sum for contract works of RM205,000 (2010: Nil).

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Aggregate costs incurred to date | **1,158,164** | 611,866 |
| Add: Attributable profits | **190,295** | 136,881 |
| | **1,348,459** | 748,747 |
| Less: Progress billings | **(1,318,017)** | (757,082) |
| | **30,442** | (8,335) |
| Represented by: | | |
| Amounts due from customers for contract works (Note 15) | **78,476** | 54,759 |
| Amounts due to customers for contract works (Note 26) | **(48,034)** | (63,094) |
| | **30,442** | (8,335) |

Additions to aggregate costs incurred during the financial year include:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Hire of plant and machinery and motor vehicles | **6,358** | 10,815 |

## 17. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

The foreign currency exposure of amounts owing by/(to) subsidiaries of the Company are as follows:

| | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| United States Dollar – receivables | **891** | 3,110 |
| New Zealand Dollar – receivables | **20,043** | – |
| Singapore Dollar – receivables | **606** | 642 |
| Singapore Dollar – payables | **(490)** | (489) |

## 18. AMOUNTS OWING BY/(TO) ASSOCIATES

The amounts owing by/(to) associates represent trade transactions which are subject to normal credit terms.

## 19. AMOUNTS OWING BY/(TO) JOINTLY CONTROLLED ENTITIES

The amounts owing by/(to) jointly controlled entities represent normal trade transactions and payments made on behalf which are interest-free, unsecured and repayable on demand.

## 20. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Cash and bank balances | **195,971** | 60,238 | **17,754** | 81 |
| Deposits with licensed banks | **82,492** | 200,824 | **10,080** | 700 |
| As reported in the statements of financial position | **278,463** | 261,062 | **27,834** | 781 |
| Less: | | | | |
| Deposits pledged to licensed banks | **(1,428)** | (2,987) | **–** | – |
| Bank overdrafts (Note 23) | **(2,709)** | – | **–** | – |
| Cash and cash equivalents included in the statements of cash flows | **274,326** | 258,075 | **27,834** | 781 |

(a) Deposits of the Group and the Company have an average maturity period of 15 days (2010: 15 days). Bank balances are deposits held at call with banks.

(b) The foreign currency exposure of cash and cash equivalents are as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| Euro | **55** | 556 |
| Japanese Yen | **568** | 74 |
| Australian Dollar | **7** | 1,229 |
| Singapore Dollar | **1,785** | 1,282 |
| Sterling Pound | **2,477** | 1,665 |
| United States Dollar | **4,200** | 14,332 |

(c) Information on financial risks of cash and cash equivalents is disclosed in Note 39 to the financial statements.

(d) The deposits pledged to licensed banks are for bank guarantee facilities granted to certain subsidiaries.

## 21. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Number of shares ('000) | RM'000 | Number of shares ('000) | RM'000 |
| Ordinary shares of RM0.10 each: | | | | |
| Authorised | **2,500,000** | **250,000** | 2,500,000 | 250,000 |
| Issued and fully paid | | | | |
| Balance as at 1 July | **1,980,523** | **198,052** | 1,413,210 | 141,321 |
| ESOS | **15,292** | **1,530** | 1,713 | 171 |
| Bonus issue | **–** | **–** | 565,600 | 56,560 |
| Balance as at 30 June | **1,995,815** | **199,582** | 1,980,523 | 198,052 |

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM198,052,323 to RM199,581,543 by the issuance of 15,292,200 new ordinary shares of RM0.10 each pertaining to the exercise of 15,292,200 shares options under the ESOS at option prices ranging from RM0.42 to RM1.12 per share for cash.

These new ordinary shares rank pari passu in all respects with the then existing shares of the Company.

During the financial year, the Company repurchased 4,488,300 of its own ordinary shares of RM0.10 each from the open market for a total consideration of RM5,431,252 at an average price of RM1.21 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia and none of the treasury shares held were re-sold or cancelled during the financial year.

Of the total 1,995,815,433 (2010: 1,980,523,233) issued and fully paid ordinary shares of RM0.10 each as at 30 June 2011, 22,744,971 (2010: 18,256,671) ordinary shares of RM0.10 each amounting to RM24,589,428 (2010: RM19,158,176) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.10 each in issue after deducting the treasury shares is 1,973,070,462 (2010: 1,962,266,562).

## 22. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Non-distributable: | | | | |
| Exchange translation reserve | **(531)** | (3,902) | **–** | – |
| Hedging reserve | **(13)** | – | **–** | – |
| Share premium | **21,503** | 2,051 | **21,468** | 2,016 |
| Share options reserve | **6,373** | 7,057 | **6,904** | 7,679 |
| | **27,332** | 5,206 | **28,372** | 9,695 |
| Distributable: | | | | |
| Retained earnings | **380,787** | 293,393 | **146,084** | 79,590 |
| | **408,119** | 298,599 | **174,456** | 89,285 |

### (a) Exchange translation reserve

Exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

### (b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### (c) Share options reserve

The share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share option. When option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

### (d) Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has balance in the tax exempt account to distribute dividend payments up to RM13,594,000 out of its entire retained earnings. In previous financial year, the Company has elected to move to a single tier system and as a result, there are no longer any restrictions on the Company to distribute dividend payments out of its entire retained earnings as at the end of the reporting period.

## 23. BORROWINGS

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Current liabilities: | | | | |
| Bank loans (Note 24) | **47,164** | 6,636 | **–** | – |
| Bank overdrafts (Note 20) | **2,709** | – | **–** | – |
| Bankers acceptance | **–** | 1,123 | **–** | – |
| Hire purchase creditors (Note 25) | **1,756** | 1,780 | **–** | – |
| | **51,629** | 9,539 | **–** | – |
| Non-current liabilities: | | | | |
| Bank loans (Note 24) | **57,036** | 63,317 | **40,000** | 40,000 |
| Hire purchase creditors (Note 25) | **1,385** | 2,547 | **–** | – |
| | **58,421** | 65,864 | **40,000** | 40,000 |
| Total borrowings | **110,050** | 75,403 | **40,000** | 40,000 |
| Represented by: | | | | |
| Bank loans (Note 24) | **104,200** | 69,953 | **40,000** | 40,000 |
| Bank overdrafts (Note 20) | **2,709** | – | **–** | – |
| Bankers acceptance | **–** | 1,123 | **–** | – |
| Hire purchase creditors (Note 25) | **3,141** | 4,327 | **–** | – |
| | **110,050** | 75,403 | **40,000** | 40,000 |

## 24. BANK LOANS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Secured** | | | | |
| Term loan I | **–** | 298 | **–** | – |
| Term loan II | **9,450** | 11,025 | **–** | – |
| Term loan III | **4,982** | 6,715 | **–** | – |
| Term loan IV | **1,575** | 2,115 | **–** | – |
| Term loan V | **7,400** | 9,800 | **–** | – |
| | **23,407** | 29,953 | **–** | – |
| **Unsecured** | | | | |
| Short-term loans | **40,793** | – | **–** | – |
| Revolving credit | **40,000** | 40,000 | **40,000** | 40,000 |
| | **80,793** | 40,000 | **40,000** | 40,000 |
| | **104,200** | 69,953 | **40,000** | 40,000 |
| Represented by: | | | | |
| Current liabilities: | | | | |
| **Secured** | | | | |
| Term loan I | **–** | 298 | **–** | – |
| Term loan II | **1,575** | 1,575 | **–** | – |
| Term loan III | **1,856** | 1,823 | **–** | – |
| Term loan IV | **540** | 540 | **–** | – |
| Term loan V | **2,400** | 2,400 | **–** | – |
| | **6,371** | 6,636 | **–** | – |
| **Unsecured** | | | | |
| Short-term loans | **40,793** | – | **–** | – |
| | **47,164** | 6,636 | **–** | – |

## 24. BANK LOANS (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Non-current liabilities: | | | | |
| **Secured** | | | | |
| Term loan II | **7,875** | 9,450 | **–** | – |
| Term loan III | **3,126** | 4,892 | **–** | – |
| Term loan IV | **1,035** | 1,575 | **–** | – |
| Term loan V | **5,000** | 7,400 | **–** | – |
| | **17,036** | 23,317 | **–** | – |
| **Unsecured** | | | | |
| Revolving credit | **40,000** | 40,000 | **40,000** | 40,000 |
| | **57,036** | 63,317 | **40,000** | 40,000 |

(a) Term loan I was secured by a property of an indirect subsidiary and guaranteed by its immediate holding company. The loan was fully settled during the financial year.

(b) Term loan II is secured by a property of a subsidiary and guaranteed by the Company. The term loan is repayable by 32 equal quarterly principal instalments of RM393,750 commencing September 2009.

(c) Term loan III is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly instalments commencing December 2008.

(d) Term loan IV is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly instalments commencing June 2009.

(e) Term loan V is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly equal instalments of RM200,000 commencing July 2009.

(f) The revolving credit is unsecured and repayable by September 2014.

(g) The short-term loans are unsecured and repayable within six months.

(h) Information on financial risks of bank loans is disclosed in Note 39 to the financial statements.

## 25. HIRE PURCHASE CREDITORS

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Minimum hire purchase payments: | | |
| – not later than one year | **1,864** | 1,982 |
| – later than one year and not later than five years | **1,711** | 2,904 |
| Total minimum hire purchase | **3,575** | 4,886 |
| Less: Future interest charges | **(434)** | (559) |
| Present value of hire purchase liabilities | **3,141** | 4,327 |
| Repayable as follows: | | |
| Current: | | |
| – not later than one year | **1,756** | 1,780 |
| Non-current: | | |
| – later than one year and not later than five years | **1,385** | 2,547 |
| | **3,141** | 4,327 |

Information on financial risks of hire purchase creditors is disclosed in Note 39 to the financial statements.

## 26. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Trade payables** | | | | |
| Third parties | **202,473** | 176,259 | **–** | – |
| Amount due to customers for contract works (Note 16) | **48,034** | 63,094 | **–** | – |
| Hedge derivative liabilities | **57** | – | **–** | – |
| | **250,564** | 239,353 | **–** | – |
| **Other payables** | | | | |
| Other payables | **4,282** | 3,489 | **–** | 527 |
| Accruals | **71,339** | 43,153 | **536** | 465 |
| | **75,621** | 46,642 | **536** | 992 |
| | **326,185** | 285,995 | **536** | 992 |

## 26. TRADE AND OTHER PAYABLES (CONTINUED)

(a) The credit terms of trade payables range from 7 to 60 days (2010: 7 to 60 days).

(b) The foreign currency exposure of trade and other payables of the Group is as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Euro | **2** | 735 |
| Ringgit Malaysia | **1,047** | 839 |
| Singapore Dollar | **376** | 226 |
| Sterling Pound | **5,942** | 610 |
| United States Dollar | **4,573** | 34,987 |

## 27. COMMITMENTS

### (a) Operating lease commitments

#### (i) The Group as lessee

The Group had entered into non-cancellable lease agreements for certain premises, land and equipment for terms between one and twenty years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at the end of the reporting period as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Not later than one year | **13,470** | 10,550 |
| Later than one year and not later than five years | **7,182** | 10,144 |
| Later than five years | **7,395** | 8,615 |
| | **28,047** | 29,309 |

#### (ii) The Group as lessor

The Group has entered into non-cancellable lease arrangements on certain properties for terms of between two and three years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent and a percentage of net product sales exceeding certain amounts.

## 27. COMMITMENTS (CONTINUED)

### (a) Operating lease commitments (continued)

#### (ii) The Group as lessor (continued)

The Group has aggregate future minimum lease receivable as at the end of the reporting period as follows:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Not later than one year | **184** | 410 |
| Later than one year and not later than five years | **157** | 79 |
| | **341** | 489 |

### (b) Capital commitments

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| (i) Capital expenditure in respect of purchase of property, plant and equipment: | | |
| Approved but not contracted for | **143,865** | 50,955 |
| Contracted but not provided | **67,468** | 817 |
| | **211,333** | 51,772 |
| (ii) Capital commitments of the Group to jointly control entities in respect of tank terminal business: | | |
| Approved but not contracted for | **308,308** | 26,700 |
| (iii) Capital commitment in respect of investment in a sub-subsidiary | **3,000** | – |

## 28. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Contract revenue | **676,509** | 587,104 | **–** | – |
| Sale of products and services rendered | **531,869** | 552,042 | **–** | – |
| Dividend income from subsidiaries | **–** | – | **131,075** | 84,800 |
| | **1,208,378** | 1,139,146 | **131,075** | 84,800 |

## 29. PROFIT BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Profit before tax is arrived at after charging: | | | | |
| Amortisation of intangible assets (Note 8) | **300** | – | **–** | – |
| Auditors' remuneration: | | | | |
| – Statutory: | | | | |
| – current year | **450** | 427 | **54** | 54 |
| – under/(over) provision in prior years | **20** | (7) | **(16)** | (16) |
| – Non-statutory | **4** | 4 | **4** | 4 |
| Bad debts written off | **–** | 139 | **–** | – |
| Contract expenditure | **609,617** | 526,861 | **–** | – |
| Cost of inventories recognised as an expense | **287,280** | 303,851 | **–** | – |
| Depreciation of property, plant and equipment (Note 7) | **19,749** | 17,975 | **–** | – |
| Directors' remuneration (Note 30) | **25,272** | 21,435 | **450** | 359 |
| Impairment losses on receivables (Note 15) | **44** | 3,844 | **–** | – |
| Interest on: | | | | |
| – bank loans | **2,325** | 1,835 | **1,590** | 1,011 |
| – bank overdrafts | **236** | – | **–** | – |
| – hire purchase | **252** | 245 | **–** | – |
| Property, plant and equipment written off (Note 7) | **2** | 566 | **–** | – |
| Impairment loss on goodwill (Note 8) | **–** | 905 | **–** | – |
| Rental of | | | | |
| – equipment | **341** | 115 | **–** | – |
| – premises | **7,582** | 7,253 | **–** | – |
| – storage tanks | **4,868** | 5,518 | **–** | – |
| Unrealised loss on foreign exchange | **–** | 2,486 | **–** | 50 |
| Profit before tax is arrived at after crediting: | | | | |
| Dividend income from | | | | |
| – subsidiaries (Note 28) | | | | |
| – gross dividend | **–** | – | **17,235** | 7,800 |
| – single tier dividend | **–** | – | **113,840** | 77,000 |
| Gain on disposal of property, plant and equipment | **940** | 496 | **–** | – |
| Reversal of impairment loss on receivables (Note 15) | **3,751** | 29 | **–** | – |
| Rental income | **1,412** | 831 | **–** | – |
| Realised gain on foreign exchange | **371** | 1,401 | **–** | – |
| Unrealised gain on foreign exchange | **598** | – | **984** | – |
| Interest income from: | | | | |
| – deposits with banks | **4,444** | 2,349 | **555** | 71 |
| – others | **2,286** | 757 | **2,473** | 1,683 |

## 30. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Directors of the Company: | | | | |
| Executive: | | | | |
| Other emoluments | **10,396** | 8,808 | **–** | – |
| Share options granted under ESOS | **1,016** | 982 | **–** | – |
| Non-Executive: | | | | |
| Fees | **390** | 295 | **390** | 295 |
| Other emoluments | **60** | 112 | **60** | 64 |
| | **11,862** | 10,197 | **450** | 359 |
| Directors of the subsidiaries: | | | | |
| Executive: | | | | |
| Other emoluments | **12,472** | 10,297 | **–** | – |
| Share options granted under ESOS | **722** | 725 | **–** | – |
| Non-Executive: | | | | |
| Other emoluments | **216** | 216 | **–** | – |
| | **13,410** | 11,238 | **–** | – |
| Total | **25,272** | 21,435 | **450** | 359 |

The estimated monetary value of benefits-in-kind provided to the Executive Directors and Non-Executive Directors of the Company is RM172,000 (2010: RM297,000) and RM64,000 (2010: RM41,000) respectively.

The estimated monetary value of benefits-in-kind provided to the Executive Directors of the subsidiaries is RM328,000 (2010: RM363,000).

The remuneration paid and payable to the Directors of the Company for the financial year, analysed into bands of RM50,000 are as follows:

| | Number of Directors | |
|---|---|---|
| | **Executive** | **Non-Executive** |
| RM50,001 – RM100,000 | – | 3 |
| RM100,001 – RM150,000 | – | 2 |
| RM1,300,001 – RM1,350,000 | 1 | – |
| RM2,100,001 – RM2,150,000 | 1 | – |
| RM3,150,001 – RM3,200,000 | 1 | – |
| RM4,950,001 – RM5,000,000 | 1 | – |
| | 4 | 5 |

## 31. TAX EXPENSE

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Current tax expense based on profit for the financial year: | | | | |
| Malaysian income tax | **34,695** | 17,561 | **4,644** | 1,972 |
| Foreign income tax | **11,127** | 7,092 | **–** | – |
| | **45,822** | 24,653 | **4,644** | 1,972 |
| Under/(Over) provision in prior years | **2,833** | (77) | **169** | 117 |
| | **48,655** | 24,576 | **4,813** | 2,089 |
| Deferred tax (Note 13) | | | | |
| Current year | **(5,608)** | 2,883 | **2** | (2) |
| Over provision in prior years | **(2,665)** | (2,105) | **–** | – |
| | **(8,273)** | 778 | **2** | (2) |
| Tax expense for the financial year | **40,382** | 25,354 | **4,815** | 2,087 |
| Share of tax of the associates | **11,187** | 11,130 | **–** | – |
| Share of tax of the jointly controlled entities | **267** | 722 | **–** | – |
| Total tax expense | **51,836** | 37,206 | **4,815** | 2,087 |

Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the fiscal year.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Profit for the financial year | **160,125** | 124,660 | **127,535** | 82,200 |
| Add: Total tax expense | **51,836** | 37,206 | **4,815** | 2,087 |
| Profit excluding tax | **211,961** | 161,866 | **132,350** | 84,287 |

## 31. TAX EXPENSE (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **%** | % | **%** | % |
| Applicable tax rate | **25.0** | 25.0 | **25.0** | 25.0 |
| Tax effect in respect of: | | | | |
| Non-allowable expenses | **1.6** | 1.1 | **0.2** | 0.1 |
| Tax exempt income | **–** | (0.2) | **(21.7)** | (22.8) |
| Lower tax rates in foreign jurisdiction | **(2.0)** | (1.7) | **–** | – |
| Deferred tax assets not recognised in loss making subsidiaries | **0.2** | 0.2 | **–** | – |
| Utilisation of previously unrecognised deferred tax assets | **–** | (0.1) | **–** | – |
| Effect of different effective tax rate of the associates and jointly controlled entities | **(0.4)** | -* | **–** | – |
| | **24.4** | 24.3 | **3.5** | 2.3 |
| Under/(Over) provision in prior years | | | | |
| – current tax | **1.3** | -* | **0.1** | 0.2 |
| – deferred tax | **(1.2)** | (1.3) | **–** | – |
| Average effective tax rate | **24.5** | 23.0 | **3.6** | 2.5 |

* Percentage immaterial to disclose.

## 32. EARNINGS PER ORDINARY SHARE

### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the net profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| Profit for the financial year attributable to ordinary equity holders of the parent (RM'000) | **152,298** | 118,297 |
| Weighted average number of ordinary shares in issue ('000) | **1,965,272** | 1,967,564 |
| | **2011** | **2010** |
| Basic earnings per ordinary share (sen) | **7.75** | 6.01 |

## 32. EARNINGS PER ORDINARY SHARE (CONTINUED)

### (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between share price and exercise price.

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| Profit for the financial year attributable to equity holders of the parent (RM'000) | **152,298** | 118,297 |
| Weighted average number of ordinary shares in issue ('000) | **1,965,272** | 1,967,564 |
| Effect of dilution due to ESOS | **12,837** | 1,958 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000) | **1,978,109** | 1,969,522 |

| | **2011** | **2010** |
|---|---|---|
| Diluted earnings per ordinary share (sen) | **7.70** | 6.01 |

## 33. DIVIDENDS

| | Group and Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Dividend per share Sen | Amount of dividend RM'000 | Dividend per share Sen | Amount of dividend RM'000 |
| Interim dividend paid, net of tax | **–** | **–** | 0.98 | 19,241 |
| Interim single tier dividend paid | **1.30** | **25,643** | – | – |
| Final single tier dividend proposed/paid | **1.80** | **35,524** | 1.80 | 35,398 |
| | **3.10** | **61,167** | 2.78 | 54,639 |

The dividend per share is based on ordinary share of RM0.10 each.

A final single tier dividend in respect of the current financial year of 18% per ordinary share of RM0.10 each, amounting to RM35,524,000 has been proposed by the Directors, subject to the shareholder's approval at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year ended 30 June 2011 do not reflect this proposed final dividend. The proposed final dividend, if approved by the shareholders, shall be accounted for as an appropriation of retained earnings, in the financial year ending 30 June 2012.

## 34. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Salaries, wages, bonuses and allowances | **116,894** | 94,227 | **150** | 180 |
| Directors' emoluments | **22,868** | 19,105 | **–** | – |
| Defined contribution plan | **8,687** | 7,519 | **18** | 22 |
| Share options granted under ESOS | | | | |
| – Directors | **1,738** | 1,707 | **–** | – |
| – Other employees | **4,201** | 2,736 | **(7)** | 7 |
| Other employee benefits | **11,250** | 9,442 | **17** | 13 |
| | **165,638** | 134,736 | **178** | 222 |

## 35. EMPLOYEE'S SHARE OPTION SCHEME

The Company implements an ESOS which is in force for a period of ten years until 29 July 2017 ("the option period"). The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;

(b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;

(c) The option price for a new share under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;

(d) The actual number of shares which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:

  (i) not more than 50% of the shares available under the ESOS should be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and

  (ii) not more than 10% of the shares available under the ESOS should be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more in the issued and paid-up share capital of the Company;

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years;

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and

(g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

## 35. EMPLOYEE'S SHARE OPTION SCHEME (CONTINUED)

The details of the options over ordinary shares of the Company are as follows:

| | ------------------ Number of options over ordinary shares of RM0.10 each ------------------ | | | | | |
|---|---|---|---|---|---|---|
| | **Balance as at 1.7.2010** | **Granted** | **Retracted*** | **Exercised** | **Balance as at 30.6.2011^** | **Exercisable as at 30.6.2011** |
| **Option price:** | | | | | | |
| RM1.01 | 10,761,000 | – | (436,480) | (7,782,600) | **2,541,920** | **2,541,920** |
| RM1.12 | 24,318,000 | – | (1,025,400) | (3,173,800) | **20,118,800** | **1,830,880** |
| RM0.88 | 9,594,060 | – | (658,200) | (1,474,300) | **7,461,560** | **423,880** |
| RM0.42 | 7,816,840 | – | (427,480) | (1,050,300) | **6,339,060** | **210,460** |
| RM0.51 | 7,000,000 | – | – | (420,000) | **6,580,000** | **280,000** |
| RM0.69 | 17,596,600 | – | (894,600) | (1,391,200) | **15,310,800** | **648,600** |
| RM1.02 | – | 32,296,000 | (1,725,000) | – | **30,571,000** | **–** |
| RM1.48 | – | 5,754,000 | (270,000) | – | **5,484,000** | **–** |
| RM2.20 | – | 46,620,000 | (224,000) | – | **46,396,000** | **–** |
| | 77,086,500 | 84,670,000 | (5,661,160) | (15,292,200) | **140,803,140** | **5,935,740** |

* Due to resignation or rejection of the options granted.

^ Exerciseable by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years.

Share option exercised during the financial year resulted in the issuance of 15,292,200 (2010: 1,712,860) ordinary shares at an average price of RM0.94 (2010: RM0.93). The related weighted average ordinary share price at the date of exercise was RM1.92 (2010: RM1.19).

The fair value of share options granted during the financial year was estimated by the Group using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions used are as follows:

| | **2011** | **2010** |
|---|---|---|
| Expected life (years) | **6–10** | 7–10 |
| Average share price at grant date (RM) | **0.66–2.44** | 0.66–1.74 |
| Exercise price (RM) | **0.42–2.20** | 0.42–1.12 |
| Fair value of share options (RM) | **0.25–0.78** | 0.27–0.71 |
| Risk free rate of interest (%) | **3.10–4.25** | 3.10–4.25 |
| Expected dividend yield (%) | **1.55–4.78** | 1.55–4.78 |
| Expected volatility (%) | **24.68–45.72** | 24.68–44.26 |

## 36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;

(ii) Associates as disclosed in Note 10 to the financial statements;

(iii) Jointly controlled entities as disclosed in Note 11 to the financial statements;

(iv) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Group;

(v) ePetrol Holding Sdn. Bhd. (“ePetrol Holding”) and its subsidiaries, ePetrol Services Sdn. Bhd. (“ePetrol Services”) and ePetrol Systems Sdn. Bhd. (“ePetrol Systems”) (collectively referred to as the “ePetrol Group”) whereby a director cum substantial shareholder of the Company is also a director and/or substantial shareholder in ePetrol Group;

(vi) Overseas Technical Engineering and Construction Pte. Ltd. (“OTEC”), Dialog Plant Services Pte. Ltd. (“DPSPL”) and Dialog OTEC Sdn. Bhd. (“DOSB”) (collectively referred to as the “DEPL Group”) whereby certain directors of subsidiaries have directorship and/or substantial interest in DEPL Group. In June 2011, OTEC and DOSB are no longer related parties by virtue of certain directors and/or substantial shareholders ceased to have interest in DEPL Group; and

(vii) Dialog Catalyst Services Sdn. Bhd. (“DCSSB”), Dialog Technivac Limited (“DTL”) and Catalyst Handling Research & Engineering Limited (“CHREL”) (collectively referred to as the “Catalyst Group”) whereby a subsidiary director holds substantial indirect shareholdings and directorships in DCSSB, DTL and CHREL.

## 36. RELATED PARTY DISCLOSURES (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

| | 2011<br>RM'000 | 2010<br>RM'000 |
|---|---|---|
| Transactions with associates: | | |
| Dividends income | **37,800** | 27,000 |
| Subcontract works received | **900** | 2,407 |
| Transactions with jointly controlled entities: | | |
| Commission received | **526** | 194 |
| Dividend income | **957** | – |
| Expenses recovered | **–** | 11 |
| Interest receivable | **2,322** | 757 |
| Rental of premises received | **29** | 29 |
| Retainer fees received | **716** | – |
| Services rendered | **123** | 125 |
| Subcontract works received | **109,065** | 94,489 |
| Purchases and services | **(1,231)** | (679) |
| Transactions with ePetrol Group: | | |
| Provision of IT system and related services by ePetrol Services | **3,988** | 2,480 |
| Provision of centralised interchange and other related services to ePetrol Services | **849** | – |
| Supply of Petrolkad system to ePetrol Services | **–** | 430 |
| Transactions with DEPL Group: | | |
| Provision of subcontract works by OTEC | **236** | 487 |
| Provision of management services to OTEC | **1,799** | 1,552 |
| Provision of subcontract works by DPSPL | **2,474** | 8,297 |
| Provision of management services to DPSPL | **2,409** | 2,838 |
| Provision of subcontract works by DOSB | **–** | 39 |
| Transactions with Catalyst Group: | | |
| Provision of subcontract works by DCSSB | **997** | 589 |
| Provision of intellectual property right by CHREL | **579** | 563 |
| Provision of subcontract works by DTL | **93** | – |

The related party transactions described above were carried out on negotiated terms and conditions and in the ordinary course of business.

## 36. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

The key management personnel comprise all Directors and their remuneration during the financial year are disclosed in Note 30 to the financial statements.

Executive Directors of the Group have been granted the following number of options under the ESOS:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **'000** | **'000** |
| Balance as at 1 July | **35,392** | 22,329 |
| As at date of appointment as Director | **326** | 590 |
| Adjustment for the offer of bonus issue | **–** | 11,300 |
| Granted | **26,637** | 6,175 |
| Resigned | **(1,026)** | (4,189) |
| Exercised | **(6,295)** | (813) |
| Balance as at 30 June | **55,034** | 35,392 |

The terms and conditions of the share options are detailed in Note 35 to the financial statements.

(d) Material contracts

There were no material contracts which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interest subsisting at the end of the financial year ended 30 June 2011 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

## 37. OPERATING SEGMENTS

The Group is principally involved in providing integrated technical services to the oil, gas and petrochemical industry in Malaysia and other areas of the world. Its operating segments are presented based on the geographical location of its customers. The performance of each segment is measured based on profit before tax, interest and depreciation as included in the internal management report reviewed by chief operating decision maker.

| 2011 | Malaysia RM'000 | Singapore RM'000 | Asia Pacific countries RM'000 | Other countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Segment profit/(loss)** | **153,063** | **19,410** | **28,718** | **(684)** | **200,507** |
| Included in the measure of segment profit are: | | | | | |
| Revenue from external customers | **598,760** | **202,160** | **385,444** | **22,014** | **1,208,378** |
| Inter-segment revenue | **5,018** | **37,154** | **–** | **–** | **42,172** |
| Depreciation and amortisation | **6,471** | **8,528** | **4,283** | **767** | **20,049** |
| Interest expenses | **2,260** | **221** | **300** | **32** | **2,813** |
| Reversal for impairment loss on receivable | **3,751** | **–** | **–** | **–** | **3,751** |
| Interest income | **6,561** | **120** | **44** | **5** | **6,730** |
| Share of profits in jointly controlled entities and associates | **38,283** | **96** | **169** | **–** | **38,548** |
| **Segment assets** | **581,308** | **254,630** | **216,031** | **15,648** | **1,067,617** |
| Deferred tax assets | | | | | **13,887** |
| **Total assets** | | | | | **1,081,504** |
| Included in measure of segment assets are: | | | | | |
| Investment in associates | **78,055** | **3,037** | **–** | **–** | **81,092** |
| Investment in jointly controlled entities | **62,929** | **–** | **3,941** | **–** | **66,870** |
| Addition to property, plant and equipment | **17,349** | **2,251** | **39,108** | **1,034** | **59,742** |
| **Segment liabilities** | **222,773** | **64,259** | **151,148** | **19,481** | **457,661** |
| Deferred tax liabilities | | | | | **3,931** |
| **Total liabilities** | | | | | **461,592** |

## 37. OPERATING SEGMENTS (CONTINUED)

| 2010 | Malaysia RM'000 | Singapore RM'000 | Asia Pacific countries RM'000 | Other countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Segment profit/(loss)** | 120,236 | 17,955 | 14,934 | (3,111) | 150,014 |
| Included in the measure of segment profit are: | | | | | |
| Revenue from external customers | 634,335 | 220,070 | 270,531 | 14,210 | 1,139,146 |
| Inter-segment revenue | 1,212 | 30,865 | – | – | 32,077 |
| Depreciation | 6,596 | 8,072 | 2,572 | 735 | 17,975 |
| Interest expenses | 1,649 | 297 | 124 | 10 | 2,080 |
| Interest income | 2,963 | 98 | 45 | – | 3,106 |
| Impairment of receivables | 3,844 | – | – | – | 3,844 |
| Impairment loss of goodwill | 905 | – | – | – | 905 |
| Share of profits in jointly controlled entities and associates | 33,607 | 28 | – | – | 33,635 |
| **Segment assets** | 597,052 | 215,199 | 60,759 | 11,885 | 884,895 |
| Deferred tax assets | | | | | 8,819 |
| Total assets | | | | | 893,714 |
| Included in the measure of segment assets are: | | | | | |
| Investment in associates | 85,018 | 2,523 | – | – | 87,541 |
| Interest in jointly controlled entities | 55,418 | – | 170 | – | 55,588 |
| Addition to property, plant and equipment | 6,747 | 5,539 | 7,409 | 435 | 20,130 |
| Addition to intangible assets | 1,361 | – | – | – | 1,361 |
| **Segment liabilities** | 246,837 | 65,464 | 45,858 | 17,240 | 375,399 |
| Deferred tax liabilities | | | | | 6,134 |
| Total liabilities | | | | | 381,533 |

Inter-segment revenue are carried out at arm's length.

## 38. FINANCIAL INSTRUMENTS

### (a) Capital management

The primary objective of the Group's capital management is to maintain a strong capital base, good credit rating and healthy capital ratios to support its businesses and maximise its shareholders value.

To manage the capital structure, the Group uses various methods including issuance of new shares, share buy back, distribution of cash and share dividend payments to shareholders and debt financing. The Group has a dividend policy of a dividend payout ratio of at least 40% of profit attributable to owners of the parent for each financial year. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2011 and 30 June 2010.

The Group monitors capital utilisation on the basis of debt-to-equity ratio. The debt-to-equity ratios at 30 June 2011 and 30 June 2010 are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Borrowings | 23 | **110,050** | 75,403 | **40,000** | 40,000 |
| Less: Cash and bank balances | 20 | **(278,463)** | (261,062) | **(27,834)** | (781) |
| Net (cash)/debt | | **(168,413)** | (185,659) | **12,166** | 39,219 |
| Total equity | | **583,112** | 477,493 | **349,449** | 268,179 |
| Debt-to-equity ratio | | **–** | – | **0.03** | 0.15 |

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

## 38. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial instruments

Certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

#### (i) Categories of financial instruments

| Group 2011 | Loans and receivables RM'000 | Available for sale RM'000 | Total RM'000 |
|---|---|---|---|
| **Financial assets:** | | | |
| Other investments | – | 2,414 | 2,414 |
| Trade and other receivables | 214,421 | 71 | 214,492 |
| Amount owing by associates | 552 | – | 552 |
| Amount owing by jointly controlled entities | 13,259 | – | 13,259 |
| Cash and cash equivalents | 278,463 | – | 278,463 |
| | 506,695 | 2,485 | 509,180 |

| | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|
| **Financial liabilities:** | | |
| Borrowings | 110,050 | 110,050 |
| Amount owing to associates | 1,519 | 1,519 |
| Amount owing to jointly controlled entities | 138 | 138 |
| Trade and other payables | 278,151 | 278,151 |
| | 389,858 | 389,858 |

| Company 2011 | Loans and receivables RM'000 | Total RM'000 |
|---|---|---|
| **Financial assets:** | | |
| Trade and other receivables | 29 | 29 |
| Amount owing by subsidiaries | 40,666 | 40,666 |
| Amount owing by jointly controlled entities | 15 | 15 |
| Cash and cash equivalents | 27,834 | 27,834 |
| | 68,544 | 68,544 |

## 38. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial instruments (continued)

#### (i) Categories of financial instruments (continued)

| Company 2011 | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|
| **Financial liabilities:** | | |
| Borrowings | **40,000** | **40,000** |
| Amount owing to subsidiaries | **490** | **490** |
| Trade and other payables | **536** | **536** |
| | **41,026** | **41,026** |

#### (ii) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair value and whose carrying amounts approximate their fair values are as follows:

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| Group | Note | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Recognised** | | | | | |
| **Financial assets:** | | | | | |
| Other investments | | | | | |
| – unquoted shares | 12 | **2,090** | **2,090** | 2,081 | 2,081 |
| – club memberships | 12 | **324** | **324** | 349 | 349 |
| **Financial liabilities:** | | | | | |
| Hire purchase liabilities | 25 | **3,141** | **3,141** | 4,327 | 4,327 |
| **Group** | | | | | |
| **Unrecognised** | | | | | |
| – Letter of undertaking issued to a jointly controlled entity | 40 | **–** | **94** | – | 187 |
| **Company** | | | | | |
| **Unrecognised** | | | | | |
| Contingent liabilities | | | | | |
| – Corporate guarantee issued to licensed banks and third parties for certain subsidiaries | 40 | **–** | **1,360** | – | 1,555 |
| – Letter of undertaking issued to a jointly controlled entity | 40 | **–** | **94** | – | 187 |

## 38. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

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

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and short-term borrowings are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

II. Unquoted shares and club memberships

It was not practicable to estimate the fair value of the Group's investment in unquoted shares and club memberships due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

III. Hire purchase liabilities

The carrying amount of hire purchase liabilities are reasonable approximation of fair value due to the current rates offered to the Group approximate the market rates for similar borrowing of the same remaining maturities.

IV. Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

### (d) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 38. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Fair value hierarchy (continued)

As at 30 June 2011, the Group and the Company held the following financial instruments carried at fair value on the statement of financial position:

**Assets measured at fair value**

| Group | Note | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|---|
| Available-for-sale financial assets | | | | | |
| – Unquoted shares and club membership | 12 | **2,414** | **–** | **–** | **2,414** |
| – Hedge derivative assets | 15 | **71** | **–** | **71** | **–** |
| Other financial liabilities | | | | | |
| – Hedge derivative liabilities | 26 | **57** | **–** | **57** | **–** |

During the financial year ended 30 June 2011, there were no transfers between Level 1 and Level 3 fair value measurement.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise its shareholders value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity risk. Information on the management of the related exposures are detailed below.

### (i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's policy is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost. The Group also attempts to limit its exposure for all committed transactions by entering into foreign currency forward contracts. As such, the fluctuations in foreign currencies are not expected to have significant financial impact to the Group.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (i) Foreign currency risk (continued)

The unexpired foreign currency forward contracts which have been entered by the Group for its trade and other receivables and trade payables as at end of the reporting period are as follows:

| **At 30 June 2011** | **Contractual amount in Foreign Currency (FC'000)** | **Equivalent amount in Ringgit Malaysia (RM'000)** | **Average contractual rate FC/RM** | **Expiry date** |
|---|---|---|---|---|
| Singapore Dollar | **651** | **1,574** | **2.42** | **15.12.2011 to 08.02.2012** |
| Sterling Pound | **436** | **2,157** | **4.95** | **26.08.2011 to 03.11.2011** |
| United States Dollar | **918** | **2,848** | **3.10** | **05.07.2011 to 30.12.2011** |

| **At 30 June 2011** | **Contractual amount in Foreign Currency (FC'000)** | **Equivalent amount in Thai Baht (THB'000)** | **Average contractual rate FC/THB** | **Expiry date** |
|---|---|---|---|---|
| Euro | **105** | **4,620** | **44.20** | **28.12.2011** |

| **At 30 June 2010** | **Contractual amount in Foreign Currency (FC'000)** | **Equivalent amount in Ringgit Malaysia (RM'000)** | **Average contractual rate FC/RM** | **Expiry date** |
|---|---|---|---|---|
| United States Dollar | 2,126 | 7,101 | 3.34 | 17.08.2010 to 04.02.2011 |

| **At 30 June 2010** | **Contractual amount in Foreign Currency (FC'000)** | **Equivalent amount in Thai Baht (THB'000)** | **Average contractual rate FC/THB** | **Expiry date** |
|---|---|---|---|---|
| Euro | 174 | 7,101 | 40.90 | 30.09.2010 |
| Sterling Pound | 496 | 23,629 | 47.67 | 29.12.2010 |

| **At 30 June 2010** | **Contractual amount in Foreign Currency (FC'000)** | **Equivalent amount in Singapore Dollar (SGD'000)** | **Average contractual rate FC/SGD** | **Expiry date** |
|---|---|---|---|---|
| United States Dollar | 100 | 141 | 1.41 | 30.07.2010 |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (ii) Interest rate risk

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

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings and fixed deposits placed with licensed banks. The Group does not use derivative financial instruments to hedge its risk.

Sensitivity analysis for interest rate risk

The Group's net exposure to interest rate risk is kept at a minimum level and hence any fluctuation in the interest rates will not have any significant impact to the financial statements.

The following tables set out the carrying amounts, the average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| Group | Note | Average effective interest rate per annum % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 3 years RM'000 | 3 – 4 years RM'000 | 4 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 30 June 2011** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Deposits with licensed banks | 20 | **1.72** | **82,492** | **–** | **–** | **–** | **–** | **–** | **82,492** |
| **Financial liabilities** | | | | | | | | | |
| Bank overdraft | 20 | **6.00** | **2,709** | **–** | **–** | **–** | **–** | **–** | **2,709** |
| Hire purchase creditors | 25 | **4.13** | **1,756** | **1,327** | **58** | **–** | **–** | **–** | **3,141** |
| Bank loans | 24 | **3.22** | **47,164** | **6,371** | **5,740** | **41,775** | **1,575** | **1,575** | **104,200** |
| **At 30 June 2010** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Deposits with licensed banks | 20 | 1.90 | 200,824 | – | – | – | – | – | 200,824 |
| **Financial liabilities** | | | | | | | | | |
| Hire purchase creditors | 25 | 5.16 | 1,780 | 1,387 | 1,122 | 38 | – | – | 4,327 |
| Bankers acceptance | 23 | 1.35 | 1,123 | – | – | – | – | – | 1,123 |
| Bank loans | 24 | 2.94 – 4.75 | 6,636 | 46,338 | 6,338 | 5,716 | 1,775 | 3,150 | 69,953 |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (ii) Interest rate risk (continued)

| Company | Note | Average effective interest rate per annum % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 3 years RM'000 | 3 – 4 years RM'000 | 4 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 30 June 2011** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Deposits with licensed banks | 20 | **3.20** | **10,080** | **–** | **–** | **–** | **–** | **–** | **10,080** |
| **Financial liabilities** | | | | | | | | | |
| Bank loans | 24 | **4.32** | **–** | **–** | **–** | **40,000** | **–** | **–** | **40,000** |
| **At 30 June 2010** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Deposits with licensed banks | 20 | 2.42 | 700 | – | – | – | – | – | 700 |
| **Financial liabilities** | | | | | | | | | |
| Bank loans | 24 | 3.47 | – | 40,000 | – | – | – | – | 40,000 |

### (iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the Group's policy.

Exposure to credit risk

At the end of the reporting period, 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.

Information regarding credit enhancement for trade and other receivables is disclosed in Note 15 to the financial statements.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 15 to the financial statements. Deposits with banks and other financial institutions, that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 to the financial statements.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (iv) Liquidity and cash flows risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities:-

| 30 June 2011 | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | **278,151** | **–** | **–** | **278,151** |
| Amounts owing to associates | **1,519** | **–** | **–** | **1,519** |
| Amounts owing to jointly controlled entities | **138** | **–** | **–** | **138** |
| Bank overdrafts | **2,709** | **–** | **–** | **2,709** |
| Hire purchase creditors | **1,756** | **1,385** | **–** | **3,141** |
| Bank loans | **50,151** | **60,010** | **1,636** | **111,797** |
| Total undiscounted financial liabilities | **334,424** | **61,395** | **1,636** | **397,455** |
| **Company** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | **536** | **–** | **–** | **536** |
| Amounts owing to subsidiaries | **490** | **–** | **–** | **490** |
| Bank loans | **1,746** | **43,942** | **–** | **45,688** |
| Total undiscounted financial liabilities | **2,772** | **43,942** | **–** | **46,714** |

## 40. CONTINGENT LIABILITIES – UNSECURED

The Company provides corporate guarantees up to a total amount of RM491,223,000 (2010: RM348,289,000) to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amounts of banking facilities utilised by these subsidiaries totaling RM106,078,000 as at 30 June 2011 (2010: RM93,721,000).

The Company has also given corporate guarantees amounting to RM52,610,000 (2010: RM40,340,000) to third parties for supply of goods and warehouse licenses to certain subsidiaries. Consequently, the Company is contingently liable for the amounts owing by these subsidiaries to the third parties totaling RM32,686,345 as at 30 June 2011 (2010: RM20,093,000).

In addition, the Company also provides a Letter of Undertaking to a jointly controlled entity for the provision of cash flow deficiency support up to RM37,400,000 (2010: RM37,400,000) for banking facilities secured by a subsidiary company of this jointly controlled entity.

## 41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

i) In March 2011, the Group subscribed for 500,000 ordinary shares of RM1 each, representing 100% equity interest of Dialog Pengerang Sdn. Bhd. (“DPSB”). DPSB acquired the entire shareholdings of Pengerang Terminals Sdn. Bhd. ("PTSB") comprising 2 ordinary shares of RM1 each at par. Subsequently, the paid up capital of PTSB was increased to RM500,000 comprising of 500,000 ordinary shares.

In March 2011, PTSB acquired the entire shareholdings of Pengerang Independent Terminals Sdn. Bhd., comprising 2 ordinary shares of RM1 each at par.

In June 2011, DPSB divested 49% of its equity interests in PTSB to Vopak Terminal Pengerang BV (“Vopak”) following the signing of joint venture agreement with Vopak. PTSB is now 51% owned by DPSB and the investment is classified as an investment in jointly controlled entities.

ii) In April 2011, the Group through its 49% owned company, Dialog Systems (Thailand) Ltd., acquired 19,900 ordinary shares, representing 99.5% equity interest in Ultimate Technology & Services Co., Ltd., (incorporated in Thailand) for a cash consideration of THB79,000,000 (approximately RM7,900,000).

iii) In April 2011, the Group completed its acquisition of 2,382,352 ordinary shares, representing 90% equity interest of Fitzroy Engineering Group Ltd. (incorporated in New Zealand), for a cash consideration of NZD13,500,000 (approximately RM32,300,000).

iv) In June 2011, the Group carried out an internal reorganisation exercise whereby it subscribed 4,969,852 ordinary shares, representing an 80% equity interest of Dialog OTEC Pte. Ltd. The effective interests in the following subsidiaries after the internal reorganisation exercise are as follows:

| | | Effective interest before reorganisation % | Effective interest after reorganisation % |
|---|---|---|---|
| a) | Dialog Engineering Pte. Ltd. | 77 | 89 |
| b) | OTEC Holdings Pte. Ltd. | 57 | 65 |
| c) | Overseas Technical Engineering and Construction Pte. Ltd. | 57 | 80 |
| d) | Dialog OTEC Sdn. Bhd. | 78 | 100 |
| e) | Dialog Services Pty. Ltd. | 71 | 100 |
| f) | Dialog Plant Services Pte. Ltd. | 69 | 80 |
| g) | Overseas Manufacturing (Johor) Sdn. Bhd. | 57 | 80 |

## 42. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

i) In July 2011, the Group's 51% owned jointly controlled entity, PTSB, entered into a shareholders' agreement with the State Secretary, Johor (Incorporated) ("SSI") to invest in Pengerang Independent Terminals Sdn. Bhd. ("PITSB") to undertake the first phase portion of the design, and development of an independent deepwater petroleum terminal at Pengerang, Johor. PTSB will hold 90% equity stake in PITSB and the balance 10% equity stake will be held by SSI.

ii) In July 2011, the Group incorporated a wholly-owned subsidiary, Dialog Atlas Global Sdn. Bhd. for its investment in upstream oil and gas activities with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each.

iii) In July 2011, the Group has proposed to acquire a 51% equity interest in Anewa Engineering Private Limited ("Anewa"), India, for Rs117,145,050 (equivalent to RM7,884,377). The proposed acquisition has been completed in September 2011.

iv) In August 2011, a wholly owned subsidiary, Dialog D & P Sdn. Bhd. ("Dialog D & P"), together with Roc Oil Malaysia (Holdings) Sdn. Bhd. ("Roc Oil") and PETRONAS Carigali Sdn. Bhd. ("PCSB"), has signed a Small Field Risk Service Contract ("SFRSC") with Petroliam Nasional Berhad ("PETRONAS").

In September 2011, Dialog D & P entered into a shareholders' agreement with Roc Oil and PCSB to invest in BC Petroleum Sdn. Bhd. ("BCP"). The participating interests in BCP are Dialog D & P 32%, Roc Oil 48% and PCSB 20%.

BCP will be the operator of the SFRSC for the development and production of petroleum from Balai Cluster Fields, located offshore in Bintulu, Sarawak.

v) In August 2011, the Company proposed to undertake the following:-

(a) a renounceable rights issue of up to 398,736,680 new ordinary shares of RM0.10 each in the Company ("Rights Shares") together with up to 199,368,340 free detachable warrants ("Warrants") at a price to be determined later on the basis of two Rights Shares together with one free Warrant for every ten existing ordinary shares of RM0.10 each ("Shares") held in the Company at an entitlement date to be determined later, based on a minimum subscription level of 280,000,000 Rights Shares together with 140,000,000 free Warrants ("Proposed Rights Issue with Warrants"); and

(b) increase in the authorised share capital of the Company from RM250,000,000 comprising 2,500,000,000 Shares to RM500,000,000 comprising 5,000,000,000 Shares and in consequence thereof, the Company's Memorandum of Association be amended accordingly.

In October 2011, Bursa Malaysia Securities Berhad has approved the Company's listing application in respect of the Proposed Rights Issue with Warrants subject to compliance with certain conditions. Bank Negara Malaysia has also approved the issuance of Warrants under the Proposed Rights Issue with Warrants to non-resident shareholders of the Company. The Proposed Rights Issue with Warrants is now pending approval from shareholders of the Company at forthcoming extraordinary general meeting.

The proceeds from the Proposed Rights Issue with Warrants will be used for investment in upstream oil and gas activities, tank terminal businesses as well as working capital.

## 43. OPENING STATEMENT OF FINANCIAL POSITION

The opening statement of financial position of the Group as at 1 July 2010, primarily reflect the effects arising from the adoption of FRS 139 as follows:

| Group | As previously reported RM'000 | Effects on adoption of FRS 139 RM'000 | As restated RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 153,711 | – | 153,711 |
| Intangible assets | 8,436 | – | 8,436 |
| Investment in associates | 87,541 | – | 87,541 |
| Interest in jointly controlled entities | 55,588 | – | 55,588 |
| Other investments | 2,430 | – | 2,430 |
| Deferred tax assets | 8,819 | – | 8,819 |
| | 316,525 | – | 316,525 |
| **Current assets** | | | |
| Inventories | 20,667 | – | 20,667 |
| Trade and other receivables | 261,169 | 206 | 261,375 |
| Amounts owing by associates | 743 | – | 743 |
| Amounts owing by jointly controlled entities | 28,494 | – | 28,494 |
| Current tax assets | 5,054 | – | 5,054 |
| Cash and cash equivalents | 261,062 | – | 261,062 |
| | 577,189 | 206 | 577,395 |
| **TOTAL ASSETS** | 893,714 | 206 | 893,920 |

## 43. OPENING STATEMENT OF FINANCIAL POSITION (CONTINUED)

The opening statement of financial position of the Group as at 1 July 2010, primarily reflect the effects arising from the adoption of FRS 139 as follows (continued):

| | As previously reported RM'000 | Effects on adoption of FRS 139 RM'000 | As restated RM'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 198,052 | – | 198,052 |
| Reserves | 298,599 | (27) | 298,572 |
| Treasury shares | (19,158) | – | (19,158) |
| | 477,493 | (27) | 477,466 |
| Non-controlling interests | 34,688 | – | 34,688 |
| **TOTAL EQUITY** | 512,181 | (27) | 512,154 |
| **Non-current liabilities** | | | |
| Borrowings | 65,864 | – | 65,864 |
| Deferred tax liabilities | 6,134 | – | 6,134 |
| | 71,998 | – | 71,998 |
| **Current liabilities** | | | |
| Trade and other payables | 285,995 | 233 | 286,228 |
| Amounts owing to associates | 581 | – | 581 |
| Amounts owing to jointly controlled entities | 501 | – | 501 |
| Borrowings | 9,539 | – | 9,539 |
| Current tax payable | 12,919 | – | 12,919 |
| | 309,535 | 233 | 309,768 |
| **TOTAL LIABILITIES** | 381,533 | 233 | 381,766 |
| **TOTAL EQUITY AND LIABILITIES** | 893,714 | 206 | 893,920 |

## 44. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| – Realised | 400,528 | 145,150 |
| – Unrealised | 297 | 934 |
| | 400,825 | 146,084 |
| Total share of retained earnings from associates: | | |
| – Realised | 86,631 | – |
| – Unrealised | (20,520) | – |
| Total share of retained earnings from jointly controlled entities: | | |
| – Realised | 7,472 | – |
| – Unrealised | (680) | – |
| **Total before consolidation adjustments** | | |
| – Realised | 494,631 | 145,150 |
| – Unrealised | (20,903) | 934 |
| | 473,728 | 146,084 |
| Less: Consolidation adjustments | (92,941) | – |
| Total retained earnings | 380,787 | 146,084 |

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