ADVANCE SYNERGY BERHAD
(1225 - D)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2011

Company No. 1225 - D

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and the provision of full corporate and financial support to its subsidiaries. The principal activities of the subsidiaries are stated in Note 8 to the financial statements.

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

RESULTS

	Group	Company
	RM'000	RM'000
Net profit for the financial year	6,890	9,054
Attributable to:		
Owners of the parent	4,227	9,054
Non-controlling interests	2,663	-
	6,890	9,054

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final gross dividend of 0.50 sen per share less 25% tax in respect of the financial year ended 31 December 2011 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

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 to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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 to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 29 to the financial statements.

In the opinion of the Directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year ended 31 December 2011, a total of 31,413,000 2% 10-Year Irredeemable Convertible Unsecured Loan Stocks at 100% of the nominal value of RM0.15 each ("ICULS") were converted into 15,706,500 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two (2) ICULS for every one (1) new ordinary share of RM0.30 each in the Company.

In addition, a total of 525,000 new ordinary shares of RM0.30 each were issued consequential to a conversion by surrendering for cancellation one (1) ICULS of nominal value of RM0.15 and cash payment of RM0.15 for one (1) new ordinary share of RM0.30 each in the Company.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

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

Dato' Ahmad Sebi Bakar
Lee Su Nie
Dato' Abdul Murad Bin Khalid
Datin Masri Khaw Binti Abdullah
Chim Wai Khuan
Yong Teck Ming

REMUNERATION COMMITTEE

The Remuneration Committee reviews and recommends to the Board of Directors, the Company's remuneration policy for Executive Directors to ensure that they are appropriately rewarded for their contribution to the Group.

The members of the Remuneration Committee during the financial year ended 31 December 2011 are as follows:

- Dato' Abdul Murad Bin Khalid (Chairman, Independent Non-Executive Director)
- Chim Wai Khuan (Member, Independent Non-Executive Director)
- Datin Masri Khaw Binti Abdullah (Member, Non-Independent Non-Executive Director)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those Directors who held office at the end of the financial year in the securities of Advance Synergy Berhad ("ASB") and shares of its related corporations during the financial year ended 31 December 2011 are as follows:

	Number of ASB Ordinary Shares of RM0.30 each			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Direct Interest				
Dato' Ahmad Sebi Bakar #	15,203,509	-	-	15,203,509
Chim Wai Khuan	100,000	-	(100,000)	-
Indirect Interest				
Dato' Ahmad Sebi Bakar #	*1 95,057,609	-	-	*1 95,057,609
Datin Masri Khaw Binti Abdullah	5,000,000	-	-	5,000,000
Lee Su Nie	*2 365,000	-	-	*2 365,000
Chim Wai Khuan	-	*3 100,000	*3 (100,000)	-

DIRECTORS' INTERESTS (Continued)

	Number of ordinary shares			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Subsidiary company				
Unified Communications Holdings Limited				
Deemed Interest				
Lee Su Nie	200,000	-	-	200,000

	Number of ASB ICULS			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Direct Interest				
Dato' Ahmad Sebi Bakar	123,212,999	-	-	123,212,999
Yong Teck Ming	500,000	-	(500,000)	-
Indirect Interest				
Dato' Ahmad Sebi Bakar	*4 149,602,489	-	-	*4 149,602,489
Datin Masri Khaw Binti Abdullah	12,240,000	-	-	12,240,000

By virtue of his interest in ASB, Dato' Ahmad Sebi Bakar is also deemed to be interested in the shares of all investee companies (including subsidiaries) to the extent that ASB has an interest.

*1 This includes his son's interest in 6,000,000 ordinary shares of ASB which shall be treated as his interest in the ordinary shares of ASB pursuant to Section 134(12)(c) of the Companies Act, 1965.

*2 This is her spouse's interest in the ordinary shares of ASB which shall be treated as her interest in the ordinary shares of ASB pursuant to Section 134(12)(c) of the Companies Act, 1965.

*3 This is his daughter's interest in the ordinary shares of ASB which shall be treated as his interest in the ordinary shares of ASB pursuant to Section 134(12)(c) of the Companies Act, 1965.

*4 This includes his son's interest in 48,934,000 ICULS of ASB which shall be treated as his interest in the ICULS of ASB pursuant to Section 134(12)(c) of the Companies Act, 1965.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in the securities of the Company and shares of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors shown 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, except as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of ordinary shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 37 to the financial statements.

SIGNIFICANT SUBSEQUENT EVENTS

Details of the significant subsequent events are disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

....
DATO' AHMAD SEBI BAKAR
Director

....
YONG TECK MING
Director

Selangor Darul Ehsan

24 April 2012

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		Group		Company	
		31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2010**
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	190,541	202,182	45	44
Investment property	5	8,870	-	-	-
Intangible assets	6	77,389	75,591	-	-
Investment in subsidiaries	8	-	-	473,748	484,398
Investment in associates	9	22,675	30,759	-	-
Investment securities	11	31,866	32,673	4,900	4,900
Trade and other receivables	12	2,574	6,400	-	-
Deferred tax assets	13	3,141	2,870	1,113	1,304
Total non-current assets		337,056	350,475	479,806	490,646
Current assets					
Property development costs	14	29,854	24,552	-	-
Inventories	15	25,599	32,950	-	-
Trade and other receivables	12	57,131	54,002	98,102	98,156
Tax recoverable		2,770	2,721	2,491	2,400
Investment securities	11	928	919	-	-
Cash and bank balances and short term deposits	16	191,686	110,670	5,196	668
Total current assets		307,968	225,814	105,789	101,224
Non-current assets classified as held for sale	17	8,038	114,955	-	-
TOTAL ASSETS		653,062	691,244	585,595	591,870

ADVANCE SYNERGY BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

		Group		Company	
		31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2010**
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	151,318	146,448	151,318	146,448
Share premium		117,317	117,317	117,317	117,317
Other reserves	19	6,510	7,355	69	69
Retained earnings/ (Accumulated losses)	19	74,643	70,416	(12,705)	(21,759)
ICULS - equity component	20	111,162	115,340	111,162	115,340
Shareholders' funds		460,950	456,876	367,161	357,415
Non-controlling interests		31,777	29,670	-	-
Total equity		492,727	486,546	367,161	357,415
Non-current liabilities					
Borrowings	21	75,940	81,469	-	-
Deferred tax liabilities	13	2,620	2,748	-	-
Provision for retirement benefit obligations	22	876	747	-	-
ICULS - liability component	20	12,278	14,391	12,278	14,391
Total non-current liabilities		91,714	99,355	12,278	14,391
Current liabilities					
Trade and other payables	23	59,454	68,187	206,156	190,064
Borrowings	21	7,995	36,168	-	30,000
Tax payable		1,172	988	-	-
Total current liabilities		68,621	105,343	206,156	220,064
Total liabilities		160,335	204,698	218,434	234,455
TOTAL EQUITY AND LIABILITIES		653,062	691,244	585,595	591,870

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

ADVANCE SYNERGY BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	24	222,285	221,852	40,126	3,751
Cost of sales		(138,547)	(135,155)	-	-
Gross profit		83,738	86,697	40,126	3,751
Other operating income		25,041	36,680	-	31,022
Distribution costs		(9,697)	(10,241)	-	-
Administrative expenses		(54,990)	(48,877)	(4,642)	(2,859)
Other operating expenses		(33,802)	(61,410)	(11,710)	(28,051)
Operating profit	25	10,290	2,849	23,774	3,863
Finance costs	26	(8,216)	(8,051)	(5,473)	(2,074)
Share of results of associates		6,835	12,633	-	-
Profit before tax		8,909	7,431	18,301	1,789
Income tax expense	27	(2,019)	(964)	(9,247)	(246)
Profit for the financial year		6,890	6,467	9,054	1,543
Other comprehensive income/(expenses) for the financial year, net of tax:					
Foreign currency translation differences for foreign operations		(3,878)	(11,184)	-	-
Realisation of revaluation and foreign exchange reserve		4,908	(4,583)	-	-
Realisation of available-for-sale reserves		(1,139)	-	-	-
Fair value of available-for-sale financial assets		(807)	1,929	-	-
Share of other comprehensive income of associates, net of tax		12	987	-	-
		(904)	(12,851)	-	-
Total comprehensive income for the financial year		5,986	(6,384)	9,054	1,543

ADVANCE SYNERGY BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the parent		4,227	3,327	9,054	1,543
Non-controlling interests		2,663	3,140	-	-
		6,890	6,467	9,054	1,543
Total comprehensive income/(loss) attributable to:					
Owners of the parent		3,382	(9,051)	9,054	1,543
Non-controlling interests		2,604	2,667	-	-
		5,986	(6,384)	9,054	1,543
Earnings per ordinary share attributable to owners of the parent (sen)					
-Basic	28	0.85	0.70		
-Diluted	28	0.59	0.50		

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

ADVANCE SYNERGY BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the parent									
	Non-Distributable						Distributable			
Group	**Share Capital** RM'000	**ICULS- Equity Component** RM'000	**Share Premium** RM'000	**Revaluation Reserve** RM'000	**Exchange Translation Reserve** RM'000	**Available For-Sale Reserve** RM'000	**Retained Earnings** RM'000	**Total** RM'000	**Non-Controlling Interests** RM'000	**Total Equity** RM'000
At 1 January 2011	146,448	115,340	117,317	12,767	(9,476)	4,064	70,416	456,876	29,670	486,546
Net profit for the financial year	-	-	-	-	-	-	4,227	4,227	2,663	6,890
Fair value of available-for-sale financial assets	-	-	-	-	-	(807)	-	(807)	-	(807)
Realisation of available-for-sale reserve	-	-	-	-	-	(1,139)	-	(1,139)	-	(1,139)
Share of other comprehensive income of associates, net of tax	-	-	-	-	-	12	-	12	-	12
Realisation of foreign exchange reserve	-	-	-	-	4,908	-	-	4,908	-	4,908
Foreign currency translation differences for foreign operations	-	-	-	2	(3,821)	-	-	(3,819)	(59)	(3,878)
Total comprehensive income/(loss) for the year	-	-	-	2	1,087	(1,934)	4,227	3,382	2,604	5,986
Transactions with owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	4,791	(4,178)	-	-	-	-	-	613	-	613
Issue of new ordinary shares	79	-	-	-	-	-	-	79	-	79
Total transactions with owners	4,870	(4,178)	-	-	-	-	-	692	-	692
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(497)	(497)
At 31 December 2011	151,318	111,162	117,317	12,769	(8,389)	2,130	74,643	460,950	31,777	492,727

ADVANCE SYNERGY BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the parent									
	Non-Distributable						Distributable			
Group	**Share Capital** RM'000	**ICULS-Equity Component** RM'000	**Share Premium** RM'000	**Revaluation Reserve** RM'000	**Exchange Translation Reserve** RM'000	**Available For-Sale Reserve** RM'000	**Retained Earnings** RM'000	**Total** RM'000	**Non-Controlling Interests** RM'000	**Total Equity** RM'000
At 1 January 2010										
- as previously stated	142,014	119,208	117,317	12,591	5,862	-	67,054	464,046	27,422	491,468
- effect of adopting FRS 139	-	-	-	-	-	1,280	35	1,315	-	1,315
At 1 January 2010, restated	142,014	119,208	117,317	12,591	5,862	1,280	67,089	465,361	27,422	492,783
Net profit for the financial year	-	-	-	-	-	-	3,327	3,327	3,140	6,467
Fair value of available-for-sale financial assets	-	-	-	-	-	1,929	-	1,929	-	1,929
Share of other comprehensive income of associates, net of tax	-	-	-	-	132	855	-	987	-	987
Realisation of revaluation and foreign exchange reserve	-	-	-	-	(4,583)	-	-	(4,583)	-	(4,583)
Foreign currency translation differences for foreign operations	-	-	-	176	(10,887)	-	-	(10,711)	(473)	(11,184)
Total comprehensive income/(loss) for the year	-	-	-	176	(15,338)	2,784	3,327	(9,051)	2,667	(6,384)
Transactions with owners:										
Issue of new ordinary shares pursuant to the conversion of ICULS	4,434	(3,868)	-	-	-	-	-	566	-	566
Total transactions with owners	4,434	(3,868)	-	-	-	-	-	566	-	566
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(419)	(419)
At 31 December 2010	146,448	115,340	117,317	12,767	(9,476)	4,064	70,416	456,876	29,670	486,546

ADVANCE SYNERGY BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

	Attributable to owners of the Company					
	Non-Distributable				Distributable	
Company	**Share Capital** RM'000	**ICULS-Equity Component** RM'000	**Share Premium** RM'000	**Capital Reserve** RM'000	**Accumulated Losses** RM'000	**Total** RM'000
At 1 January 2010	142,014	119,208	117,317	69	(23,302)	355,306
Total comprehensive income for the financial year	-	-	-	-	1,543	1,543
Transactions with owners:						
Issue of new ordinary shares pursuant to the conversion of ICULS	4,434	(3,868)	-	-	-	566
Total transactions with owners	4,434	(3,868)	-	-	-	566
At 31 December 2010	146,448	115,340	117,317	69	(21,759)	357,415
Total comprehensive income for the financial year	-	-	-	-	9,054	9,054
Transactions with owners:						
Issue of new ordinary shares pursuant to the conversion of ICULS	4,791	(4,178)	-	-	-	613
Issue of new ordinary shares	79	-	-	-	-	79
Total transactions with owners	4,870	(4,178)	-	-	-	692
At 31 December 2011	151,318	111,162	117,317	69	(12,705)	367,161

The accompanying notes form an integral part of these financial statements

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before tax	8,909	7,431	18,301	1,789
Adjustments for:				
Allowance for inventories obsolescence	15	86	-	-
Amortisation of intangible assets	1,715	1,482	-	-
Bad debts recovered	(299)	(46)	-	-
Bad debts written off	574	765	-	-
Depreciation	7,176	7,428	23	30
Fair value gain on investment property	(946)	-	-	-
Gain on disposal of:				
- property, plant and equipment	(231)	(189)	-	-
- non-current assets classified as held for sale	(4,269)	-	-	-
- a subsidiary	(201)	-	-	-
- an associated company	(2,936)	-	-	-
Gross dividend income	(406)	(432)	(40,000)	(3,724)
Impairment loss on:				
- goodwill	2	-	-	-
- loan and receivables	164	1,116	-	-
- development expenditure	-	1,057	-	-
- held for trading investments	10	-	-	-
- investment in subsidiaries	-	-	10,650	-
- available-for-sale investment securities	-	27,274	-	27,274
- property, plant and equipment	-	1,736	-	-
Interest expenses	8,216	8,051	5,473	2,074
Interest income	(3,979)	(2,340)	(126)	(26)
(Gain)/Loss on disposal of held for trading investments	(19)	25	-	-
Net unrealised loss/(gain) on foreign exchange	53	2,202	36	12
Property, plant and equipment written off	57	90	-	-
Provision for retirement benefits obligations	156	136	-	-
Provision for contingencies and commitments	42	-	-	-
Realisation of foreign exchange reserve	4,908	(4,583)	-	-
Share of results in associates	(6,835)	(12,633)	-	-
Write back of impairment loss on:				
- loan and receivables	(171)	(16,887)	-	-
- held for trading investments	-	(3,414)	-	-
- investment in subsidiaries	-	-	-	(31,000)
- held for trading investments	-	(191)	-	-
- property, plant and equipment	(165)	-	-	-
Write back of payables	(3,932)	-	-	-
Operating profit/(loss) before working capital changes	7,608	18,164	(5,643)	(3,571)

ADVANCE SYNERGY BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Changes in working capital:					
Property development costs		(5,302)	(2,242)	-	-
Inventories		7,366	2,292	-	-
Receivables		541	17,597	(111)	5,644
Investment securities		-	(188)	-	-
Payables		(4,835)	1,441	16,275	970
Net cash generated from operations		5,378	37,064	10,521	3,043
Retirement benefits paid		(27)	(18)	-	-
Taxation (paid)/refunded		(2,363)	(3,983)	793	859
Net cash generated from operating activities		2,988	33,063	11,314	3,902
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of intangibles assets		(2,789)	(3,647)	-	-
Acquisition of held for trading investments		(323)	-	-	-
Acquisition of a subsidiary, net of cash acquired	8(b)(iv)	(568)	-	-	-
Acquisition of additional shares in an associate		(25)	415	-	-
Capital repayment from an associated company		10,906	-	-	-
Dividend income received, net of tax		4,406	4,217	30,000	2,879
Interest received		3,979	2,340	126	26
Proceeds from disposal of held for trading investments		323	612	-	-
Proceeds from disposal of non-current assets classified as held for sale		118,071	-	-	-
Proceeds from disposal of property, plant and equipment		257	225	-	-
Proceeds from disposal of shares in an associated company		2,985	-	-	-
Disposal of a subsidiary, net of cash disposed	8(b)(iii)	(4)	-	-	-
Purchase of property, plant and equipment *		(6,678)	(11,238)	(24)	(5)
Purchase of investment property		(7,926)	-	-	-
Net cash generated from/(used in) investing activities		122,614	(7,076)	30,102	2,900

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid to non-controlling interests of a subsidiary		(497)	(419)	-	-
Drawdown of hire purchase		114	120	-	-
Drawdown of term loans		1,155	-	-	-
Interest paid		(9,509)	(9,443)	(6,967)	(6,893)
Payments to hire purchase payables		(234)	(408)	-	-
Placement of pledged deposits		(2,759)	(1,993)	-	-
Proceeds from issuance of share capital		79	-	79	-
Repayment of term loans		(35,996)	(4,788)	(30,000)	-
Net cash (used in) financing activities		(47,647)	(16,931)	(36,888)	(6,893)
Effects of exchange rate changes		(386)	(685)	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		77,569	8,371	4,528	(91)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
As previously reported		83,747	77,967	668	781
Effect of exchange rate changes		(80)	(2,591)	-	(22)
		83,667	75,376	668	759
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		161,236	83,747	5,196	668

ANALYSIS OF CASH AND CASH EQUIVALENTS:

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash and bank balances	16	40,051	46,535	96	68
Short term deposits	16	151,635	64,135	5,100	600
Bank overdrafts	21	(768)	-	-	-
		190,918	110,670	5,196	668
Less: Deposit placed with lease payables as security deposit for lease payments	16	(19,079)	(18,298)	-	-
Less: Deposit pledged to licensed banks	16	(10,103)	(8,139)	-	-
Less: Cash held under Housing Development Account	16	(500)	(486)	-	-
		161,236	83,747	5,196	668

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (Continued)

NOTES TO THE STATEMENTS OF CASH FLOWS

* PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment amounting to RM6.79 million (2010: RM11.36 million) of which RM0.11 million (2010: RM0.12 million) was acquired under hire purchase instalment plans. Cash payment amounting to RM6.68 million (2010: RM11.24 million) was made during the financial year.

The accompanying notes form an integral part of these financial statements

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company during the financial year are that of investment holding and the provision of full corporate and financial support to its subsidiaries. The principal activities of the Company's subsidiaries are stated in Note 8 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Level 3, East Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

The principal place of business of the Company is located at Level 3, West Wing, Wisma Synergy, No. 72, Pesiaran Jubli Perak, Seksyen 22, 40000 Shah Alam, Selangor Darul Ehsan.

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

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 April 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.4 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the Directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

<u>Revised FRSs</u>

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

<u>Amendments/Improvements to FRSs</u>

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement

<u>New IC Int</u>

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

<u>Amendments to IC Int</u>

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(a) **Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS139, FRS137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. There is no significant financial impact on the financial statements of the Group for the current financial year.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(a) **Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. There is no significant financial impact on the financial statements of the Group for the current financial year.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early**

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

		Effective for financial periods beginning on or after
<u>New IC Int</u>		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to of the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 11 Joint Arrangements

FRS 11 supersedes the former FRS 131 Interests in Joint Ventures. Under FRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for its using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

(c) **MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) **MASB Approved Accounting Standards, MFRSs (Continued)**

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate ("Transitioning Entities")*. The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, ie: for the financial year ending 31 December 2012, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2(c) to the financial statements. The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS1 cannot be determined and estimated reliably until the process is completed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) **MASB Approved Accounting Standards, MFRSs (Continued)**

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group is currently assessing the impact of the adoption of this Interpretation.

2.3 **Significant Changes in Accounting Policies**

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127 as detailed in Note 2.2(a) to the financial statements as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2.4 **Significant Accounting Policies**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

The excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. The policy for the goodwill is in accordance with Note 2.4(i) to the financial statements. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated financial statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Changes in the Group's equity 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 respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly on shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently, it is accounted for as an equity investee or as an available for sale financial asset depending on the level of influence retained.

(b) Subsidiaries

Subsidiaries are those corporations in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. 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.

In the Company’s separate financial statements, investments in subsidiaries are stated at costs less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is recognised as gain or loss in profit or loss.

In the Group’s consolidated financial statements, the difference between the net disposal proceeds and the Group’s share of the subsidiary’s net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(c) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates, other than those for which there is a published price quotation, are accounted for in the Company’s separate financial statements at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are stated in the consolidated statement of financial position at cost adjusted for post acquisition changes in the Group’s share of net assets of the associates, less distribution received and less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(c) **Associates (Continued)**

The consolidated statement of comprehensive income reflects the share of the associates' results after tax. Where there has been a change recognised directly in the equity of associates, the Group recognises its share of such changes. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. When the Group's share of losses exceeds its interest in an associate, the Group does not recognise further losses except to the extent that the Group has legal or constructive obligations or made payments on the behalf of the associate.

Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. In view of this, the Group calculates the impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount in the share of profit of an associate in the profit or loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The most recent available audited or management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investment, the differences between net disposals proceed and the carrying amount of the investment in an associate is reflected as a gain or loss on disposal in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(d) Joint Venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Investments in joint venture are accounted for in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised profits and losses on transactions between the Group and its jointly controlled entities. Unrealised profits are eliminated to the extent of the Group's interest in the joint venture. 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 joint venture are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

On disposal of such investment, the differences between net disposals proceed and the carrying amount of the investment in a joint venture is reflected as a gain or loss on disposal in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(e) Property, Plant and Equipment and Depreciation

All property, plant and equipment were initially stated at cost. Certain buildings were subsequently shown at market value, based on valuations of external independent valuers, less subsequent accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

Freehold lands are not depreciated as it has an infinite life. Systems in progress and construction work in progress are not depreciated until it is ready for its intended use. Upon completion, construction works in progress are transferred to categories of property, plant and equipment, depending on the nature of the assets. Depreciation on buses under refurbishment commences when the busses are ready for their intended use.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Hotel properties (buildings)	30-50 years
Buildings	0.5%-5%
Plant and machinery	10%-20%
Motor vehicles	15%-20%
Furniture, fittings and equipment	2%-25%
Renovation	10%-20%
Computer equipment and software	20%-33.33%
Buses in operation	Over 7 years
Telecommunications, research and development equipment	20%-33.33%

Crockery, glassware, cutleries, linen and kitchen utensils are capitalised at the minimum level required for normal operations. Replacements are written off to profit or loss in the financial year in which they are incurred.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(e) **Property, Plant and Equipment and Depreciation (Continued)**

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at end of each financial year. The effects of any revisions of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

At each financial year end, the Group assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.4(k) to the financial statements.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

(f) **Revaluation of Assets**

Freehold land and buildings at valuation are revalued with sufficient regularity to ensure that the carrying values of the revalued land and buildings do not differ materially from that which would be determined using fair value at end of the financial year.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(g) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(h) Leases and Hire Purchase

(i) Finance Leases and Hire Purchase

Assets financed by finance leases and hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

Assets acquired by way of finance lease and hire purchase arrangements are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases and hire purchase are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(h) **Lease and Hire Purchase (Continued)**

(ii) **Operating Leases**

An operating lease is a lease other than a finance lease. Lease payments under operating lease are recognised as an expense in profit or loss on a straight line basis over the lease period.

(iii) **Leases of Land and Buildings**

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and building are allocated between the land and the building elements of the lease in proportion to the relative fair values for leasehold interest in the land element and the building element of the lease at the inception of the lease.

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risks and rewards incidental to ownership is treated as an operating lease. The lump-sum upfront lease payment made on entering into or acquiring leasehold land are accounted for as prepaid lease payments and are amortised over the lease term on a straight line basis except for leasehold land that is classified as an asset held under property development. Leasehold land which in substance is a finance lease classified as property, plant and equipment.

The buildings element is classified as a finance or operating lease in accordance with Note 2.4(h)(i) and (h)(ii) to the financial statements. If the lease payment cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and buildings is treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is recognised as the economic life of the entire leased assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(i) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated, at the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. An impairment loss is recognised for a cash-generating unit when the recoverable amount of the unit is less than the carrying amount of the unit. Any impairment loss recognised is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then, to the other assets of the unit within pro rata on the basis of the carrying amount of each applicable asset in the unit. Any impairment loss recognised for goodwill is not reversed.

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

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with Note 2.4(aa) to the financial statements

(ii) Other Intangible Assets

Other intangible assets are recognised only when identifiable, control and economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree if the fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(i) Intangible Assets (Continued)

(ii) Other Intangible Assets (Continued)

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives 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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the carrying value may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment for indefinite to finite is accounted for as a change in accounting estimate in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(i) Intangible Assets (Continued)

(ii) Other Intangible Assets (Continued)

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, any only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at end of each financial year. The effects of any revision are recognised in profit or loss when the changes arise.

Intellectual Property

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over their expected benefits, not exceeding a period of five (5) years.

Subsequent to initial recognition, acquired intellectual property is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(j) Financial Assets

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

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

(i) **Financial Assets at Fair Value Through Profit or Loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(ii) **Loan and Receivables**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(j) Financial Assets (Continued)

(iii) Held-to-Maturity Investments

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

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

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

(iv) Available-for-Sale Financial Assets

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(k) Impairment

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any accumulated impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(k) Impairment (Continued)

(ii) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units ("CGU") that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit groups of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(l) **Property Development Activities**

(i) **Land Held for Property Development**

Land held for property development consists of development costs on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(k) to the financial statements.

Cost comprises the cost of land and all related costs incurred on activities necessary to prepare the land for its intended use. Where the Group had previously recorded the land at a revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201 Property Development Activities.

Land held for property development is transferred to property development costs and included under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(ii) **Property Development Costs**

Property development costs comprise all costs that are directly attributable to the development activities or that can be allocated on a reasonable basis to such activities. They comprise the costs of land under development, construction costs and other related development costs common to the whole project including borrowing costs.

Property development costs on which development activities have commenced or where it can be demonstrated that the development activities can be completed within the normal operating cycle are classified as current assets.

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

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue shall be recognised only to the extent the property development costs incurred that is probable to be recovered. Property development costs on the development units sold are recognised as expenses in the period in which they are incurred.

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

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

When revenue recognised in profit or loss exceeds progress billings to purchasers, the balances is shown as accrued billings under current assets. When progress billings exceed revenue recognised in profit or loss, the balance is shown as progress billings under current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(m) Contract Work-In-Progress

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year ("percentage-of-completion method"), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Amount due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to contract customers".

Progress billings not yet paid by customers and retentions are included within "Amounts due from contract customers".

(n) Inventories

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

Cost of the inventories is determined on the following basis:

(i) Finished goods, food and beverages, operating supplies for Hotels and Resorts segment - First-in, first-out basis.

(ii) Completed units of unsold developed properties – Specific identification basis.

(iii) Finished goods, consumable goods, operating supplies work-in-progress – Weighted average basis.

The cost of raw materials, food and beverage and operating supplies comprises all cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads based on normal operating capacity of the production facilities. The cost of completed properties held for sale comprises cost associated with the acquisition of land, direct costs and appropriate proportion of common costs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(o) Cash and Cash Equivalents

For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits and short term highly liquid investments, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of bank overdrafts and deposits pledged to financial institutions.

(p) Non-Current Assets Classified as Held for Sale

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

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

(q) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the financial year end. A dividend proposed or declared after the financial year end, but before the financial statements are authorised for issue, is not recognised as a liability at the financial year end.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(r) ICULS

ICULS with fixed coupon rates are regarded as compound instruments consisting predominantly an equity component and a liability component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(s) Financial Liabilities

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

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

(i) **Financial Liabilities at Fair Value Through Profit or Loss**

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

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

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

(ii) **Other Financial Liabilities**

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(t) Financial Guarantee Contracts

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

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

(u) Provisions for Liabilities

Provision for liabilities are recognised when the Group has a present obligation 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 of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(v) Government Grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(v) Government Grant (Continued)

Singapore

The Singapore government introduced a cash grant known as the Jobs Credit Scheme in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in 2009 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the Scheme.

In October 2009, the Government announced that the Jobs Credit Scheme would be extended for half a year with another 2 payments at stepped-down rates in March and June 2010 based on 6% of wages to be paid in March 2010 and 3% of wages to be paid in June 2010.

The Group recognises the amounts received for jobs credit at their fair value as other income in the month of receipt of these grants from the government.

Malaysia

In 2009, a subsidiary in Malaysia was approved a grant of RM767,764 for the development of the GlobeOss Roaming Assurance Project under MSC Malaysia Research & Development Grant Scheme.

(w) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Revenue from the Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Revenue from Services

Revenue in respect of the rendering of services is recognised based on the stage of completion at the financial year end and when the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(w) Revenue Recognition (Continued)

(iii) Hotel and Resort Services

Revenue represents income from the rental of rooms, sale of food and beverages and other related services.

Revenue is recognised as follows:

- room revenue is recognised upon actual occupancy by guest;
- food and beverage revenue is recognised upon servicing; and
- other related services are recognised upon rendering of services.

(iv) Information and Communications Technology Related Services

(a) Revenue from service contracts

Revenue and profit from contracts are recognised on an individual contract basis using the percentage of completion method, when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the total revenue to be received and costs to complete can be reliably estimated. The percentage of completion is estimated by management with reference to the stage of completion of the obligations under the contract with the customer. Where it is probable that a loss will arise from a contract, the excess of total estimated costs over revenue is recognised as an expense immediately.

(b) Revenue from maintenance contract is recognised on a straight line basis over the period of the respective contracts.

(v) Coach Building

Revenue from sale of buses is recognised when significant risk and rewards of ownership of the buses has been transferred to the customer and where the Group retains neither continuing managerial involvement over the buses, which coincides with delivery of buses and services and acceptance by customers.

(vi) Property Development

Revenue represents sales value of completed development properties sold and proportionate sales value of development properties to stage of completion.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(w) **Revenue Recognition (Continued)**

(vi) **Property Development (Continued)**

Property development revenue is recognised in respect of all development units that have been sold. Revenue recognition commences when the sale of the development unit is effected, upon the commencement of development and construction activities and when the financial outcome can be reliably estimated. The attributable portion of property development cost is recognised as an expense in the period in which the related revenue is recognised. The amount of such revenue and expenses recognised is determined by reference to the stage of completion of development activity at the end of the financial year. The stage of completion is measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development cost.

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

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

(vii) **Rental Income**

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight line basis.

(viii) **Travel and Tours**

Revenue from invoiced value of tickets sold is recognised in profit or loss upon issuance of the tickets.

Revenue from travel and tour is recognised in profit or loss based on accrual basis upon performance of services.

Revenue from foreign currencies exchange is recognised in profit or loss upon customer's acceptance.

(ix) **Interest Income**

Interest income is recognised as it accrues, using the effective interest method unless collectability is in doubt.

(x) **Dividend Income**

Dividend income is recognised in profit or loss on receipt basis.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(w) **Revenue Recognition (Continued)**

(xi) **Card and Payment Services**

Joining fees is recognised upon issuance of cards to approved members. Cash advance fees is recognised upon billings to card members. Discount revenue and interchange fees are recognised upon the billing to/by merchants and inter-member banks. Interest income from line of credit facilities granted is recognised on an accrual basis.

(xii) **Traditional Chinese Medicine Services**

Revenue from traditional Chinese medicine services is recognised when services are rendered and goods are delivered, net of discount and rebates.

(x) **Borrowing Costs**

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

The amount of borrowing costs eligible for capitalisation is the actual borrowings incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from those borrowing facilities.

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

(y) **Income Taxes**

The tax expense in profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.4 **Significant Accounting Policies (Continued)**

(y) **Income Taxes (Continued)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(z) **Employee Benefits**

(i) **Short Term Employee Benefits**

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

(ii) **Defined Contribution Plans**

The Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) **Defined Benefits Plans**

Certain subsidiaries operate an unfunded retirement benefits plan for rank and file employees in accordance with an article contained in the collective union agreement. The liabilities in respect of the retirement benefits plan are determined by an actuarial valuation for its defined benefit obligations under the Projected Unit Credit Method. Under this method, the current service cost is calculated as the present value of benefits that will accrue on valuation date (by reference to the number of employees providing the service in that year and projected final salaries). The liabilities will be recognised immediately in the year they are incurred.

(aa) **Foreign Currencies**

(i) **Functional and Presentation Currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RM, which is the Group's functional currency and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(aa) Foreign Currencies (Continued)

(iii) Transactions and Balances

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

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

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

(iv) Foreign Operations

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

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

(ab) Earnings per Ordinary Share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Significant Accounting Policies (Continued)

(ab) Earnings per Ordinary Share (Continued)

Diluted earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. The adjusted weighted average number of ordinary shares in issue is arrived at assuming full conversion of the ICULS which represents the dilutive potential of the ordinary shares.

(ac) Contingencies

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

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

(ad) Operating Segments

In the previous years, a segment was distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8 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. An operating segment's operating results are reviewed regularly by the management, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Judgements Made in Applying Accounting Policies

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Judgements Made in Applying Accounting Policies (Continued)

(a) Classification of Financial Assets

The Group has classified certain of its financial assets as available-for-sale investments. In applying the accounting policy, the Group assesses its nature and the intention. Should the circumstances change in the future, the classification of these financial assets as available-for-sale may no longer be appropriate.

(b) Leases

The Group has reassessed and judged that the leasehold land of the Group which are in substance are finance leases and has reclassified the leasehold land to property, plant and equipment.

3.2 Key Source of Estimation Uncertainty

(a) Useful Lives of Property, Plant and Equipment

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

(b) Useful Lives of Other Intangible Assets

The Group estimates the useful life to amortise other intangible assets based on the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the other intangible assets would increase the recorded expenses and decrease the non-current assets.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

3.2 **Key Source of Estimation Uncertainty (Continued)**

(c) **Impairment of Intangible assets-Goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2011 was RM59.86 million (2010: RM59.42 million) as disclosed in Note 7 to the financial statements.

(d) **Impairment of Investment in Subsidiaries and Recoverability of Amount Owing by Subsidiaries**

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investment in subsidiaries entails an impairment of receivables to be made to the amount owing by these subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement 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 investment in subsidiaries.

(e) **Impairment of Investment in Associates and Recoverability of Amount Owing by Associates**

The Group tests investment in associates for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the associates affects the result of the impairment test. Costs of investments in associates which have ceased operations were impaired up to share of net assets of the associates. The impairment made on investment in associates entails an impairment of associates to be made to the amount owing by these associates.

Significant judgement is required in the estimation of the present value of future cash flows generated by the associates, which involve uncertainties and are significantly affected by assumptions used and judgement 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 investment in associates. In addition, the assessment of the net tangible assets of the associates and the market value of the associates (for those quoted shares) also affects the result of the impairment test.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

3.2 **Key Source of Estimation Uncertainty (Continued)**

(f) **Impairment on Investment Securities- Available for Sale Financial Assets**

The Group tests investment in unquoted shares for impairment annually in accordance with its accounting policy. Significant judgement is required in the estimation of the present value of future cash flows generated by the investment in unquoted shares, which involve uncertainties and are significantly affected by assumptions used and judgement 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 investment in unquoted shares.

(g) **Allowances for Impairment –Trade and Other Receivables**

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

(h) **Classification of equity and liability component on ICULS**

The Group has recognised the compound instruments consisting of an equity and liability component. At the issue date, the value of the liability component is determined using a prevailing market interest rate. The judgment is made on the market interest rate used for classification of equity and liability component.

(i) **Income Taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(j) **Deferred Tax Assets**

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies. The total carrying values of the unrecognised deductible/(taxable) temporary differences, tax losses and capital allowances of the Group was RM261.36 million (2010: RM267.69 million) as disclosed in Note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Key Source of Estimation Uncertainty (Continued)

(k) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(l) Property Development Projects

The Group recognises property development projects in profit or loss by using the stage of percentage of completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion that property development and contracts costs incurred for work performed to date bear to the estimated total property development and contract costs. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the property development projects incurred, the estimated total property development and contract revenue and costs, as well as the recoverability of the projects undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage of completion method are reflected in property development and contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

Note 2.4(w)(vi) to the financial statements, describes the Group’s policy to recognise revenue from sales of properties using the percentage of completion method. Property development revenue is recognised in respect of all development units that have been sold.

(m) Contract Work-In-Progress

Revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the management’s estimated stage of completion of a project at the end of the financial year. This estimation of revenue and costs are based on the presumption that the outcome of a project can be estimated reliably. Management has performed the cost review for contract work-in-progress taking into account the costs to date and costs to complete each project and has also reviewed the status of such projects in determining the value of contract work-in-progress as at 31 December 2011 as disclosed in Note 12 to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group **2011**	**Freehold land** RM'000	**Leasehold land** RM'000	**Hotel properties -Freehold land** RM'000	**Hotel properties -Buildings** RM'000	**Buildings** RM'000	**Plant and machinery** RM'000	**Furniture, fittings and equipment** RM'000	**Renovation** RM'000	**Motor vehicles** RM'000	**Computer equipment and software** RM'000	**Crockeries, glassware, cutleries, linen and kitchen utensils** RM'000	**Telecom-munications and research and development equipment** RM'000	**Construction work -in in progress** RM'000	**Total** RM'000
Cost/Valuation														
At 1 January 2011	43,875	1,906	27,886	105,104	11,658	9,149	54,838	12,710	5,337	16,792	4,741	26,800	98	320,894
Additions	-	-	-	54	1,272	1,089	2,388	294	298	179	-	1,217	-	6,791
Acquisition of a subsidiary	-	-	-	-	-	-	160	90	-	114	-	-	-	364
Disposals	-	-	-	-	-	-	(5)	-	(1,008)	(6)	-	(36)	-	(1,055)
Disposal of a subsidiary	-	-	-	-	-	-	(4)	-	-	(38)	-	(518)	-	(560)
Written off	-	-	-	-	-	-	(563)	(30)	-	-	-	-	-	(593)
Reclassification	-	-	-	105	(79)	(65)	(290)	(26)	-	-	-	(426)	-	(781)
Reclassification as non-current assets held for sale	(7,791)	-	-	-	-	-	-	-	-	-	-	-	-	(7,791)
Foreign exchange translation adjustment	-	38	-	(4,267)	42	36	(995)	42	(23)	75	(328)	227	-	(5,153)
At 31 December 2011	36,084	1,944	27,886	100,996	12,893	10,209	55,529	13,080	4,604	17,116	4,413	27,264	98	312,116
Representing:														
Cost	36,084	-	-	-	12,893	10,209	55,529	13,080	4,604	17,116	4,413	27,264	98	181,290
Valuation	-	1,944	27,886	100,996	-	-	-	-	-	-	-	-	-	130,826
Total	36,084	1,944	27,886	100,996	12,893	10,209	55,529	13,080	4,604	17,116	4,413	27,264	98	312,116

4. PROPERTY, PLANT AND EQUIPMENT(Continued)

Group 2011	Freehold land RM'000	Leasehold land RM'000	Hotel properties -Freehold land RM'000	Hotel properties -Buildings RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Crockeries, glassware, cutleries, linen and kitchen utensils RM'000	Telecom-munications and research and development equipment RM'000	Construction work -in in progress RM'000	Total RM'000
Accumulated Depreciation														
At 1 January 2011	-	664	-	13,990	1,369	7,524	43,623	4,731	4,753	16,056	1,468	16,405	-	110,583
Acquisition of a subsidiary	-	-	-	-	-	-	39	42	-	30	-	-	-	111
Depreciation for the financial year	-	88	-	2,017	279	243	2,573	719	272	222	-	763	-	7,176
Disposals	-		-	-	-	-	(4)	-	(1,008)	(2)	-	(16)	-	(1,030)
Disposal of a subsidiary	-	-	-	-	-	-	(3)	-	-	(36)	-	(438)	-	(477)
Written off	-		-	-	-	-	(520)	(16)	-	-	-	-	-	(536)
Reclassification	-	-	-	86	(98)	(21)	(77)	17	(15)	-	-	(320)	-	(428)
Capitalisation to intangible assets	-	-	-	-	-	-	43	32	-	37	-	147	-	259
Foreign exchange translation adjustment	-	14	-	(1,069)	14	53	(880)	14	(28)	78	(199)	60	-	(1,943)
At 31 December 2011	-	766	-	15,024	1,564	7,799	44,794	5,539	3,974	16,385	1,269	16,601	-	113,715
Accumulated Impairment Loss														
At 1 January 2011	-	-	-	1,621	-	-	807	3,017	-	-	-	2,684	-	8,129
Writeback of impairment loss for the financial year	-	-	-	-	-	-	-	-	-	-	-	(165)	-	(165)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(64)	-	(64)
Reclassification	-	-	-	-	-	-	-	-	-	-	-	(82)	-	(82)
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	-	-	-	42	-	42
At 31 December 2011	-	-	-	1,621	-	-	807	3,017	-	-	-	2,415	-	7,860
Carrying Amount at 31 December 2011	36,084	1,178	27,886	84,351	11,329	2,410	9,928	4,524	630	731	3,144	8,248	98	190,541
Representing:														
Cost	36,084	-	-	-	11,329	2,410	9,928	4,524	630	731	3,144	8,248	98	77,126
Valuation	-	1,178	27,886	84,351	-	-	-	-	-	-	-	-	-	113,415
Total	36,084	1,178	27,886	84,351	11,329	2,410	9,928	4,524	630	731	3,144	8,248	98	190,541

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2010	Freehold land RM'000	Leasehold land RM'000	Hotel properties -Freehold land RM'000	Hotel properties -Buildings RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Crockeries, glassware, cutleries, linen and kitchen utensils RM'000	Telecom-munications and research and development equipment RM'000	Construction work -in in progress RM'000	Total RM'000
Cost/Valuation														
At 1 January 2010	43,875	3,120	27,886	127,285	9,327	7,767	54,404	11,324	5,641	16,660	5,261	24,575	98	337,223
Additions	-	-	-	-	2,322	920	3,103	1,819	335	387	-	2,471	-	11,357
Disposals	-	-	-	-	-	-	(14)	(10)	(618)	(30)	-	(45)	-	(717)
Written off	-	-	-	-	-	-	(1,140)	(19)	-	(126)	-	-	-	(1,285)
Reclassification	-	(1,041)	-	(9,649)	266	582	496	(266)	-	(21)	-	76	-	(9,557)
Foreign exchange translation adjustment	-	(173)	-	(12,532)	(257)	(120)	(2,011)	(138)	(21)	(78)	(520)	(277)	-	(16,127)
At 31 December 2010	43,875	1,906	27,886	105,104	11,658	9,149	54,838	12,710	5,337	16,792	4,741	26,800	98	320,894
Representing:														
Cost	43,875	-	-	-	11,658	9,149	54,838	12,710	5,337	16,792	4,741	26,800	98	185,998
Valuation	-	1,906	27,886	105,104	-	-	-	-	-	-	-	-	-	134,896
Total	43,875	1,906	27,886	105,104	11,658	9,149	54,838	12,710	5,337	16,792	4,741	26,800	98	320,894

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group 2010	**Freehold land** RM'000	**Leasehold land** RM'000	**Hotel properties -Freehold land** RM'000	**Hotel properties -Buildings** RM'000	**Buildings** RM'000	**Plant and machinery** RM'000	**Furniture, fittings and equipment** RM'000	**Renovation** RM'000	**Motor vehicles** RM'000	**Computer equipment and software** RM'000	**Crockeries, glassware, cutleries, linen and kitchen utensils** RM'000	**Telecom-munications and research and development equipment** RM'000	**Construction work -in in progress** RM'000	**Total** RM'000
Accumulated Depreciation														
At 1 January 2010	-	713	-	12,882	1,218	7,258	44,318	4,071	5,078	15,979	1,724	15,351	-	108,592
Depreciation for the financial year	-	107	-	2,552	198	371	2,049	669	304	206	12	960	-	7,428
Disposals	-		-	-	-	-	(14)	(10)	(583)	(27)	-	(16)	-	(650)
Written off	-		-	-	-	-	(1,134)	-	-	(61)	-	-	-	(1,195)
Reclassification	-	(110)	-	-	18	-	54	23	-	41	-	214	-	240
Foreign exchange translation adjustment	-	(46)	-	(1,444)	(65)	(105)	(1,650)	(22)	(46)	(82)	(268)	(104)	-	(3,832)
At 31 December 2010	-	664	-	13,990	1,369	7,524	43,623	4,731	4,753	16,056	1,468	16,405	-	110,583
Accumulated Impairment Loss														
At 1 January 2010	-	-	-	1,621	-	-	807	3,017	-	-	-	979	-	6,424
Impairment loss for the financial year	-	-	-	-	-	-	-	-	-	-	-	1,736	-	1,736
Disposals	-	-	-	-	-	-	-	-	-	-	-	(18)	-	(18)
Foreign exchange translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(13)	-	(13)
At 31 December 2010	-	-	-	1,621	-	-	807	3,017	-	-	-	2,684	-	8,129
Carrying Amount at 31 December 2010	43,875	1,242	27,886	89,493	10,289	1,625	10,408	4,962	584	736	3,273	7,711	98	202,182
Representing:														
Cost	43,875	-	-	-	10,289	1,625	10,408	4,962	584	736	3,273	7,711	98	83,561
Valuation	-	1,242	27,886	89,493	-	-	-	-	-	-	-	-	-	118,621
Total	43,875	1,242	27,886	89,493	10,289	1,625	10,408	4,962	584	736	3,273	7,711	98	202,182

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	**Computer equipment** RM'000	**Motor vehicles** RM'000	**Furniture, fittings and equipment** RM'000	**Total** RM'000
2011				
Cost				
At 1 January 2011	83	5	131	219
Additions	5	-	19	24
At 31 December 2011	88	5	150	243
Accumulated Depreciation				
At 1 January 2011	72	5	98	175
Depreciation for the financial year	9	-	14	23
At 31 December 2011	81	5	112	198
Carrying Amount at 31 December 2011	7	-	38	45
Company				
2010				
Cost				
At 1 January 2010	79	5	909	993
Additions	4	-	1	5
Written off	-	-	(779)	(779)
At 31 December 2010	83	5	131	219
Accumulated Depreciation				
At 1 January 2010	55	5	864	924
Depreciation for the financial year	17	-	13	30
Written off	-	-	(779)	(779)
At 31 December 2010	72	5	98	175
Carrying Amount at 31 December 2010	11	-	33	44

(a) Included in property, plant and equipment of the Group are assets acquired under hire purchase instalment plans with the following carrying amounts:

	Group	
	2011 RM'000	**2010** RM'000
Motor vehicles	383	536

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

(b) Included in property, plant and equipment of the Group are assets pledged to the licensed banks to secure credit facilities granted to the Company and its subsidiaries with the following carrying amounts:

	Group	
	2011	**2010**
	RM'000	RM'000
Freehold land	16,707	16,707
Hotel properties	45,075	45,912
Buildings	1,345	1,355
	63,127	63,974

(c) The hotel properties of the Group stated at valuation are based on independent professional valuation carried out on an open market basis.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been as follows:

Group	**Cost**	**Accumulated depreciation**	**Carrying amount**
2011	RM'000	RM'000	RM'000
Hotel properties			
- freehold land	20,234	-	20,234
- buildings	87,800	(14,864)	72,936
	108,034	(14,864)	93,170
2010			
Hotel properties			
- freehold land	20,234	-	20,234
- buildings	91,291	(14,056)	77,235
	111,525	(14,056)	97,469

(d) Included in property, plant and equipment of the Group are assets under sale and finance leaseback arrangements as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Freehold land	17,220	17,220
Hotel properties	15,653	15,857
	32,873	33,077

(e) In previous financial year, an impairment loss of RM1.74 million, being the excess of the carrying value of equipment over its recoverable amount, was recognised in the Group due to its expected realisable value being lower than its cost.

5. INVESTMENT PROPERTY

	Group	
	2011	**2010**
	RM'000	RM'000
At fair value:		
At 1 January	-	-
Additions	7,926	-
Fair value gain recognised to profit or loss	946	-
Foreign currency translation differences	(2)	-
At 31 December	8,870	-

The fair value of the Group's investment property as at 31 December 2011 was determined by an independent professional valuer with recent experience in the location and category of the investment property. The valuation was arrived at by reference to market evidence, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transactions.

Details of Group's investment property are as follows:

Descriptions	**Location**	**Existing use**
Freehold Shop office	Lot 3A-5-1, 5th floor, block 3A, Plaza Sentral, Kuala Lumpur, Malaysia	Generate rental income

The following amounts are recognised in the profit or loss:

	Group	
	2011	**2010**
	RM'000	RM'000
Rental income	610	-
Direct operating expenses arising from investment property that generate rental income	(120)	-

6. INTANGIBLE ASSETS

Group **2011**	**Goodwill on consolidation** RM'000 (Note 7)	***Purchased goodwill** RM'000	****Intellectual property** RM'000	**Software development expenditure** RM'000	**Total** RM'000
Cost					
At 1 January 2011	59,424	9,643	5,250	13,993	88,310
Additions	-	-	-	2,789	2,789
Capitalisation of development equipment	-	-	-	259	259
Acquisition of a subsidiary	439	-	-	-	439
At 31 December 2011	59,863	9,643	5,250	17,041	91,797
Accumulated Amortisation and Impairment					
At 1 January 2011	1	1,346	5,250	6,122	12,719
Amortisation for the financial year	-	3	-	1,712	1,715
Impairment loss for the financial year	2	-	-	-	2
Foreign exchange translation difference	-	(38)	-	10	(28)
At 31 December 2011	3	1,311	5,250	7,844	14,408
Carrying Amount at 31 December 2011	59,860	8,332	-	9,197	77,389

6. INTANGIBLE ASSETS (Continued)

Group **2010**	**Goodwill on consolidation** RM'000 (Note 7)	***Purchased goodwill** RM'000	****Intellectual property** RM'000	**Software development expenditure** RM'000	**Total** RM'000
Cost					
At 1 January 2010	59,424	1,346	5,250	9,439	75,459
Additions	-	-	-	4,626	4,626
Disposal	-	-	-	(72)	(72)
Reclassification	-	8,297	-	-	8,297
At 31 December 2010	59,424	9,643	5,250	13,993	88,310
Accumulated Amortisation and Impairment					
At 1 January 2010	1	1,346	5,250	3,525	10,122
Amortisation for the financial year	-	-	-	1,482	1,482
Impairment loss for the financial year	-	-	-	1,057	1,057
Foreign exchange translation difference	-	-	-	58	58
At 31 December 2010	1	1,346	5,250	6,122	12,719
Carrying Amount at 31 December 2010	59,423	8,297	-	7,871	75,591

Included in intangible assets of the Group are assets pledged to licensed banks to secure credit facilities granted to a subsidiary with the following carrying amounts:

	Group	
	2011 RM'000	**2010** RM'000
Purchased goodwill	8,332	8,297

*Purchased goodwill includes the purchase of a hotel business which comprises the following:

a. the related clientele and goodwill;
b. the classification certificate as a three star hotel;
c. licence to serve beverage and alcohol ;
d. the right to the leases where the hotel business is carried out;
e. the list of clients;
f. the right to transfer the telephone line;
g. as well as any elements being part of the hotel business, no description being necessary.

** Intellectual property comprises rights and titles relating to mobile software, the amortisation of which is recognised as cost of sales in profit or loss.

7. GOODWILL ON CONSOLIDATION

	Group 2011 RM'000	Group 2010 RM'000
At 1 January	59,423	59,423
Acquisition of a subsidiary	439	-
Impairment loss for the financial year	(2)	-
At 31 December	59,860	59,423

The carrying amounts of goodwill allocated to the Group's CGU are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Information and communications technology - CGU 1	53,138	53,138
Others	6,722	6,285
	59,860	59,423

The recoverable amount of CGU 1 is based on its value in use.

CGU 1

The 5-year cash flow projections for the financial years ending 31 December 2012 to 2016 are prepared based on available information and anticipated projects. The growth rate used to extrapolate cash flow projections range from 7% to 22% over the period. The budgeted gross profit margin used range from 55% to 66% over the period. A discount factor of 10.4% has been applied in arriving at the present value of future cash flows.

The values assigned to the above key assumptions represent Directors' assessment of future trends in the industry and are based on both external sources and internal source of information.

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

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	**2010**
	RM'000	RM'000
Unquoted shares - at cost	702,579	702,579
Less: Impairment losses	(228,831)	(218,181)
	473,748	484,398

(a) Certain shares of quoted subsidiaries and unquoted subsidiaries in the Group with the carrying amount of RM10.28 million (2010: RM10.28 million) and RM61.94 million (2010: RM63.52 million) respectively, have been charged to financial institutions for credit facilities granted to the Group.

(b) During the financial year, the following transactions were transacted:

(i) On 10 February 2011, the Company announced that Triton Feeder Services Sdn Bhd ("TFS"), a wholly-owned subsidiary of Advance Synergy Capital Sdn Bhd ("ASC"), which in turn is a wholly-owned subsidiary of the Company, had on 10 February 2011 received a notice pursuant to Section 308(4) of the Companies Act, 1965 from Suruhanjaya Syarikat Malaysia informing that TFS has been struck off from the register of the Registrar of Companies.

(ii) On 2 November 2011, the Company announced that a notice from the Accounting and Corporate Regulatory Authority, Singapore was received on 2 November 2011 informing that the name of Triton Express (S) Pte. Ltd., an indirect wholly-owned subsidiary of ASC, was struck off the Register on 14 October 2011.

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(b) During the financial year, the following transactions were transacted (continued):

(iii) On 31 May 2011, the Company announced that Unified Communications Pte. Ltd. ("UCPL"), a wholly-owned subsidiary of Unified Communications Holdings Limited ("UCHL"), which in turn is a 58.3%-owned subsidiary of the Company (held via Worldwide Matrix Sdn Bhd, a wholly-owned subsidiary of the Company) had disposed its 51% equity interest in Unified Communications Limited ("UCL"), a subsidiary incorporated in Hong Kong, to a Director and management staff of UCL, Mr. Ching Ming Wai.

Following the completion of the disposal of UCL shares, UCL ceased to be a subsidiary of UCPL and the Company. The summary of the effects on the disposal of UCL shares are as follows:

	2011
	RM'000
Property, plant and equipment	9
Inventories	11
Receivables	24
Cash and bank balances	6
Payables	(249)
Net liabilities deemed disposed	(199)
Less : Net proceeds from disposal	2
Gain on disposal of a subsidiary	(201)
Net proceeds from disposal	2
Less : Cash and cash equivalents of a subsidiary disposed	(6)
Net cash outflow	(4)

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(b) During the financial year, the following transactions were transacted (continued):

(iv) On 15 September 2011, the Company announced that its wholly-owned subsidiary, Excellent Display Sdn Bhd ("EDSB"), had entered into an agreement for the acquisition of 100% equity interest in Dama TCM Sdn Bhd ("Dama TCM") comprising 380,000 issued and fully paid-up ordinary shares of RM1.00 each for a cash consideration of RM600,000.00 ("Acquisition of Dama TCM"). Concurrently with the completion of the Acquisition of Dama TCM, EDSB will enter into a service contract with Lee Thiam Huat to appoint him as the Chief Operating Officer of Dama TCM. To incentivise and ensure a long term commitment, 20% of the enlarged share capital of Dama TCM will be transferred to Lee Thiam Huat at a nominal value of RM1.00 ("Proposed Transfer"). Upon completion of the Proposed Transfer, EDSB's equity interest in Dama TCM will be reduced to 80%. Please refer to Note 38(c) to the financial statements for the completion of the Proposed Transfer subsequent to the end of the financial year. On 7 December 2011, the Company announced that the Acquisition of Dama TCM has been completed and accordingly, Dama TCM became a wholly-owned subsidiary of EDSB and the Company. The summary of the effects on the acquisition of Dama TCM shares are as follows:

	2011
	RM'000
Property, plant and equipment	249
Receivables	40
Inventories	43
Cash and bank balances	32
Payables	(203)
Share of net assets acquired	161
Goodwill on consolidation	439
Total purchase consideration	600

	2011
	RM'000
Total purchase consideration	600
Less : Cash and cash equivalents of a subsidiary acquired	(32)
Net cash outflow	568

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(b) During the financial year, the following transactions were transacted (continued):

(v) On 26 September 2011, ASC acquired 186,074 ordinary shares of RM1.00 each representing 10% equity interest in Quality Bus & Coach (M) Sdn Bhd ("QBC") from Quality Bus & Coach Pty. Ltd. for a total cash consideration of RM1.00 only pursuant to an internal reorganisation and consequential thereto, QBC became a 61%-owned subsidiary of ASC.

(vi) On 25 October 2011, the Company announced that the disposal of Suntop Corporation Sdn Bhd ("Suntop")(as detailed in Note 9(b) to the financial statements) was completed and accordingly, Suntop ceased to be a subsidiary of the Company.

(vii) On 13 December 2011, the Company announced that the shareholders of Alangka-Suka Australia Pty. Ltd. ("ASAPL") and Holiday Villa Australia Pty. Ltd. ("HVAPL"), both indirect wholly-owned subsidiaries of the Company [held via Larkswood Assets Limited, a wholly-owned subsidiary of Alangka-Suka International Limited, which is in turn a wholly-owned subsidiary of Alangka-Suka Hotels & Resorts Sdn Bhd, a wholly-owned subsidiary of the Company] have respectively passed a resolution to voluntary deregister ASAPL and HVAPL. Please refer to Note 38(d) to the financial statements for the deregistration of ASAPL and HVAPL subsequent to the end of the financial year.

(viii) On 22 December 2011, the Company announced that Advance Synergy Properties Sdn Bhd ("ASP"), a wholly-owned subsidiary of the Company, acquired 100% equity interest in two shelf companies incorporated in Hong Kong, namely Excellent Result Investments Limited ("Excellent Result") and Best Alpha Investments Limited ("Best Alpha"), each comprising 1 issued and fully paid-up ordinary share of HKD1.00 each ("Acquisition"). Excellent Result and Best Alpha became wholly-owned subsidiaries of ASP and the Company after the acquisition.

(c) During the financial year, the Group recognised the following impairment losses:

Impairment loss of RM10.65 million for investment in subsidiaries was recognised based on the estimated recoverable amount.

In the previous financial year, the Company had written back impairment loss on investment in subsidiaries of RM31.00 million in view that the underlying fair value of the investment in subsidiaries mainly in respect of the land and buildings value of the subsidiaries was higher than the carrying amount.

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(d) The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
Direct subsidiaries				
Advance Synergy Capital Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
Advance Synergy Properties Sdn. Bhd.	Malaysia	100	100	Investment holding
* Advance Synergy Realty Sdn. Bhd.	Malaysia	100	100	Property development
Advance Synergy Timber Sdn. Bhd.	Malaysia	100	100	Dormant
Alam Samudera Corporation Sdn. Bhd.	Malaysia	100	100	Investment holding
Alangka-Suka Hotels & Resorts Sdn. Bhd.	Malaysia	100	100	Investment holding
* Ausborn Sawmill Sdn. Bhd.	Malaysia	100	100	Inactive
* Bornion Sawmill Sdn. Bhd.	Malaysia	100	100	Inactive
Calmford Incorporated	British Virgin Islands	100	100	Investment holding
Diversified Gain Sdn. Bhd.	Malaysia	100	100	Investment holding
Excellent Arch Sdn. Bhd.	Malaysia	100	100	Investment holding
Excellent Display Sdn. Bhd.	Malaysia	100	100	Investment holding
** iSynergy Sdn. Bhd.	Malaysia	80	80	Provision of payment related products and services
Nagapura Management Corporation Sdn. Bhd.	Malaysia	100	100	Provision of management services
Sadong Development Sdn. Bhd.	Malaysia	100	100	Property development, management and rental of properties
Strategic Research & Consultancy Sdn. Bhd.	Malaysia	100	100	Inactive
# Synergy Cards Sdn. Bhd.	Malaysia	92	92	Provision of designated payment instruments and products
Synergy Gold Incorporated	British Virgin Islands	100	100	Inactive
Synergy Petroleum Incorporated	British Virgin Islands	100	100	Investment holding
Worldwide Matrix Sdn. Bhd.	Malaysia	100	100	Investment holding

8. INVESTMENT IN SUBSIDIARIES (Continued)

(d) The details of the subsidiaries are as follows (Continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
Indirect subsidiaries held through Advance Synergy Capital Sdn. Bhd.				
AESBI Power Systems Sdn. Bhd.	Malaysia	100	100	Property investment and management services
ASC Credit Sdn. Bhd.	Malaysia	100	100	Credit and leasing
ASC Equities Sdn. Bhd.	Malaysia	100	100	Investment holding and venture capital
Quality Bus & Coach (M) Sdn. Bhd.	Malaysia	61	61	Designing, building and fabrication of coaches
Triton Engineering Sdn. Bhd.	Malaysia	100	100	Inactive
Triton Express Sdn. Bhd.	Malaysia	100	100	Inactive
Triton Feeder Services Sdn. Bhd.	Malaysia	-	100	Struck Off and dissolved on 21 February 2011
Triton-K Sdn. Bhd.	Malaysia	100	100	Management services
Triton Khidmat Sdn. Bhd.	Malaysia	100	100	Inactive
Indirect subsidiary held through Triton Express Sdn. Bhd.				
* Triton Express (S) Pte. Ltd.	Singapore	-	100	Struck Off and dissolved on 14 October 2011
Indirect subsidiaries held through Advance Synergy Properties Sdn. Bhd.				
^ Best Alpha Investments Limited	Hong Kong	100	-	Dormant
^ Excellent Result Investments Limited	Hong Kong	100	-	Dormant
Synergy Realty Incorporated	British Virgin Islands	100	100	Inactive
Indirect subsidiary held through Synergy Realty Incorporated				
* Builderworks Pty. Ltd.	Australia	100	100	Inactive
Indirect subsidiary held through Alam Samudera Corporation Sdn. Bhd.				
Synergy Tours (Borneo) Sdn. Bhd.	Malaysia	100	100	Travel and tour agent

8. INVESTMENT IN SUBSIDIARIES (Continued)

(d) The details of the subsidiaries are as follows (Continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	2010 %	Principal Activities
Indirect subsidiaries held through Alangka-Suka Hotels & Resorts Sdn. Bhd.				
Alangka-Suka International Limited	British Virgin Islands	100	100	Investment holding
Alor Setar Holiday Villa Sdn. Bhd.	Malaysia	100	100	Operates Holiday Villa Hotel & Suites Alor Setar
Antara Holiday Villas Sdn. Bhd.	Malaysia	100	100	Provision of hotel management services
Asbina Hotel & Property Sdn. Bhd.	Malaysia	100	100	Leasehold owner of Holiday Villa Hotel & Suites Phnom Penh
Cherating Holiday Villa Berhad	Malaysia	100	100	Operates Holiday Villa Beach Resort Cherating
Grand Hotel Sudan Limited	British Virgin Islands	100	100	Leasehold owner of Grand Holiday Villa Hotel & Suites Khartoum
Holiday Villa Subang Sdn. Bhd.	Malaysia	100	100	Dormant
Holiday Villa Travel & Tours Sdn. Bhd.	Malaysia	100	100	Hiring of limousines
Holiday Villas International Limited	British Virgin Islands	100	100	Hotel management services
Langkawi Holiday Villa Sdn. Bhd.	Malaysia	100	100	Operates Holiday Villa Beach Resort & Spa Langkawi
Mayor Hotels Sdn. Bhd.	Malaysia	100	100	Owns and operates City Villa Kuala Lumpur
Super Leisure Sdn. Bhd.	Malaysia	100	100	Investment holding
* Alangka-Suka Paris SAS	France	100	100	Owns the real estate of Holiday Villa Lafayette Paris
* Lagenda de Malaisie SAS	France	100	100	Operation and management of restaurants
Indirect subsidiaries held through Alangka-Suka International Limited				
Asbina Shenzhen Limited	British Virgin Islands	90	90	Dormant
* Grand Holiday Villa Khartoum Co. Ltd.	Republic of Sudan	100	100	Operates Grand Holiday Villa Hotel & Suites Khartoum
Holiday Villa Makkah Limited (formerly known as Launceston Developments Limited)	British Virgin Islands	100	100	Inactive
* Interwell Management Limited	England and Wales	100	100	Dormant
Larkswood Assets Limited	British Virgin Islands	100	100	Investment holding
* P.T. Diwangkara Holiday Villa Bali	Republic of Indonesia	90	90	Operates and manages Diwangkara Holiday Villa Beach Resort Bali & Holiday Villa Hotel Wina Kuta

8. INVESTMENT IN SUBSIDIARIES (Continued)

(d) The details of the subsidiaries are as follows (Continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
Indirect subsidiary held through Asbina Hotel & Property Sdn. Bhd.				
Asbina Hotel & Property (Cambodia) Pte. Ltd.	Kingdom of Cambodia	100	100	Operates Holiday Villa Hotel & Suites Phnom Penh
Indirect subsidiaries held through Holiday Villas International Limited				
Holiday Villa China International Limited	British Virgin Islands	95	95	Hotel management services
Holiday Villa Middle East Limited	British Virgin Islands	90	90	Hotel management services
* Holiday Villa (UK) Ltd.	England and Wales	100	100	Operates Holiday Villa Hotel & Suites London
Indirect subsidiary held through Holiday Villa China International Limited				
* Changshu Holiday Villa Hotel Management Co. Ltd.	People's Republic of China	95	95	Hotel management services
Indirect subsidiary held through Alangka-Suka Paris SAS				
* Holiday Villa Lafayette Paris SAS	France	100	100	Owns and operates the on-going business of Holiday Villa Lafayette Paris
Indirect subsidiaries held through Larkswood Assets Limited				
* Alangka-Suka Australia Pty. Ltd.	Australia	100	100	Voluntary deregistered on 16 February 2012.
* Holiday Villa Australia Pty. Ltd.	Australia	100	100	Voluntary deregistered on 16 February 2012.
Indirect subsidiaries held through Calmford Incorporated				
* Advansa Pty. Ltd.	Australia	100	100	Manufacturing and marketing of builder hardware products
Advansa Sdn. Bhd.	Malaysia	100	100	Provision of management services
* Home Cinema Studio Pty. Ltd.	Australia	100	100	Inactive
Indirect subsidiary held through Diversified Gain Sdn. Bhd.				
Orient Escape Travel Sdn. Bhd.	Malaysia	100	100	Travel and tour agent, licensed money changer and the provision of travel related services

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(d) The details of the subsidiaries are as follows (Continued):

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
Indirect subsidiaries held through Orient Escape Travel Sdn. Bhd.				
Marketing and Event Management Integrated Sdn. Bhd.	Malaysia	100	100	Inactive
Motorsports Adventure Sdn. Bhd.	Malaysia	100	100	Inactive
Orient Escape Travel (Penang) Sdn. Bhd.	Malaysia	100	100	Inactive
Synergy Tours Sdn. Bhd.	Malaysia	100	100	Travel and tour agent
Indirect subsidiary held through Excellent Arch Sdn. Bhd.				
Advance Synergy Furniture Sdn. Bhd.	Malaysia	100	100	In liquidation
Indirect subsidiary held through Excellent Display Sdn. Bhd.				
Dama TCM Sdn. Bhd.	Malaysia	100	-	Engaged in the business of traditional Chinese medicine services
Indirect subsidiaries held through iSynergy Sdn. Bhd.				
Cosmocourt.com (Malaysia) Sdn. Bhd.	Malaysia	80	80	Inactive
Rewardstreet.com (Malaysia) Sdn. Bhd.	Malaysia	80	80	Inactive
Datakey Sdn. Bhd.	Malaysia	80	80	Dormant
Indirect subsidiaries held through Nagapura Management Corporation Sdn. Bhd.				
Acrylic Synergy Sdn. Bhd.	Malaysia	81	81	Inactive
Syarikat Fit and Weld Engineering (M) Sdn. Bhd.	Malaysia	70	70	In liquidation
Xgo Technik Sdn. Bhd.	Malaysia	100	100	Inactive
Indirect subsidiary held through Sadong Development Sdn. Bhd.				
Hotel Golden Dragon Sdn. Bhd.	Malaysia	95	95	Property development
Indirect subsidiary held through Hotel Golden Dragon Sdn. Bhd.				
Simpang Tiga Realty Sdn. Bhd.	Malaysia	95	95	Property development

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(d) The details of the subsidiaries are as follows (Continued):

	Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
	Indirect subsidiary held through Worldwide Matrix Sdn. Bhd.				
*	Unified Communications Holdings Limited	Singapore	58.30	58.30	Investment holding and the provision of management services
	Indirect subsidiaries held through Unified Communications Holdings Limited				
*	Mobilization Sdn. Bhd.	Malaysia	58.30	58.30	Creation and operation of next-generation mobile applications and mobile media-based services including mobile advertising services and such mobile media value-added-services that operate on an advertisement-supported or advertisement-funded revenue model
*	Unified Assets Sdn. Bhd.	Malaysia	58.30	58.30	Investment holding
*	Unified Communications (OHQ) Sdn. Bhd	Malaysia	58.30	58.30	Provisions of management services
*	Unified Communications (OSS) Sdn. Bhd.	Malaysia	58.30	58.30	Investment holding
*	Unified Communications Pte. Ltd.	Singapore	58.30	58.30	Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry
*	Unified Communications Sdn. Bhd.	Malaysia	58.30	58.30	Research and development, software engineering, system integration, project management, and maintenance and support services for the telecommunications industry
	Indirect subsidiary held through Unified Communications (OSS) Sdn. Bhd.				
*	GlobeOSS Sdn. Bhd.	Malaysia	29.73	29.73	Provision of global roaming quality of service management solutions
	Indirect subsidiary held through GlobeOSS Sdn. Bhd.				
*	GlobeOSS Pte. Ltd.	Singapore	29.73	29.73	Provision of global roaming quality of service management solutions

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

(d) The details of the subsidiaries are as follows (Continued):

Name of Company	**Country of Incorporation**	**Effective Equity Interest 2011 %**	**Effective Equity Interest 2010 %**	**Principal Activities**
Indirect subsidiaries held through Unified Communications Pte. Ltd.				
* AttrixTech Sdn. Bhd.	Malaysia	58.30	58.30	Distribution of information technology and telecommunications products
* Unified Communications Limited	Hong Kong	-	29.73	Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry
* Unified Communications (Private) Limited	Pakistan	58.30	58.30	Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises
* Unified Communications (VAS) Sdn. Bhd	Malaysia	58.30	58.30	Provision of telecommunications products, technology and customised solutions to telecommunications operators, service providers and enterprises
* Unified (Thailand) Limited	Thailand	51.89	51.89	Distribution of telecommunications products, the design and development of telecommunications solutions, project management, and maintenance and support services for the telecommunications industry
Indirect subsidiaries held through Unified Communications Sdn. Bhd.				
* Unified Communications (Tech) Pte. Ltd. (formerly knonw as Attrix Technology Pte. Ltd.)	Singapore	58.30	58.30	Distribution of information technology and telecommunications products
* Unified Communications (Shenzhen) Pte. Ltd.	People's Republic of China	58.30	58.30	Distribution of telecommunications products, development of localised telecommunications solutions and maintenance and support services for the telecommunications industry

* Companies audited by another firms other than Baker Tilly Monteiro Heng.
** 29% of the equity interest of these companies are held by Advance Synergy Capital Sdn. Bhd., a wholly-owned subsidiary of the Company.
# 41% of the equity interest of these companies are held by Advance Synergy Capital Sdn. Bhd., a wholly-owned subsidiary of the Company.
^ The companies were acquired on 22 December 2011 and there were no audited financial statements for the period ended 31 December 2011.

9. INVESTMENT IN ASSOCIATES

		Group	
		2011	**2010**
	Note	RM'000	RM'000
At cost:			
Quoted shares		12,758	12,758
Less: Allowance for impairment loss		(450)	(450)
		12,308	12,308
Unquoted shares		21,219	63,930
Less: Allowance for impairment loss		-	-
		21,219	63,930
Share of post-acquisition reserve, net of dividends received		(10,852)	68,545
		22,675	144,783
Reclassified to non-current assets classified as held for sale	17	-	(114,024)
		22,675	30,759
Market value of quoted shares		3,157	4,961

The transactions involving associates during the financial year are as follows:

(a) On 2 February 2011, the Company announced that the Board of Directors of the Company had resolved to seek the approval from its shareholders for the proposed disposal by ASC of its entire shareholding of 49,000,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital in ACE Synergy Insurance Berhad ("ASIB") to ACE INA International Holdings Ltd. ("ACE INA") for a total cash consideration of RM117.0 million ("Disposal of ASIB").

ASIB ceased to be an associated company of ASC subsequent to the Disposal of ASIB which was deemed completed on 14 June 2011.

(b) On 17 March 2011, the Company announced that Alangka-Suka Hotels & Resorts Sdn Bhd ("ASHR"), had acquired an additional 30% equity interest in Suntop comprising 61,500 ordinary shares of RM1.00 each ("Acquisition of Suntop"). Consequentially, ASHR's equity interest in Suptop increased from 40% to 70% after the Acquisition of Suntop. On 7 July 2011, the Company announced that its wholly-owned subsidiary, ASHR, had entered into an agreement for the disposal of its entire shareholding of 143,500 shares representing 70% equity interest in Suntop for a cash consideration of RM3,269,000 ("Disposal of Suntop"). On 25 October 2011, the Company announced that the Disposal of Suntop was completed and accordingly, Suntop ceased to be an associate of the Company.

9. **INVESTMENT IN ASSOCIATES (Continued)**

(c) On 12 December 2011, Super Leisure Sdn Bhd ("Super Leisure"), an indirect wholly-owned subsidiary of the Company [held via ASHR which is wholly-owned by the Company], subscribed for 24,500 new ordinary shares of RM1.00 each representing 49% equity interest in Smile Integrated Solution Sdn Bhd ("Smile Integrated Solution") at an issue price of RM1.00 per new ordinary share. Consequential thereto, Smile Integrated Solution became an associate company of Super Leisure and the Company.

(d) On 14 October 2011, the Company announced that Unified Communications Sdn Bhd ("UCSB"), a wholly-owned subsidiary of UCHL, had entered into an agreement for the acquisition of the remaining 228,000 ordinary shares of RM1.00 each representing 60% equity interest in Ahead Mobile Sdn Bhd ("AMSB") not already owned by UCSB for a total cash consideration of up to RM22.5 million ("Acquisition of AMSB"). Please refer to Note 38(a) to the financial statements for the completion of the Acquisition of AMSB subsequent to the end of the financial year.

The summarised financial information of the associates is as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Results		
Revenue	27,087	30,034
Profit for the financial year	22,859	6,223
Assets and Liabilities		
Total assets	105,021	151,455
Total liabilities	6,489	10,462

9. INVESTMENT IN ASSOCIATES (Continued)

The details of the associates are as follows:

	Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
	Indirect associates held through Advance Synergy Capital Sdn. Bhd.				
*	ACE Synergy Insurance Berhad	Malaysia	-	49	Underwriting of general insurance business
	Kumpulan Powernet Berhad	Malaysia	20	20	Investment holding
*	Quality Bus & Coach Pty. Ltd.	Australia	50	50	Designing, building and fabrication of coaches
*	SIBB Berhad	Malaysia	20	20	Investment dealing
	Indirect associates held through Alangka-Suka Hotels & Resorts Sdn. Bhd.				
	Suntop Corporation Sdn. Bhd.	Malaysia	-	40	Investment holding
	Holiday Villa Hotels & Resorts Sdn. Bhd.	Malaysia	40	40	Dormant
	Holiday Villa Kuala Lumpur Sdn. Bhd.	Malaysia	40	40	Investment holding
	Indirect associate held through Langkawi Holiday Villa Sdn. Bhd.				
	M OOD Perfumes Sdn. Bhd.	Malaysia	30	-	Perfumes retailer
	Indirect associate held through Super Leisure Sdn. Bhd.				
	Smile Integrated Solution Sdn. Bhd.	Malaysia	49	-	Provides total solution for hotel industry concentrating in marketing of SMILE Hospitality System, providing training and maintenance of software.
	Indirect associate held through Unified Communications Sdn. Bhd.				
*	Ahead Mobile Sdn. Bhd.	Malaysia	23.32	23.32	Software engineering, system integration, project management, and maintenance and support services for the telecommunications industry

* Companies audited by another firms other than Baker Tilly Monteiro Heng.

10. INVESTMENT IN JOINT VENTURE

The details of the joint venture are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	2010 %	Principal Activities
Indirect joint venture held through Unified Communications Pte. Ltd.				
* Unified Telecom Private Limited	India	29.15	29.15	Provision of telecommunications products, services and customised solutions

* Companies audited by another firms other than Baker Tilly Monteiro Heng.

The following amounts represent the Group's 29.15% share of the assets and liabilities, and income and expenses of the joint venture which are included in the consolidated statements of financial position and statements of comprehensive income of the Group using the line-by-line format of proportionate consolidation.

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

	Group 2011 RM'000	2010 RM'000
Results		
Revenue	-	149
Loss for the financial year	(339)	(255)
Assets		
- Current assets	100	158
- Non-current assets	44	60
Liabilities		
- Current liabilities	108	237
Operating cash outflows	(437)	(50)
Investing cash outflows	-	(19)
Financing cash inflows	361	149

11. INVESTMENT SECURITIES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Non-Current:				
Available-for-sale financial assets				
Quoted securities				
In Malaysia				
- Equity instruments	20,284	20,284	-	-
- Less: Allowance for impairment loss	(9,825)	(9,018)	-	-
	10,459	11,266	-	-
Available-for-sale financial assets				
Unquoted securities				
In Malaysia				
- Equity instruments, at cost	52,662	52,662	52,658	52,658
- Less: Allowance for impairment loss	(47,757)	(47,757)	(47,758)	(47,758)
	4,905	4,905	4,900	4,900
Outside Malaysia				
- Equity instruments, at cost	16,502	16,502	-	-
	21,407	21,407	4,900	4,900
Total non-current investment securities	31,866	32,673	4,900	4,900
Current:				
Financial assets at fair value through profit or loss:				
Held for trading investments				
Quoted securities				
In Malaysia				
- Equity instruments	928	919	-	-
Total current investment securities	928	919	-	-
Total investment securities	32,794	33,592	4,900	4,900
Market value of quoted investments	11,387	12,185	-	-

In the previous financial year, the Group recognised an impairment loss of RM27.3 million for unquoted equity instruments classified as available-for-sale financial assets which was recognised based on the estimated recoverable amount of the investments.

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current:					
Trade					
Trade receivables		2,150	6,400	-	-
		2,150	6,400	-	-
Less : Allowance for impairment					
Trade receivables		-	-	-	-
		-	-	-	-
Total non-current receivables		2,150	6,400	-	-
Non-Trade					
Other assets		424	-	-	-
		424	-	-	-
Total non-current receivables		2,574	6,400	-	-
Current:					
Trade					
Trade receivables	(a)	34,860	36,961	-	-
Amount owing from customers for contract work	(b)	1,068	5,341	-	-
Accrued billings	(c)	265	1,225	-	-
		36,193	43,527	-	-
Less : Allowance for impairment					
Trade receivables		(2,342)	(7,694)	-	-
		33,851	35,833	-	-

12. TRADE AND OTHER RECEIVABLES (Continued)

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Current:					
Non-Trade					
Other receivables		12,537	7,299	426	66
Deposits		2,551	1,290	5	5
Prepayments		8,709	9,611	-	-
Amounts owing from associates	(d)	429	953	12	42
Amounts owing from subsidiaries	(e)	-	-	97,659	98,043
		24,226	19,153	98,102	98,156
Less : Allowance for impairment					
Other receivables		(946)	(984)	-	-
		(946)	(984)	-	-
		23,280	18,169	98,102	98,156
Total current receivables		57,131	54,002	98,102	98,156
Total trade and other receivables		59,705	60,402	98,102	98,156
Add: Cash and bank balances and short term deposits (Note 16)		191,686	110,670	5,196	668
Total loan and receivables		251,391	171,072	103,298	98,824

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 to 90 days (2010: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The carrying amounts of trade and other receivables approximate their fair values.

12. **TRADE AND OTHER RECEIVABLES (Continued)**

(a) **Trade receivables (Continued)**

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

	Group	
	2011	**2010**
	RM'000	RM'000
Neither past due nor impaired	19,341	19,955
Past due 0 to 3 months	9,477	9,001
Past due 3 to 9 months	3,501	4,309
Past due over 9 months	2,349	2,402
	15,327	15,712
Impaired- Individually	1,977	7,328
Impaired- Collectively	365	366
	37,010	43,361

<u>Receivables that are neither past due nor impaired</u>

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

<u>Receivables that are past due but not impaired</u>

Included in the Group's trade and other receivable balances are receivables with carrying values of RM15.3 million (2010: RM15.7 million) which are past due but not impaired at the end of the financial year. The Group has not made any allowances for impairment for these receivables since there has not been a significant change in the credit quality of these receivables and the amounts owing are still considered as recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and/or payment track records. Allowances for impairment are made on specific trade receivables when there is objective evidence that the Group will not be able to collect all amounts due. Included in current year provisions are mainly specific allowances for impairment.

12. **TRADE AND OTHER RECEIVABLES (Continued)**

(a) **Trade receivables (Continued)**

Receivables that are impaired

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

Movement in allowance accounts:

	Group	
	2011	**2010**
	RM'000	RM'000
At 1 January	7,694	8,679
Charge for the financial year	135	435
Disposal of a subsidiary	(64)	-
Written off	(5,284)	(934)
Reversal of impairment loss	(172)	(436)
Exchange differences	33	(50)
At 31 December	2,342	7,694

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

In the previous financial year, the Group has reversed impairment losses on other receivables of RM16.89 million after the reassessment of the recoverability of other receivables by the management.

(b) **Amount Owing From/(To) Customers from Customers for Contract Work**

	Group	
	2011	**2010**
	RM'000	RM'000
Aggregate costs incurred to date and attributable profits recognised to date	28,921	11,074
Less: Progress billings	(28,165)	(5,783)
	756	5,291
Analysed as follows:		
Amount owing to customers for contract work	(312)	(50)
Amount owing from customers for contract work	1,068	5,341
	756	5,291

12. **TRADE AND OTHER RECEIVABLES (Continued)**

(c) **Accrued Billings**

	Group	
	2011	**2010**
	RM'000	RM'000
Aggregate costs incurred to date	4,596	8,280
Add: Attributable profits	1,138	1,283
	5,734	9,563
Less: Progress billings	(5,469)	(8,338)
	265	1,225

(d) **Amount Owing from Associates**

The amount owing from associates are unsecured, interest-free and are repayable on demand.

(e) **Amount Owing from Subsidiaries**

	Company	
	2011	**2010**
	RM'000	RM'000
Amount owing from subsidiaries	207,869	211,915
Less : Allowance for impairment	(110,210)	(113,872)
	97,659	98,043

The amount owing from subsidiaries are unsecured, interest-free and are repayable on demand.

In 2009, 2010 and 2011, the Group implemented an intercompany loan restructuring exercise to address and re-align the intercompany balances within the Group through a method not involving any substantial cash payment, write back or write off.

13. DEFERRED TAX

(a) 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 taxes relate to the same tax authority. The amounts of deferred tax assets and liabilities, after appropriate offsetting, are as follows:

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
At 1 January		(122)	(443)	(1,304)	(1,493)
Recognised in profit or loss	27	(461)	256	130	131
Recognised directly in equity	20	61	58	61	58
Foreign exchange translation adjustment		1	7	-	-
At 31 December		(521)	(122)	(1,113)	(1,304)
Presented after appropriate offsetting:					
Deferred tax asset, net		(3,141)	(2,870)	(1,113)	(1,304)
Deferred tax liabilities, net		2,620	2,748	-	-
		(521)	(122)	(1,113)	(1,304)

The deferred tax assets of the Company are in relation to the ICULS.

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

Deferred tax liabilities of the Group

	Property, Plant and Equipment	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2011	2,788	(40)	2,748
Recognised in profit or loss	(109)	(19)	(128)
At 31 December 2011	2,679	(59)	2,620
At 1 January 2010	2,919	(38)	2,881
Recognised in profit or loss	(131)	(2)	(133)
At 31 December 2010	2,788	(40)	2,748

13. **DEFERRED TAX (Continued)**

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

Deferred tax assets of the Group

	Unutilised tax losses and unabsorbed capital allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2011	1,886	984	2,870
Recognised in profit or loss	440	(169)	271
At 31 December 2011	2,326	815	3,141
At 1 January 2010	1,476	1,848	3,324
Recognised in profit or loss	410	(864)	(454)
At 31 December 2010	1,886	984	2,870

(b) The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Deductible/(taxable) temporary differences	19,190	(618)
Unutilised tax losses	221,005	227,561
Unabsorbed capital allowances	21,168	40,749
	261,363	267,692

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation.

14. PROPERTY DEVELOPMENT COSTS

	Leasehold land - at cost	Leasehold land - at valuation	Development costs	Total
Group	RM'000	RM'000	RM'000	RM'000
2011				
Cumulative property development costs				
At 1 January 2011	15,453	1,426	8,437	25,316
Incurred during the financial year	2,250	-	2,714	4,964
At 31 December 2011	17,703	1,426	11,151	30,280
Cumulative costs recognised in profit or loss				
At 1 January 2011	(352)	(35)	(377)	(764)
Recognised during the financial year	(28)	-	366	338
At 31 December 2011	(380)	(35)	(11)	(426)
Carrying Amount at 31 December 2011	17,323	1,391	11,140	29,854
Group				
2010				
Cumulative property development costs				
At 1 January 2010	16,117	1,426	5,510	23,053
Incurred during the financial year	-	-	8,711	8,711
Transferred to inventories	-	-	(363)	(363)
Completed properties	(664)	-	(5,421)	(6,085)
At 31 December 2010	15,453	1,426	8,437	25,316
Cumulative costs recognised in profit or loss				
At 1 January 2010	(1,016)	(35)	308	(743)
Recognised during the financial year	-	-	(6,107)	(6,107)
Completed properties	664	-	5,422	6,086
At 31 December 2010	(352)	(35)	(377)	(764)
Carrying Amount at 31 December 2010	15,101	1,391	8,060	24,552

14. PROPERTY DEVELOPMENT COSTS (Continued)

Included in property development costs are the following charges incurred during the financial year:

	Group	
	2011	**2010**
	RM'000	RM'000
Interest expenses	185	182

Certain leasehold land of the Company were revalued by the Directors in 1993 after taking into consideration the valuation carried out by independent professional firms of valuers on 27 February 1992 and since then, the revaluation has not been updated. The revaluation resulted in a surplus of RM6.17 million which has been transferred to the asset revaluation reserve. The asset revaluation reserve is transferred to retained profits upon development and sale of such land. A total amount of RM5.86 million has been transferred to retained profits as at 31 December 2011.

Certain leasehold land held under development with carrying amount of RM14.48 million (2010: RM14.19 million) have been charged to financial institutions for credit facilities granted to a subsidiary as disclosed in Note 21 to the financial statements.

15. INVENTORIES

	Group	
	2011	**2010**
	RM'000	RM'000
At cost/net realisable value:		
Completed development properties	14,071	18,837
Raw materials	606	636
Work-in-progress	498	1,793
Finished goods	6,432	7,459
Food and beverages	313	614
Operating supplies	3,679	3,611
	25,599	32,950

Certain units of completed development properties with carrying amount of RM0.69 million (2010: RM0.69 million) of the Group have been pledged to licensed banks for credit facilities granted to a subsidiary as disclosed in Note 21 to the financial statements.

16. CASH AND BANK BALANCES AND SHORT TERM DEPOSITS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	40,051	46,535	96	68
Short term deposits	151,635	64,135	5,100	600
	191,686	110,670	5,196	668

Included in the short term deposits of the Group are:

(a) an amount of RM10.10 million (2010: RM8.14 million) charged to licensed banks as security for banking facilities granted to certain subsidiaries as disclosed in Note 21 to the financial statements.

(b) Included in deposits with licensed banks of the Group at the end of the reporting period was an amount of RM0.50 million (2010: RM0.49 million) held under the Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

(c) an amount of RM19.08 milliom (2010: RM18.30 million) placed with lease payables as security deposits for lease payments as disclosed in Note 21 to the financial statements.

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities of the non-current assets classified as held for sale are as follows:

		Group	
		2011	**2010**
	Note	RM'000	RM'000
Investment in ASIB - at carrying amount *	9	-	114,024
Property, plant and equipment - at carrying amount #		8,038	931
		8,038	114,955

* As set out in Note 9(a) to the financial statements, ASIB ceased to be an associated company of ASC consequential to the disposal by ASC of its entire shareholding of 49,000,000 ordinary shares of RM1.00 each representing 49% of the total issued and paid-up share capital in ASIB to ACE INA for a total cash consideration of RM117.0 million which was deemed completed on 14 June 2011.

In the previous financial year, the Group entered into sale and purchase agreement to dispose a piece of leasehold land. The disposal was completed in December 2011.

On 18 April 2011 and on 20 Dec 2011, the Group entered into sale and purchase agreement to dispose a condominium and a piece of freehold land.

18. SHARE CAPITAL

	2011		2010	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
Authorised:				
At 1 January/ 31 December	3,000,000	900,000	3,000,000	900,000
Issued and fully paid:				
At 1 January	488,160	146,448	473,379	142,014
Arising from conversion of ICULS (Note 20)	15,970	4,791	14,781	4,434
Issue of new ordinary shares	263	79	-	-
At 31 December	504,393	151,318	488,160	146,448

For the financial year ended 31 December 2011, a total of 31,413,000 ICULS have been converted into 15,706,500 new ordinary shares of RM0.30 each of the Company by surrendering for cancellation two (2) ICULS for every one (1) new ordinary share of RM0.30 each in the Company, and a total of 525,000 new ordinary shares of RM0.30 each were issued consequential to a conversion by surrendering for cancellation one (1) ICULS of nominal value of RM0.15 and cash payment of RM0.15 for one (1) new ordinary share of RM0.30 each in the Company.

Warrants 2000/2010

As at the expiry date on 27 August 2010, none of the 168,896,809 warrants issued by the Company (“ASB Warrants”) on 29 August 2000 had been exercised. The ASB Warrants have been removed from the Official List of Bursa Securities with effect from 9.00 a.m. on Monday, 30 August 2010.

19. RESERVES

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable					
Available for sale reserve	(a)	2,130	4,064	-	-
Capital reserve		-	-	69	69
Foreign exchange translation reserve	(b)	(8,389)	(9,476)	-	-
Revaluation reserve	(c)	12,769	12,767	-	-
		6,510	7,355	69	69
Share premium		117,317	117,317	117,317	117,317
		123,827	124,672	117,386	117,386
Distributable					
Retained earnings/ (Accumulated losses)	(d)	74,643	70,416	(12,705)	(21,759)
		198,470	195,088	104,681	95,627

(a) **Available for Sale Reserve**

The available for sale reserve represents the fair value reserve relating to the fair valuation of financial assets categorised as available for sale and share of available for sale reserve of associates.

(b) **Foreign Exchange Translation Reserve**

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. 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, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation and share of foreign exchange translation reserve of associates.

(c) **Revaluation Reserve**

The revaluation reserve represents the surplus on the revaluation of certain hotel properties of the Group and share of revaluation reserve of associates.

19. **RESERVES (Continued)**

(d) **Retained Earnings**

The Finance Act, 2007 introduced a single tier company income tax system with effect from the year of assessment 2008. However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholder under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 tax credit and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 tax credit balance to be frozen as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit. Accordingly, during the transitional period, the Company may utilise the tax credit under Section 108 as at 31 December 2010 to distribute cash dividend payments to ordinary shareholders (who have held the shares for 90 days prior to the payout) as defined under the Finance Act, 2007.

20. **ICULS**

On 29 January 2008, the Company issued 1,182,277,666 ICULS.

The ICULS are constituted by a Trust Deed dated 10 December 2007 and a Supplemental Trust Deed dated 4 August 2008 ("Trust Deed"). The ICULS have a tenure of ten (10) years from the date of issue and are not redeemable in cash. Unless converted, all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares of the Company ("ASB Shares") at the conversion price applicable on the maturity date (i.e. 26 January 2018).

The ICULS may be converted into new ASB Shares by:

(a) surrendering the ICULS with an aggregate nominal value equivalent to RM0.30 for every one (1) new ASB Share (subject to adjustments in accordance with the provisions of the Trust Deed) ("Conversion Price"); or

(b) surrendering one (1) ICULS together with the necessary cash payment constituting the difference between the Conversion Price and the nominal value of the ICULS surrendered, for one (1) new ASB Share. For avoidance of doubt, for every one (1) ICULS surrendered together with the required cash payment, the holder will only be entitled to subscribe for one (1) new ASB Share.

The new ASB Shares to be issued upon conversion of the ICULS will, upon allotment and issuance, rank pari passu in all respects with the then existing issued ASB Shares save that they will not be entitled for any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the new ASB Shares pursuant to the conversion of the ICULS.

20. **ICULS (Continued)**

The interest on the ICULS at the rate of 2% per annum on the nominal value of the outstanding ICULS is payable annually in arrears, on the last day of each of the ten (10) successive periods of twelve (12) months calculated from the issue date with the last interest payment date falling on the maturity date of the ICULS.

The ICULS is recognised in the statements of financial position of the Group and of the Company as follows:

		Group and Company		
	Note	Equity Component	Liability Component	Total
2011		RM'000	RM'000	RM'000
Nominal value				
At 1 January 2011		115,340	18,574	133,914
Deferred tax assets	13	-	(61)	(61)
Converted to ordinary shares during the financial year	18	(4,178)	(613)	(4,791)
At 31 December 2011		111,162	17,900	129,062
Expense recognised in profit or loss				
At 1 January 2011		-	3,794	3,794
Recognised during the financial year - ICULS interest		-	1,116	1,116
At 31 December 2011		-	4,910	4,910
Interest paid/accrued:				
At 1 January 2011		-	(7,977)	(7,977)
Paid/accrued during the financial year		-	(2,555)	(2,555)
At 31 December 2011		-	(10,532)	(10,532)
At 31 December 2011		111,162	12,278	123,440

20. ICULS (Continued)

		Group and Company		
	Note	Equity Component	Liability Component	Total
2010		RM'000	RM'000	RM'000
Nominal value				
At 1 January 2010		119,208	19,198	138,406
Deferred tax assets	13	-	(58)	(58)
Converted to ordinary shares during the financial year	18	(3,868)	(566)	(4,434)
At 31 December 2010		115,340	18,574	133,914
Expense recognised in profit or loss				
At 1 January 2010		-	2,577	2,577
Recognised during the financial year - ICULS interest		-	1,217	1,217
At 31 December 2010		-	3,794	3,794
Interest paid/accrued:				
At 1 January 2010		-	(5,298)	(5,298)
Paid/accrued during the financial year		-	(2,679)	(2,679)
At 31 December 2010		-	(7,977)	(7,977)
At 31 December 2010		115,340	14,391	129,731

Interest expense on the ICULS is calculated based on the effective yield by applying the effective interest rate of 7% for an equivalent non-convertible loan stock to the liability component of the ICULS.

21. BORROWINGS

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Bank overdrafts	(a)	768	-	-	-
Finance lease payable	(b)	1,548	1,540	-	-
Hire purchase payables	(c)	91	115	-	-
Term loans	(d)	5,588	34,513	-	30,000
		7,995	36,168	-	30,000
Non-current liabilities					
Finance lease payable	(b)	21,132	21,019	-	-
Hire purchase payables	(c)	92	81	-	-
Term loans	(d)	54,716	60,369	-	-
		75,940	81,469	-	-
		83,935	117,637	-	30,000
Total liabilities					
Bank overdrafts	(a)	768	-	-	-
Finance lease payable	(b)	22,680	22,559	-	-
Hire purchase payables	(c)	183	196	-	-
Term loans	(d)	60,304	94,882	-	30,000
		83,935	117,637	-	30,000

(a) **Bank Overdrafts**

	Group	
	2011	**2010**
	RM'000	RM'000
Bank overdrafts:		
- secured	768	-

The bank overdrafts are secured by way of:

(i) a pledge of short term deposits; and

(ii) a guarantee and an indemnity from the Company and its subsidiaries.

The effective interest rate of the bank overdraft is disclosed in Note 35(c) to the financial statements.

21. BORROWINGS (Continued)

(b) **Finance Lease Payable**

	Group	
	2011	**2010**
	RM'000	RM'000
Minimum lease payments:		
- not later than one year	1,661	1,652
- later than one year but not later than five years	28,712	6,694
- later than five years	-	23,679
	30,373	32,025
Less: Future finance lease interest	(7,693)	(9,466)
Present value of finance lease liabilities	22,680	22,559
Represented by:		
Current		
- not later than one year	1,548	1,540
Non current		
- later than one year but not later than five years	21,132	5,240
- later than five years	-	15,779
	22,680	22,559

Finance lease payable represents obligation arising from the finance lease for a hotel property pursuant to sale and leaseback agreements entered into in year 2006.

The Group has an option to buy back the hotel property at RM23 million at the end of the lease term, which is for a period of ten (10) years with an option to extend for another period of five (5) years.

The effective interest rate of the finance lease payable is disclosed in Note 35(c) to the financial statements.

The finance lease payable is secured by way of a pledge of short term deposit.

21. **BORROWINGS (Continued)**

(c) **Hire Purchase Payables**

	Group 2011 RM'000	Group 2010 RM'000
Minimum hire purchase payments:		
- not later than one year	100	121
- later than one year but not later than five years	99	82
	199	203
Less: Future hire purchase interest	(16)	(7)
Present value of hire purchase liabilities	183	196
Represented by:		
Current		
- not later than one year	91	115
Non-current		
- later than one year but not later than five years	92	81
	183	196

The effective interest rate of the hire purchase payable is disclosed in Note 35(c) to the financial statements.

(d) **Term Loans**

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Term loans				
-secured	54,055	88,815	-	30,000
-unsecured	6,249	6,067	-	-
	60,304	94,882	-	30,000
Represented by:				
Current				
- not later than one year	5,588	34,513	-	30,000
Non current				
- later than one year but not later than five years	47,261	51,919	-	-
- later than five years	7,455	8,450	-	-
	54,716	60,369	-	-
	60,304	94,882	-	30,000

21. **BORROWINGS (Continued)**

(d) **Term Loans (Continued)**

The term loans are secured by way of:

(i) fixed charges over the freehold land and certain hotel and other properties of the Group;

(ii) the entire issued and paid up share capital of certain subsidiaries;

(iii) certain shares of quoted subsidiaries and unquoted subsidiaries at carrying amounts of RM10.28 million (2010: RM10.28 million) and RM61.94 million (2010: RM63.52 million) respectively;

(iv) certain assets beneficially owned by a Director of the Company;

(v) fixed and floating charges over the assets of certain subsidiaries; and

(vi) a corporate guarantee by the Company.

The effective interest rate of the term loans is disclosed in Note 35(c) to the financial statements.

22. **PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS**

The Group operates unfunded defined retirement benefit plans for some of its employees.

The total amount recognised in the statements of financial position are as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Present value of unfunded defined benefits obligations	1,107	935
Unrecognised actuarial gain	(231)	(188)
	876	747

The total expenses recognised in profit or loss are as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Current service cost	90	77
Interest cost	60	48
Amortisation of net loss	6	11
Expenses recognised in the profit or loss under administrative expenses	156	136

22. PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS (Continued)

The movements during the financial year on the amount recognised in the statement of financial position in respect of the retirement benefits plans are as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
At 1 January	747	629
Provision made in the current financial year	156	136
Paid during the financial year	(27)	(18)
At 31 December	876	747

	Group	
	2011	**2010**
	%	%
Discount rate	6.5	6.0
Expected rate of salary increase	6.0	6.0

23. TRADE AND OTHER PAYABLES

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	RM'000	RM'000	RM'000	RM'000
Current:					
Trade					
Amount owing to customers for contract work	12(b)	312	50	-	-
Trade payables	(a)	13,697	19,178	-	-
		14,009	19,228	-	-
Current:					
Non-Trade					
Accruals		22,540	22,825	679	828
Accrued interest		2,356	2,488	2,356	2,488
Amount owing to associates	(b)	51	163	-	-
Amount owing to subsidiaries	(c)	-	-	203,092	186,719
Deposits received		1,735	1,335	-	-
Other payables		18,763	22,148	29	29
		45,445	48,959	206,156	190,064
Total trade and other payables		59,454	68,187	206,156	190,064

23. **TRADE AND OTHER PAYABLES (Continued)**

(a) **Trade Payables**

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 days (2010: 30 to 90 days).

(b) **Amount Owing to Associates**

The amount owing to associates is unsecured, interest-free and is repayable on demand.

(c) **Amount Owing to Subsidiaries**

The amount owing to subsidiaries is unsecured, interest-free and is repayable on demand.

24. **REVENUE**

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Sales of goods	33,438	35,182	-	-
Hotels and resorts services	59,705	56,951	-	-
Coach building	2,896	3,844	-	-
Information, communications			-	-
technology and related service	34,019	43,087	-	-
Travel and tours	81,584	67,606	-	-
Card and payment services	3,422	2,734	-	-
Interest and financing income	126	55	126	27
Property development	5,734	11,063	-	-
Rental income	1,361	1,330	-	-
Gross dividend income	-	-	40,000	3,724
	222,285	221,852	40,126	3,751

25. OPERATING PROFIT

Operating profit has been arrived at:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
After charging:				
Amortisation of intangible assets	1,715	1,482	-	-
Auditors' remuneration				
- statutory:				
- holding company	84	80	84	80
- subsidiaries	803	722	-	-
- under/(over) accrual in prior years	27	(27)	9	4
- non-statutory:				
- holding company	44	4	44	4
- subsidiaries	35	80	-	-
Bad debts written off	574	765		
Depreciation	7,176	7,428	23	30
Directors' remuneration:				
- fees	542	611	254	254
- other emoluments	1,228	1,089	536	478
Impairment loss on:				
- development expenditure	-	1,057	-	-
- goodwill	2	-	-	-
- available-for-sale investment securities	-	27,274	-	27,274
- held for trading investments	10	-	-	-
- investment in subsidiaries		-	10,650	-
- inventories	15	86	-	-
- loan and receivables	164	1,116	-	-
- property, plant and equipment	-	1,736	-	-
Lease rental	10,122	10,078	-	-
Loss on foreign exchange:				
- realised	-	181	-	-
- unrealised	53	2,202	36	12
Loss on disposal of held for trading investments	-	25	-	-
Property, plant and equipment written off	57	90	-	-
Provision for retirement benefits plan	156	136	-	-
Provision for contingencies and commitments	42	-	-	-
Realisation of foreign exchange reserve	4,908	-	-	-
Rental expenses:				
- equipment	98	137	-	-
- premises	2,862	3,099	438	243
- others	22	23	-	-
Staff cost:				
- salaries and wages	36,443	33,939	2,115	1,914
- defined contribution plan	4,008	3,622	344	325
- other employee benefits	4,432	4,292	(60)	33

25. OPERATING PROFIT (Continued)

Operating profit has been arrived at (Continued):

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Bad debts recovered	299	46	-	-
Fair value gain on investment property	946	-	-	-
Gain on disposal of property, plant and equipment	231	189	-	-
Gain on disposal of non-current assets classified as held for sale	4,269	-	-	-
Gain on disposal of a subsidiary	201	-	-	-
Gain on disposal of an associated company	2,936	-	-	-
Gain on disposal of held for trading investments	19	-	-	-
Realised gain on foreign exchange	1,408	2,277	-	22
Gross dividend income from:				
Available-for-sale financial assets				
- Malaysia:				
- quoted securities	403	429	-	-
- unquoted securities	3	3	-	-
Interest income:				
- Short term deposits	3,579	1,802	-	-
- Loan and receivables	274	483	-	-
Rental income	1,899	1,094	-	-
Realisation of foreign exchange reserve	-	4,583	-	-
Write back of impairment loss on:				
- investment in associates	-	3,414	-	-
- investment in subsidiaries	-	-	-	31,000
- held for trading investments	-	191		
- loan and receivables	171	16,887	-	-
- property, plant and equipment	165	-	-	-
Write back of payables	3,932	-	-	-

26. FINANCE COSTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- advances from subsidiaries	-	-	-	(3,321)
- bank overdrafts	167	23	110	-
- finance lease	1,652	1,644	-	-
- hire purchases	8	39	-	-
- ICULS	1,116	1,217	1,116	1,217
- term loans	5,223	5,128	940	983
- others	50	-	3,307	3,195
	8,216	8,051	5,473	2,074

27. INCOME TAX EXPENSE

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
In Malaysia:				
Income tax				
- current year	2,501	1,210	9,156	48
- prior years	(263)	(1,030)	(39)	67
Deferred tax (Note 13)				
- current year	(459)	202	-	-
- prior years	(2)	54	130	131
	1,777	436	9,247	246
Outside Malaysia:				
Income tax	242	528	-	-
	2,019	964	9,247	246

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

Two subsidiaries of the Company, Unified Communications Sdn Bhd and GlobeOSS Sdn Bhd had been granted pioneer status as Multimedia Super Corridor ("MSC") status under the Promotion of Investment Act, 1986. The benefits to a company having MSC status include a five year pioneer status tax exemption on profits generated from the MSC qualifying activities during the same period. The MSC status of Unified Communications Sdn Bhd, after being extended once, had expired on 20 December 2010. The MSC status of GlobeOSS Sdn Bhd, on the other hand, commenced from 15 January 2007 and will expire on 14 January 2012. GlobeOSS Sdn Bhd's MSC status is in the midst of being renewed for a further five year period commencing on 15 January 2012 to 14 January 2017, of which a formal application has been submitted on 20 December 2011 to the Multimedia Development Corporation ("MDC"), the Malaysian body that oversees the development of MSC.

27. **INCOME TAX EXPENSE (Continued)**

On the other hand, another subsidiary of the Company, Unified Communications (OHQ) Sdn Bhd has been granted Operational Headquarters ("OHQ") status under the Malaysia Industrial Development Authority ("MIDA"). The benefits to a company having OHQ status include ten years pioneer status tax exemption on profits generated from the OHQ qualifying activities during the same year. The OHQ status of the company commenced on 27 October 2009 and will expire on 26 October 2019.

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

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
Applicable tax rate	25	25	25	25
Tax effects arising from				
- Non allowable expenses	59	163	25	408
- Non taxable income	(55)	(158)	-	(433)
- Utilisation of previously unrecognised tax losses and capital allowances	(9)	(11)	-	-
- Deferred tax assets not recognised in the year	18	36	-	-
- Different tax rate in foreign jurisdiction	7	5	-	-
- Deferred tax assets recognised in difference tax rate	-	-	-	-
-Reversal of deferred tax asset	-	9	-	-
- Tax incentives and allowances	-	(1)	-	-
- Share of tax of associates included in share of profit of associates	(19)	(43)	-	-
	26	25	50	-
- (over)/underaccrual in prior years	(3)	(12)	-	14
Average effective tax rate	23	13	50	14

The tax savings of the Group and of the Company are as follows:

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Arising from utilisation of previously unutilised tax losses	802	821	-	-

28. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

	Group	
	2011	**2010**
	RM'000	RM'000
Consolidated profit attributable to owners of the parent	4,227	3,327

	2011	**2010**
	'000	'000
Weighted average number of ordinary shares in issue	499,899	476,205

	2011	**2010**
	Sen	Sen
Basic earnings per share	0.85	0.70

(b) Diluted earnings per ordinary share

Diluted earnings per share of the Group is calculated by dividing the profit/(loss) for the financial year attributable to owners of the parent by the adjusted weighted average number of ordinary shares in issue during the financial year. The adjusted weighted average number of ordinary shares in issue is arrived at assuming full conversion of the ICULS which represents the dilutive potential of the ordinary shares.

	2011	**2010**
	RM'000	RM'000
Consolidated profit attributable to owners of the parent	4,227	3,327
Interest expenses on ICULS (net of tax)	1,246	1,349
Profit after mandatory conversion of ICULS	5,473	4,676

	2011	**2010**
	'000	'000
Weighted average number of ordinary shares in issue	499,899	476,205
Adjustment for ordinary shares deemed converted from ICULS	429,253	452,728
Weighted average number of ordinary shares in issue after deemed conversion of ICULS	929,152	928,933

	2011	**2010**
	Sen	Sen
Diluted earning per share	0.59	0.50

29. CONTINGENT LIABILITES

Corporate Guarantee

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Corporate guarantee given to bank for credit facilities granted to subsidiaries	-	-	41,979	42,511

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is RM Nil.

30. MATERIAL LITIGATION

(a) ACE INA first commenced legal proceedings against ASC regarding the Call Option (i.e. the call option notice issued by ACE INA over the remaining 49,000,000 ordinary shares of RM1.00 each in ASIB held by ASC) when on 3 November 2009 ACE INA issued an Originating Summons ("OS") at the High Court Kuala Lumpur vide Originating Summons No. D-24NCC-72-2009 seeking inter-alia an order to compel ASC to furnish its written consent for ACE INA to apply to Bank Negara Malaysia ("BNM") for the approval of the Minister of Finance ("MOF") under Section 67 of the Insurance Act, 1996 for the disposal and acquisition of ASC's 49% equity interest in ASIB.

On 12 May 2010, the High Court made an order in the 1st OS for ASC to give its written consent ("1st OS Court Order").

By a letter dated 9 September 2010, BNM informed ASC of MOF approval under Section 67 of the Insurance Act, 1996 for the disposal and acquisition of ASC's 49% equity interest in ASIB ("MOF Approval").

Subsequently on 22 September 2010, the Company announced that ASC had received a letter dated 20 September 2010 from the solicitors of ACE INA ("ACE INA Solicitors") notifying ASC that ACE INA has accepted the terms of the aforesaid MOF Approval. In the said letter, ACE INA Solicitors informed ASC that the relevant sale and purchase agreement for the Proposed Disposal must be executed by ASC and the Company within 3 days from the date of the letter, failing which the agreement is deemed to have become effective and binding on ASC and the Company. ACE INA Solicitors also informed ASC that completion of the Proposed Disposal shall occur on 28 September 2010.

On 8 October 2010, ACE INA commenced proceedings against ASC at the High Court Kuala Lumpur in Originating Summons No.D-24NCC-332-2010 ("2nd OS") seeking orders to compel ASC to give effect to the Proposed Disposal.

On 29 November 2010, the High Court Kuala Lumpur made orders for ASC to implement the Disposal of ASIB ("2nd OS Court Order").

30. **MATERIAL LITIGATION (Continued)**

(a) The following legal proceedings between ASC and ACE INA in connection with the 2nd OS Court Order/Disposal of ASIB have been dismissed on the following dates:

(i) <u>8 April 2011</u>

- ASC's motion to the Federal Court for an Order that:

  (a) the Order made by the Federal Court on 8 November 2010 dismissing the ASC's motion in the Federal Court for Leave to Appeal to the Federal Court against the decision of the Court of Appeal made on 9 July 2010 dismissing ASC's Appeal against the 1st OS Court Order made in the Originating Summons on 12 May 2010, be set aside; and

  (b) in the alternative, Leave be granted to Appeal against the decision of the Court of Appeal given on 9 July 2010.

- ASC's motion for Leave for Appeal to the Federal Court against the dismissal by the Court of Appeal on 16 February 2011 of ASC's Intervention Appeal arising from the Intervention Order granted to ACE INA in the Judicial Review Proceedings.

(ii) <u>19 April 2011</u>

ASC's appeal against the 2nd OS Court Order.

(iii) <u>21 April 2011</u>

ASC's Application for Leave for Judicial Review at the High Court and consequently, no order was made on ASC's application to stay the MOF Approval for the Disposal of ASIB.

ACE INA commenced committal proceedings against ASC, the Company and their Directors for alleged disobedience of the 2nd OS Order. The Court has on 20 May 2011 delivered its decision and issued orders for committal against ASC, the Company and their Directors. On 20 May 2011, the Company dispatched the circular to shareholders in relation to the Disposal of ASIB and the notice of an extraordinary general meeting of the Company ("EGM") held on 6 June 2011 to procure its shareholders' approval for the Disposal of ASIB.

At the EGM held on 6 June 2011, shareholders of the Company approved the Disposal of ASIB. On 13 June 2011, the Company and the Directors of ASC and the Company were discharged from the committal order dated 20 May 2011. On 14 June 2011, the Company announced that the Disposal of ASIB was deemed completed following the receipt by ASC of the cash proceed arising from the Disposal of ASIB.

The only pending appeal is the appeal by ASC to the Court of Appeal of Malaysia against the order of the High Court dated 21 April 2011 refusing leave for judicial review against the MOF Approval in respect of the Disposal of ASIB vide Civil Appeal No.: W-01-283-2011. The appeal is pending disposal and no hearing has yet been fixed in respect of the same.

30. **MATERIAL LITIGATION (Continued)**

(b) The Company had on 14 June 2004 instituted legal action against PKNK to recover its investment of RM52,500,000 representing 70% equity interest in KMSB together with other sums, damages, interests and costs. The Company’s solicitors have obtained the signed and sealed copy of the Judgment in Default of Appearance dated 1 August 2004 (“Default Judgment”) from the High Court of Alor Setar for the sum of RM52,500,000, interest thereon at the rate of 8% per annum from the date of judgment to the date of realisation and cost of RM225. On 10 November 2004, PKNK applied to the court to set aside the Default Judgment. On 3 August 2005, the court had allowed PKNK’s application to set aside the Default Judgment. As a procedural step to progress the suit to a trial, the Company’s solicitor had on 29 December 2005 forwarded to the court for filing of the Notice to Attend Pre-Trial Case Management and the Pre-Trial Case Management was fixed for hearing on 17 May 2006.

Due to a change in PKNK’s solicitors, PKNK’s new solicitors had asked for an adjournment on the grounds that they require time to take their client’s instructions and there is a likelihood for an application to amend the Statement of Defence. The court had fixed the Pre-Trial Case Management (“PTCM”) for mention on 21 November 2006. PKNK’s new solicitors filed an application to amend PKNK’s Statement of Defence and the application was also fixed for hearing on 21 November 2006. On 21 November 2006, the court granted leave to PKNK to amend their Statement of Defence.

Since then, the case was fixed for case management, mention and PTCM on various dates and the last date fixed for further PTCM was on 2 November 2010.

At the hearing on 13 January 2011 for PKNK’s application for the determination of points or issues of law for the disposal of the case, the Court was of the view that the Company’s claim is time-barred under the Public Authorities Protection Act (“PAPA”) or even if not under PAPA, then it is time-barred under the Limitation Act and as such, the Company’s claim against PKNK was dismissed with costs.

The Company’s solicitors are of the view that the learned Judicial Commissioner erred in deciding that the Company's claim is time-barred and have appealed the decision of 13 January 2011 to the Court of Appeal of Malaysia vide Civil Appeal No. K-01-85-2011. The appeal is pending disposal and has not been fixed for hearing.

31. COMMITMENTS

(a) Capital commitments in respect of:

	Group	
	2011	**2010**
	RM'000	RM'000
Capital expenditure:		
- authorised and contracted for	1,780	7,055
Analysed as follows:		
- purchase of property, plant and equipment	1,780	7,055
- construction of hotel buildings	*	*
	1,780	7,055

* A subsidiary had entered into a lease agreement on 31 January 1996 with the Municipality Council of Phnom Penh which stipulated that the subsidiary has an obligation to construct a new hotel building and carry out renovation and refurbishment works on the existing hotel building. The expected date of completion is within 36 months from 1 October 1999. The amount contracted shall not be less than USD3 million for both buildings. An extension of time has been granted for the subsidiary to commence the construction of the new hotel building not later than 1 October 2002 and to be completed by 1 October 2004. The refurbishment work on the existing hotel building has since been completed but construction of the new hotel building has not begun as at to date.

The subsidiary was granted approval from the municipality for a further deferment on the commencement of the construction of the new building to 2007. In March 2008, the subsidiary has decided to proceed with the construction of the new hotel building. The building plans have been submitted to the Municipality Council of Phnom Penh on March 2008 and currently are pending its approval.

(b) The Group has lease commitments under non-cancellable operating leases, which are payable as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Not later than one year	10,826	10,506
Later than one year but not later than five years	36,484	42,275
Later than five years	27,659	30,659
	74,969	83,440

32. **SIGNIFICANT RELATED PARTY DISCLOSURES**

(a) **Identification of related parties**

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

The Company has controlling related party relationship with its direct and indirect subsidiaries.

(b) **Significant related party transactions and balances**

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Income				
(i) Interest receivable from a subsidiary				
- iSynergy Sdn. Bhd. ("iSynergy")	-	-	-	3,321
(ii) Rental receivable from an associate				
- Kumpulan Powernet Berhad	106	111	-	-

32. **SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)**

(b) **Significant related party transactions and balances (Continued)**

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Expenses				
(i) Rental payable to a subsidiary				
AESBI Power Systems Sdn. Bhd.	-	-	438	243
(ii) Purchase of goods and services from a subsidiary				
Orient Escape Travel Sdn. Bhd.	-	-	153	144
(iii) Lease rental payable to a company of which a director has deemed interest:				
- Leeds Property Limited	3,694	631	-	-
(iv) Directors' emoluments:				
- fees	542	611	254	254
- salaries and bonuses	1,228	1,089	536	478
- benefit-in-kind	30	30	23	23

The related party transactions described above were entered into in the ordinary course of business and have been established under negotiated terms.

Individually significant outstanding balances arising during the financial year from transactions other than normal trade transactions with related parties are as follows:

	Company	
	2011	**2010**
	RM'000	RM'000
Amount owing by a subsidiary		
- Interest receivable		
- iSynergy	-	3,321

32. SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial year are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Fees	608	704	254	254
Short term employee benefits	3,443	3,237	833	780
Contributions to defined contribution plan	359	348	100	94
	4,410	4,289	1,187	1,128
Benefit-in-kind	39	73	30	30

The estimated monetary value of other benefits, not included in the above, received by Directors and other key management personnel of the Company and its subsidiaries were RM29,900 (2010: RM29,900) for the Company and RM39,320 (2010: RM72,725) for the Group.

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting RM1,228,420 (2010: RM1,089,220) and RM535,920 (2010: RM477,520) respectively.

33. SEGMENT INFORMATION

In the previous financial year, the Group adopted FRS 8 Operating Segments. FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the management in order to allocate resources to the segments and assess their performance. Nevertheless, the replaced FRS 114_{2004} required the identification of two sets of segments - one based on related products and services, and the other on geographical areas. FRS 114_{2004} regarded one set as primary segments and the other as secondary segments. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114.

33. SEGMENT INFORMATION (Continued)

The Group's operating segments are as follows:

Investment holding	:	Investment holding and providing full corporate and financial support to the Group.
Property development	:	Development of residential and commercial properties.
Hotels and resorts	:	Operate and manage hotels and resorts and other related services.
Information and communications technology	:	Design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.
Travel and tours	:	Travel and tour agent, licensed money changer and provision of travel related services.
Others	:	Businesses involving manufacturing, design, building and fabrication of coaches and bus maintenance and related services, trading, card and payment related services and traditional Chinese medicine services.

33. **SEGMENT INFORMATION (Continued)**

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segment:

2011	**Invest-ment holding** RM'000	**Property develop-ment** RM'000	**Hotels and resorts** RM'000	**Information and commu-nications technology** RM'000	**Travel and tours** RM'000	**Others** RM'000	**Elimi-nation** RM'000	**Total** RM'000
Revenue								
External	1,132	5,784	76,236	34,019	81,584	23,530	-	222,285
Inter-segment	728	8	-	-	363	-	(1,099)	-
	1,860	5,792	76,236	34,019	81,947	23,530	(1,099)	222,285
Results								
Segment results	(5,139)	474	6,268	3,411	797	(4,528)	791	2,074
Share of results of associates	4,385	-	(43)	2,493	-	-	-	6,835
Consolidated profit before tax	(754)	474	6,225	5,904	797	(4,528)	791	8,909
Tax expense								(2,019)
Net profit for the financial year								6,890
Attributable to:								
Non-controlling interests								2,663
Owners of the parent								4,227

33. SEGMENT INFORMATION (Continued)

2011	Invest-ment holding RM'000	Property develop-ment RM'000	Hotels and resorts RM'000	Information and commu-nications technology RM'000	Travel and tours RM'000	Others RM'000	Elimi-nation RM'000	Total RM'000
Other information								
Segments assets	150,032	55,588	223,369	135,513	13,943	37,993	-	616,438
Investment in associates	9,847	-	3,958	8,870	-	-	-	22,675
Non-current assets held for sale	7,791	247	-	-	-	-	-	8,038
Unallocated corporate assets								5,911
Total assets								653,062
Segment liabilities	17,454	6,179	96,510	9,171	5,022	22,207	-	156,543
Unallocated corporate liabilities								3,792
Total liabilities								160,335
Capital expenditure								
- Property, plant and equipment	346	1	4,681	1,546	43	174	-	6,791
- investment property	-	-	-	7,926	-	-	-	7,926
- Software development expenditure	-	-	-	2,789	-	-	-	2,789
Amortisation of intangible assets	-	-	3	1,712	-	-	-	1,715
Depreciation	545	41	4,824	1,203	207	356	-	7,176
Interest Income	1,857	133	812	1,001	86	102	(12)	3,979
Finance cost	5,501	-	2,307	-	70	750	(412)	8,216
Impairment loss on:								
-held of trading investments	-	-	10	-	-	-	-	10
-inventories	-	-	-	15	-	-	-	15
-loan and receivables	30	-	11	51	-	72	-	164
Write back of impairment loss on:								
-loan and receivables	-	-	-	131	-	40	-	171
- Property, plant and equipment	-	-	-	165	-	-	-	165
Non-cash expenses other than depreciation and amortisation and impairment loss	-	-	200	4	570	13	-	787

33. SEGMENT INFORMATION (Continued)

2010	Investment holding RM'000	Property development RM'000	Hotels and resorts RM'000	Information and communications technology RM'000	Travel and tours RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue								
External	903	11,158	74,457	43,087	67,606	24,641	-	221,852
Inter-segment	4,593	14	-	-	526	155	(5,288)	-
	5,496	11,172	74,457	43,087	68,132	24,796	(5,288)	221,852
Results								
Segment results	(10,827)	736	9,695	3,884	783	(6,824)	(2,649)	(5,202)
Share of results of associates	9,940	-	(17)	2,710	-	-	-	12,633
Consolidated profit before tax	(887)	736	9,678	6,594	783	(6,824)	(2,649)	7,431
Tax expense								(964)
Net profit for the financial year								6,467
Attributable to:								
Non-controlling interests								3,140
Owners of the parent								3,327

33. SEGMENT INFORMATION (Continued)

2010	Invest-ment holding RM'000	Property develop-ment RM'000	Hotels and resorts RM'000	Information and commu-nications technology RM'000	Travel and tours RM'000	Others RM'000	Elimi-nation RM'000	Total RM'000
Other information								
Segments assets	72,496	58,386	221,000	134,702	11,986	41,369	-	539,939
Investment in associates	27,934	-	-	2,825	-	-	-	30,759
Non-current assets held for sale	114,955	-	-	-	-	-		114,955
Unallocated corporate assets								5,591
Total assets								691,244
Segment liabilities	50,351	8,132	99,467	14,661	4,283	24,068	-	200,962
Unallocated corporate liabilities								3,736
Total liabilities								204,698
Capital expenditure								
- Property, plant and equipment	1,434	1	6,049	3,093	339	441	-	11,357
- Software development expenditure	-	-	-	4,626	-	-	-	4,626
Depreciation	620	85	4,908	1,350	187	278	-	7,428
Interest Income	279	128	849	981	43	60	-	2,340
Finance cost	2,119	-	2,233	3	35	4,366	(705)	8,051
Amortisation of intangible assets	-	-	-	1,482	-	-	-	1,482
Impairment loss on:								
-property, plant and equipment	-	-	-	1,736	-	-	-	1,736
-investment securities	27,274	-	-	-	-	-	-	27,274
-inventories	-	-	-	86	-	-	-	86
-development expenditure	-	-	-	1,057	-	-	-	1,057
-loan and receivables	611	-	297	193	-	15	-	1,116
Write back of impairment loss on:								
-investment in associates	3,414	-	-	-	-	-	-	3,414
-held of trading investments	90	-	98	-	3	-	-	191
-loan and receivables	16,341	-	-	546	-	-	-	16,887
Non-cash expenses other than depreciation and amortisation and impairment loss	634	-	919	195	281	78	-	2,107

33. SEGMENT INFORMATION (Continued)

Geographical Information

The Group operates mainly in Malaysia, Singapore, Africa and Middle East, Europe and Australia. In determining the geographical segments of the Group, revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets. The composition of each geographical segment is as follows:

Malaysia	: Investment holding and providing full corporate and financial support to the Group, property development, owner and operator of hotels and resorts, travel and tours related services, card and payment related services, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry, design, building and fabrication of coaches, and bus maintenance and related services and traditional Chinese medicine services.
Singapore	: Design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry, provision of management and investment holdings.
Africa and Middle East	: Operate and manage hotels and resorts, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.
Europe	: Operate and manage hotels and resorts.
Australia	: Manufacturing, and marketing of builder hardware products.
Others	: Operate and manage hotels and resorts, design and development of telecommunications software applications and systems and the provision of solutions and services for the telecommunications industry.

33. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The following table provides an analysis of the Group's revenue, segment assets and capital expenditure by geographical segment:

	Revenue		Segment assets		Capital expenditure	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	157,568	153,941	465,877	390,109	13,653	9,953
Singapore	1,708	1,842	5,970	7,546	-	963
Africa & Middle East	15,018	16,542	42,885	43,690	163	1,829
Europe	18,923	16,793	41,207	41,232	3,283	1,994
Australia	17,185	18,218	22,609	21,302	36	255
Others	11,883	14,516	37,890	36,060	371	989
	222,285	221,852	616,438	539,939	17,506	15,983

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) **Financial instruments that are not carried at fair value and whose carrying amounts are not reasonably approximated to fair value:**

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

		Group		Company	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	Note	RM'000	RM'000	RM'000	RM'000
2011					
Financial Assets					
Investment in securities:	11				
- unquoted securities in Malaysia		4,905	*	4,900	*
- unquoted securities outside Malaysia		16,502	*	-	-
2010					
Financial Assets					
Investment in securities:	11				
- unquoted securities in Malaysia		4,905	*	4,900	*
- unquoted securities outside Malaysia		16,502	*	-	-

* It is not practical to estimate the fair value of the unquoted investment in securities due to the lack of comparable quoted market process and the inability to estimate fair value without incurring excessive cost.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonably approximated to fair value

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

	Note
Financial Assets	
Trade and other receivables	12
Cash and bank balances and short term deposits	16
Financial Liabilities	
Trade and other payables	23
Borrowings	21
ICULS	20

The carrying amount of these financial assets and liabilities is reasonable approximations of fair values, 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 reporting date.

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

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair values of amounts due from/to subsidiaries, amounts due from/to associates and fixed rate bank borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair value of the liability component and the equity component were determined at the issuance of ICULS.

34. **FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

(c) **Fair value hierarchy**

The following are classes of financial instruments that are carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Level 1 – Unadjusted quoted prices in active market for identical financial instruments

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

(iii) Level 3 – Input Inputs that are not based on observable market data

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

	Level 1
	RM'000
Group	
2011	
Non-Current:	
Financial Assets	
Investment in securities:	
- Available-for-sale financial assets	10,459
- Held for trading investments	928

The Group does not have any financial assets or financial liabilities measured at Level 2 and Level 3 hierarchy.

35. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. The Group‘s and the Company's exposure to credit risk arises primarily from trade and other receivables. It is the Group's and the Company's policy to monitor the financial standing of these receivables on an ongoing basis to ensure that the Group and the Company is exposed to minimal credit risk.

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's and the company's policy to monitor the financial standing of these receivables on an ongoing basis to ensure that the Group and the Company is exposed to minimal credit risk.

Exposure to credit risk

As at end of financial year, the Group and the Company have no significant concentration of credit risk other than an amount owing from a debtor of RM10.25 million (2010: RM12.14 million). The Group and the Company does not anticipate the carrying amounts as at the end of financial year to be significantly different from the values that would eventually be received.

The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position.

Credit risk concentration profile

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

	Group			
	2011		**2010**	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Investment holding	114	0.3%	21	0.1%
Property development	2,214	6.4%	3,441	9.6%
Hotels and resorts	9,332	26.9%	8,537	23.9%
Information and communications technology	14,066	40.6%	15,004	42.1%
Travel and tours	5,415	15.6%	4,663	13.1%
Others	3,527	10.2%	4,001	11.2%
	34,668	100%	35,667	100%

35. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(a) **Credit Risk (Continued)**

Credit risk concentration profile (Continued)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks and other financial institutions, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 12 to the financial statements.

Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

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

Financial guarantees

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

The maximum exposure to credit risk amounts to RM41.98 million (2010: RM42.51 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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

Maturity analysis

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

2011	**Note**	**Within 1 Year** RM'000	**1 - 5 Years** RM'000	**More than 5 Years** RM'000	**Total** RM'000
Group					
Financial Liabilities					
Trade and other payables	23	59,454	-	-	59,454
Finance lease payable	21(b)	1,548	21,132	-	22,680
Hire purchase payables	21(c)	91	92	-	183
Bank overdrafts	21(a)	768	-	-	768
Term loans	21(d)	5,588	47,261	7,455	60,304
ICULS	20	-	-	123,440	123,440
Company					
Other payables	23	206,156	-	-	206,156
Term loans	21(d)	-	-	-	-
ICULS	20	-	-	123,440	123,440

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity Risk (Continued)

2010	**Note**	**Within 1 Year** RM'000	**1 - 5 Years** RM'000	**More than 5 Years** RM'000	**Total** RM'000
Group					
Financial Liabilities					
Trade and other payables	23	68,187	-	-	68,187
Finance lease payable	21(b)	1,540	5,240	15,779	22,559
Hire purchase payables	21(c)	115	81	-	196
Term loans	21(d)	34,513	51,919	8,450	94,882
ICULS	20	-	-	129,731	129,731
Company					
Other payables	23	190,064	-	-	190,064
Term loans	21(d)	30,000	-	-	30,000
ICULS	20	-	-	129,731	129,731

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) 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 income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its risk.

The Company manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

		2011		2010	
		Weighted average Effective Interest Rate		**Weighted average Effective Interest Rate**	
	Note	%	RM'000	%	RM'000
Fixed Rate					
Group					
Financial Liabilities					
Finance lease payable	21(b)	7.32	22,680	7.32	22,559
Hire purchase payables	21(c)	2.60	183	3.27	196
Term loans	21(d)	6.22	12,431	6.18	12,617
			35,294		35,372
ICULS	20	2.00	123,440	2.00	129,731
			158,734		165,103
Company					
ICULS	20	2.00	123,440	2.00	129,731

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest Rate Risk (Continued)

		2011 Weighted average Effective Interest Rate		2010 Weighted average Effective Interest Rate	
	Note	%	RM'000	%	RM'000
Floating Rate					
Group					
Financial Assets					
Short term deposits	16	2.81	151,635	3.02	64,135
Financial Liabilities					
Bank overdrafts	21(a)	7.78	768	-	-
Term loans	21(d)	7.39	47,873	4.94	82,265
			48,641		82,265
Company					
Financial Assets					
Short term deposits	16	2.00	5,100	1.75	600
Financial Liabilities					
Term loans	21(d)	-	-	3.54	30,000

Sensitivity analysis for interest rate risk

(i) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

(ii) Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group’s and the Company’s profit net of tax would have been RM0.78 million and RM0.04 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign Currency Risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM, Singapore Dollar ("SGD") and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly US Dollar ("USD") and Euro.

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	← Functional currencies →						
	Ringgit	**Australia**	**US**	**Singapore**	**HK**	**Thai**	
Group	**Malaysia**	**Dollar**	**Dollar**	**Dollar**	**Dollar**	**Baht**	**Total**
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency							
Investment securities							
US Dollar	14,809	-	-	-	-	-	14,809
Renminbi	-	-	1,693	-	-	-	1,693
Trade receivables							
Brunei Dollar	440	-	-	-	-	-	440
Euro	40	-	-	-	-	-	40
Sudanese Dinar	-	-	86	-	-	-	86
US Dollar	1,229	-	-	3,250	-	-	4,479
	1,709	-	86	3,250	-	-	5,045
Other receivables							
Australia Dollar	370	-	-	-	-	-	370
Singapore Dollar	7	-	-		-	-	7
US Dollar	279	-	-	56	-	-	335
Euro	54	-	-	54	-	-	108
Others	-	-	-	100	-	20	120
	710	-	-	210	-	20	940

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign Currency Risk (Continued)

	Functional currencies						
Group	**Ringgit Malaysia**	**Australia Dollar**	**US Dollar**	**Singapore Dollar**	**HK Dollar**	**Thai Baht**	**Total**
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency							
Cash and bank balances							
Australia Dollar	24	-	-	-	-	-	24
Euro	39	-	-	-	-	-	39
Hong Kong Dollar	28	-	-	-	-	-	28
Pound Sterling	21	-	31	-	-	-	52
Renminbi	19	-	-	-	-	-	19
Singapore Dollar	74	-	-	-	-	-	74
US Dollar	3,484	-	-	1,415	-	-	4,899
Others	11	-	-	-	-	-	11
	3,700	-	31	1,415	-	-	5,146
Trade payables							
US Dollar	413	396	-	1,757	-	-	2,566
Singapore Dollar	100	-	-	-	-	-	100
Australia Dollar	5	-	-	-	-	-	5
Euro	2,834	-	-	24	-	-	2,858
Sudanese Dinar	-	-	113	-	-	-	113
Others	-	-	22	443	-	5	470
	3,352	396	135	2,224	-	5	6,112

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign Currency Risk (Continued)

	Functional currencies						
Group	**Ringgit Malaysia**	**Australia Dollar**	**US Dollar**	**Singapore Dollar**	**HK Dollar**	**Thai Baht**	**Total**
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency							
Investment securities							
US Dollar	14,809	-	-	-	-	-	14,809
Renminbi	-	-	1,693	-	-	-	1,693
Trade receivables							
Australia Dollar	83	-	-	-	-	-	83
Brunei Dollar	471	-	-	48	-	-	519
Euro	1,054	-	-	-	-	-	1,054
Sudanese Dinar	-	-	366	-	-	-	366
US Dollar	3,172	-	-	1,511	92	-	4,775
	4,780	-	366	1,559	92	-	6,797
Other receivables							
Australia Dollar	617	-	-	-	-	-	617
Singapore Dollar	69	-	-	-	-	-	69
US Dollar	290	-	-	77	-	-	367
Euro	133	-	-	-	-	-	133
Others	-	-	-	-	-	19	19
	1,109	-	-	77	-	19	1,205

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign Currency Risk (Continued)

	Functional currencies						
Group	**Ringgit Malaysia**	**Australia Dollar**	**US Dollar**	**Singapore Dollar**	**HK Dollar**	**Thai Baht**	**Total**
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency							
Cash and bank balances							
Australia Dollar	52	-	-	-	-	-	52
Euro	168	-	-	-	-	-	168
Hong Kong Dollar	1	-	-	-	-	-	1
Pound Sterling	24	-	49	-	-	-	73
Renminbi	13	-	-	-	-	-	13
Singapore Dollar	7,136	-	-	-	-	-	7,136
US Dollar	3,560	-	-	1,657	110	-	5,327
Others	844	-	-	-	-	2	846
	11,798	-	49	1,657	110	2	13,616
Trade payables							
US Dollar	1,793	592	-	1,859	203	-	4,447
Singapore Dollar	339	-	-	-	-	-	339
Australia Dollar	9	-	-	-	-	-	9
Euro	1,386	-	-	-	-	-	1,386
Brunei Dollar	36	-	-	-	-	-	36
Sudanese Dinar	-	-	133	-	-	-	133
Others	-	-	27	433	-	6	466
	3,563	592	160	2,292	203	6	6,816

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk

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

		Group
		2011
		RM'000
		Profit/loss for the year
USD/RM	- strengthened 10%	458
	- weekened 10%	(458)
USD/SGD	- strengthened 10%	296
	- weekened 10%	(296)
EURO/RM	- strengthened 10%	(270)
	- weekened 10%	270

(e) Market Price Risk

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

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Securities. These instruments are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI (FBMKLCI).

A 10 percent strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM1.14 million and post tax profit or loss by RM0.09 million. A 10 percent weakening in FBMKLCI would have had equal but opposite effect on equity and profit or loss respectively.

36. CAPITAL MANAGEMENT

The Group actively and regularly reviews and manages its capital structure with the objectives of ensuring that the Group will be able to continue as a going concern while maximising the return to stakeholders. These reviews take into consideration future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and strategic investment opportunities.

The capital structure of the Group consists of debt which includes borrowings (Note 21), cash and cash equivalents (Note 16), and equity attributable to equity holders of the Company.

The Group's overall capital management strategy remains unchanged from 2010 and this includes maintaining a healthy gearing ratio taking into consideration the objectives of the Group. As at reporting date, the gearing ratio calculated as total borrowings divided by total equity is as follows:

	Group	
	2011	**2010**
	RM'000	RM'000
Total borrowings	83,935	117,637
Less : Cash and cash equivalents	(161,236)	(83,747)
Net debt	(77,301)	33,890
Total equity	492,727	486,546
Debt-to-equity ratio	(0.16)	0.07

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

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Securities.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) ASIB ceased to be an associated company of ASC consequential to the Disposal of ASIB which was deemed completed on 14 June 2011. Please refer to Note 9(a) and Note 30(a) to the financial statements for further details on the Disposal of ASIB.

(b) On 14 October 2011, the Company announced the Acquisition of AMSB. Please refer to Note 9(d) and Note 38(a) to the financial statements for further details on the Acquisition of AMSB.

(c) On 7 December 2011, the Company announced that the Acquisition of Dama TCM has been completed and accordingly, Dama TCM became a wholly-owned subsidiary of EDSB and the Company. Please refer to Note 8(b)(iv) to the financial statements for further details on the Acquisition of Dama TCM.

38. SIGNIFICANT SUBSEQUENT EVENTS

(a) Subsequent to the Company's announcement on 14 October 2011 concerning the Acquisition of AMSB as set out in Note 9(d) to the financial statements. On 16 January 2012, the Company announced that the Acquisition of AMSB was completed and accordingly, AMSB became a wholly-owned subsidiary of UCSB.

(b) On 16 January 2012, Synergy Tours Sdn Bhd ("Synergy Tours"), an indirect wholly-owned subsidiary of the Company [held via Orient Escape Travel Sdn Bhd, which in turn is a wholly-owned subsidiary of Diversified Gain Sdn Bhd, a wholly-owned subsidiary of the Company] had incorporated a 50%-owned company in Italy, namely Le Indie Viaggi S.R.L. to conduct all types of outbound and incoming travel businesses for distribution through internet with a share capital of €100,000 through subscription in equal amounts by the two shareholders with €50,000 each. Consequential thereto, Le Indie Viaggi S.R.L. became a 50%-owned associate company of Synergy Tours and the Company.

(c) On 31 January 2012, the Proposed Transfer in Dama TCM (as detailed in Note 8(b)(iv) to the financial statements) was completed and accordingly, Dama TCM became an 80%-owned subsidiary of EDSB and the Company.

(d) Further to the resolution passed by the shareholders of ASAPL and HVAPL to voluntary deregister ASAPL and HVAPL as announced by the Company on 13 December 2011 (as set out in Note 8(b)(vii) to the financial statements), pursuant to a notice dated 16 February 2012 from the Australian Securities & Investments Commission, ASAPL and HVAPL were deregistered on 16 February 2012.

(e) On 22 March 2012, the Company announced that Unified Communications (Shenzhen) Pte. Ltd., a wholly-owned subsidiary of UCHL in the People's Republic of China, had been voluntarily wound up on 20 March 2012.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Main Market Listing Requirements of Bursa Securities. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 31 December 2011 are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	RM'000	RM'000	RM'000
Total retained earnings/accumulated losses of the Company and its subsidiaries:				
- Realised	(378,264)	(448,054)	(12,973)	(22,228)
- Unrealised	(18,542)	(22,948)	268	469
	(396,806)	(471,002)	(12,705)	(21,759)
Total share of retained earnings/accumulated losses from associated companies:				
- Realised	(1,193)	65,586	-	-
- Unrealised	212	(658)	-	-
Total share of retained earnings/(accumulated losses) from jointly controlled entities:				
- Realised	(634)	(289)	-	-
- Unrealised	-	-	-	-
	(398,421)	(406,363)	(12,705)	(21,759)
Less : Consolidation adjustments	473,064	476,779	-	-
Total group retained earnings /(accumulated losses) as per statements of financial position	74,643	70,416	(12,705)	(21,759)

The determination of realised and unrealised profits or losses is based on Guidance of 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*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **DATO' AHMAD SEBI BAKAR** and **YONG TECK MING**, being two of the Directors of ADVANCE SYNERGY BERHAD, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 139 are properly drawn up in accordance with the 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 31 December 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 140 has been prepared in accordance with the Guidance of 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*, issued by the Malaysian Institute of Accountants.

Signed on behalf of the board in accordance with a resolution of the Directors,

....
DATO' AHMAD SEBI BAKAR
Director

....
YONG TECK MING
Director

Selangor Darul Ehsan
24 April 2012

Company No. 1225 - D

ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **LEE SU NIE**, being the Director primarily responsible for the financial management of ADVANCE SYNERGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 7 to 139 and the supplementary information set out on page 140 are 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.

....

LEE SU NIE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 24 April 2012

Before me,

PESURUHJAYA SUMPAH
ARSHAD ABDULLAH
W.550
MALAYSIA

....

Commissioner for Oaths

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

BAKER TILLY
MONTEIRO HENG

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Company No. 1225 - D

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCE SYNERGY BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of ADVANCE SYNERGY BERHAD, which comprise the statements of financial position as at 31 December 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 7 to 139.

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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. 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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(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 8 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 auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Company No. 1225 - D

Other Reporting Responsibilities

The supplementary information set out on Page 140 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 the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing 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.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Kuala Lumpur

24 April 2012

Heng Ji Keng
No. 578/05/12 (J/PH)
Partner