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# Financial Statements



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# Directors' Report

**+** *The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.*



## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and the associates are respectively described in Note 18 and Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Note 18 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit, net of tax	69,981	70,208
Profit attributable to:		
Equity holders of the parent	49,680	70,208
Minority interests	20,301	-
	69,981	70,208

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies as disclosed in Note 2.2 to the financial statements.

## DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2009 were as follows:

In respect of the financial year ended 31 December 2010:

	RM'000
First interim dividend of 1.5% less 25% taxation, on 436,458,652 ordinary shares, declared on 21 May 2010 and paid on 30 June 2010	4,910

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2010.

# Directors' Report

(Continued)

## DIRECTORS

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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:

<b>Tan Sri Razali Ismail</b>	(Independent Non-Executive Chairman)
<b>Dato' Seri H'ng Bok San</b>	(Executive Deputy Chairman)
<b>Dato' H'ng Chun Hsiang</b>	(Managing Director & Chief Executive Officer)
<b>Kon Ted Liuk</b>	(Deputy Managing Director)
<b>Dato' N. Sadasivan</b>	(Independent Non-Executive Director)
<b>Chin Yoke Chung Patrick*</b>	(Independent Non-Executive Director)
<b>Lai Chang Hun*</b>	(Independent Non-Executive Director)
<b>Wan Ismail Wan Nik*</b>	(Independent Non-Executive Director)
<b>Datin H'ng Hsieh Ling</b>	(Group Chief Financial Officer/Alternate Director to Dato' Seri H'ng Bok San)

\* Being members of Audit Committee.

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 10 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

# Directors' Report

(Continued)

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year are as follows:

	← Number of ordinary shares of RM1.00 each →			
	1 January 2010	Acquired	Sold	31 December 2010
<b>Direct interest:</b>				
Tan Sri Razali Ismail	250,000	-	-	250,000
Dato' Seri H'ng Bok San #	3,876	-	-	3,876
Dato' H'ng Chun Hsiang	1,338,000	46,000	-	1,384,000
Kon Ted Liuk	570,000	-	-	570,000
Dato' N. Sadasivan	50,000	-	-	50,000
Lai Chang Hun	882,550	-	-	882,550
Wan Ismail Wan Nik	413,520	104,400	-	517,920
Datin H'ng Hsieh Ling (Alternate Director to Dato' Seri H'ng Bok San)	449,333	-	-	449,333
<b>Deemed interest:</b>				
Dato' Seri H'ng Bok San *	59,101,467	21,805,600	337,000	80,570,067
Dato' H'ng Chun Hsiang **	52,200,606	-	-	52,200,606
Datin H'ng Hsieh Ling (Alternate Director to Dato' Seri H'ng Bok San) ***	52,238,606	-	-	52,238,606
Kon Ted Liuk ##	270,000	-	-	270,000
Lai Chang Hun >>	4,563,738	-	337,000	4,226,738

# Held in trust for shareholders of the Company.

\* Deemed interest in shares held by Zun Holdings Sdn. Bhd., Prominent Development (M) Sdn. Bhd., GUH Holdings Bhd., his spouse and his children by virtue of Section 6A(4)(C) and Section 134(12)(C) of the Companies Act, 1965.

\*\* Deemed interest in shares held by Zun Holdings Sdn. Bhd. by virtue of Section 6A(4)(C) of the Companies Act, 1965.

\*\*\* Deemed interest in shares held by Zun Holdings Sdn. Bhd. and her spouse by virtue of Section 6A(4)(C) and Section 134(12)(C) of the Companies Act, 1965.

## Deemed interest in shares held by his spouse and his children by virtue of Section 134(12)(C) of the Companies Act, 1965.

>> Deemed interest in shares held by Laico Jaya Sdn. Bhd., Prominent Development (M) Sdn. Bhd. and his children by virtue of Section 6A(4)(C) and Section 134(12)(C) of the Companies Act, 1965.

## OTHER STATUTORY INFORMATION

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

## SIGNIFICANT EVENTS

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Details of significant events are disclosed in Note 40 to the financial statements.

## SUBSEQUENT EVENTS

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

# Directors' Report

(Continued)

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2011.

### **Dato' H'ng Chun Hsiang**

Managing Director &  
Chief Executive Officer

### **Kon Ted Liuk**

Deputy Managing Director

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

**+** We, *Dato' H'ng Chun Hsiang and Kon Ted Liuk*, being two of the directors of *Leader Universal Holdings Berhad*, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 46 to 138 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 45 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing requirements, as issued by the Malaysian Institute of Accountants.



Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2011.

## **Dato' H'ng Chun Hsiang**

Managing Director &  
Chief Executive Officer


## **Kon Ted Liuk**

Deputy Managing Director

# Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

**+** I, *Datin H'ng Hsieh Ling*, being the Group Chief Financial Officer primarily responsible for the financial management of *Leader Universal Holdings Berhad*, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 138 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



Subscribed and solemnly declared by  
the abovenamed Datin H'ng Hsieh Ling  
at Georgetown in the State of Penang  
on 30 March 2011:

Before me,

Commissioner for Oaths

**Datin H'ng Hsieh Ling**

# Independent Auditors' Report

to the members of Leader Universal Holdings Berhad (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

**+** *We have audited the financial statements of Leader Universal Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 138.*



### Directors' responsibility for the financial statements

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

### Auditors' responsibility

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

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

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

### Opinion

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

# Independent Auditors' Report

to the members of Leader Universal Holdings Berhad (Incorporated in Malaysia)  
(Continued)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which is indicated in Note 18 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER MATTERS

**+** *The supplementary information set out in Note 45 on page 138 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.*

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



### Ernst & Young

AF: 0039  
Chartered Accountants Chartered Accountant

### Lim Foo Chew

No. 1748/01/12(J)

Penang, Malaysia  
30 March 2011

# Income Statements

For the financial year ended 31 December 2010

	Note	Group Restated		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	4	<b>2,494,025</b>	1,949,800	<b>77,994</b>	69,813
Cost of sales	5	<b>(2,340,205)</b>	(1,793,564)	-	-
<b>Gross profit</b>		<b>153,820</b>	156,236	<b>77,994</b>	69,813
<b>Other item of income</b>					
Other income	6	<b>3,450</b>	3,304	-	-
<b>Other items of expense</b>					
Administrative expenses		<b>(50,299)</b>	(35,435)	<b>(4,521)</b>	(2,863)
Selling and marketing expenses		<b>(33,956)</b>	(32,538)	-	-
Other operating income		<b>4,666</b>	2,116	<b>7,851</b>	2,855
Finance costs	7	<b>(11,376)</b>	(18,423)	<b>(2,950)</b>	(7,238)
Share of results of associates		<b>688</b>	1,594	-	-
<b>Profit before tax</b>	8	<b>66,993</b>	76,854	<b>78,374</b>	62,567
Income tax benefit/(expense)	11	<b>2,988</b>	(5,874)	<b>(8,166)</b>	(4,148)
<b>Profit, net of tax</b>		<b>69,981</b>	70,980	<b>70,208</b>	58,419
<b>Profit attributable to:</b>					
Owners of the parent		<b>49,680</b>	53,452	<b>70,208</b>	58,419
Minority interests		<b>20,301</b>	17,528	-	-
		<b>69,981</b>	70,980	<b>70,208</b>	58,419

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

# Statements of Comprehensive Income

For the financial year ended 31 December 2010

	Note	Group		Company	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
<b>Profit, net of tax</b>		<b>69,981</b>	70,980	<b>70,208</b>	58,419
<b>Other comprehensive income:</b>					
Waiver of debts		-	-	-	2,413
Net movement on cash flow hedge:					
- forward currency contract		(79)	-	-	-
- commodity forward contract		600	-	-	-
Foreign currency translation		(19,857)	(2,795)	-	-
Income tax relating to components of other comprehensive income		(150)	-	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(19,486)</b>	(2,795)	-	2,413
<b>Total comprehensive income for the year</b>		<b>50,495</b>	68,185	<b>70,208</b>	60,832
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		35,986	51,117	70,208	60,832
Minority interests		14,509	17,068	-	-
		<b>50,495</b>	68,185	<b>70,208</b>	60,832
<b>Earnings per share attributable to owners of the parent (sen per share)</b>					
Basic	12	11.38	12.25		

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

# Statements of Financial Position

As at 31 December 2010

	Note	Group			Company	
		2010	Restated	Restated	2010	2009
		RM'000	2009 RM'000	1.1.2009 RM'000	RM'000	RM'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	14	<b>503,040</b>	325,579	311,428	<b>1,480</b>	991
Land held for property development	15(a)	<b>14,552</b>	14,543	14,543	-	-
Investment properties	16	<b>47,270</b>	48,037	46,773	-	-
Prepaid land lease payments	17	<b>4,856</b>	29,028	5,291	-	-
Investments in subsidiaries	18	-	-	-	<b>175,888</b>	108,607
Investments in associates	19	<b>20,600</b>	26,079	25,180	<b>4,854</b>	6,130
Trade and other receivables	20	<b>5,682</b>	9,667	8,913	<b>5,682</b>	9,667
Investment securities	21	<b>9,726</b>	10,074	10,393	-	-
Deferred tax assets	22	<b>1,728</b>	419	-	-	-
		<b>607,454</b>	463,426	422,521	<b>187,904</b>	125,395
<b>Current assets</b>						
Property development costs	15(b)	<b>1,053</b>	1,053	1,053	-	-
Inventories	23	<b>290,552</b>	252,664	262,886	-	-
Redeemable preference shares	24	<b>673</b>	953	1,311	<b>673</b>	953
Tax recoverable		<b>4,168</b>	6,974	4,077	<b>2,873</b>	3,078
Trade and other receivables	20	<b>327,640</b>	312,668	420,074	<b>104,832</b>	122,229
Derivatives	25	<b>2,373</b>	-	-	-	-
Cash and bank balances	26	<b>149,112</b>	213,901	178,306	<b>3,576</b>	34,467
		<b>775,571</b>	788,213	867,707	<b>111,954</b>	160,727
<b>Total assets</b>		<b>1,383,025</b>	1,251,639	1,290,228	<b>299,858</b>	286,122

# Statements of Financial Position

As at 31 December 2010 (Continued)

	Note	Group			Company	
		2010	Restated 2009	Restated 1.1.2009	2010	2009
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Equity and liabilities</b>						
<b>Current liabilities</b>						
Provisions	27	29	29	266	-	-
Borrowings	28	298,024	244,358	308,361	18,829	80,063
Trade and other payables	29	232,905	287,635	234,411	55,735	43,092
Derivatives	25	2	-	-	-	-
Firm commitment		429	-	-	-	-
Income tax payable		2,127	2,382	3,088	-	-
		<b>533,516</b>	534,404	546,126	<b>74,564</b>	123,155
<b>Net current assets</b>		<b>242,055</b>	253,809	321,581	<b>37,390</b>	37,572
<b>Non-current liabilities</b>						
Borrowings	28	163,895	28,814	119,067	227	43
Trade and other payables	29	1,161	-	-	-	-
Retirement benefit obligations	30	3,293	3,368	3,484	3,167	3,167
Deferred tax liabilities	22	6,942	15,513	17,143	-	-
		<b>175,291</b>	47,695	139,694	<b>3,394</b>	3,210
<b>Total liabilities</b>		<b>708,807</b>	582,099	685,820	<b>77,958</b>	126,365
<b>Net assets</b>		<b>674,218</b>	669,540	604,408	<b>221,900</b>	159,757
<b>Equity attributable to owners of the parent</b>						
Share capital	31	436,459	436,459	436,459	436,459	436,459
Share premium		54,829	54,829	54,829	54,829	54,829
Retained earnings/ (Accumulated losses)		52,274	13,737	(29,986)	(269,388)	(331,531)
Other reserves	32	26,621	35,890	38,225	-	-
		<b>570,183</b>	540,915	499,527	<b>221,900</b>	159,757
<b>Minority interests</b>		<b>104,035</b>	128,625	104,881	-	-
<b>Total equity</b>		<b>674,218</b>	669,540	604,408	<b>221,900</b>	159,757
<b>Total equity and liabilities</b>		<b>1,383,025</b>	1,251,639	1,290,228	<b>299,858</b>	286,122

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

# Statements of Changes in Equity

For the financial year ended 31 December 2010

Group	Equity attributable to owners of the parent		Attributable to owners of the parent				Minority interests
	Equity, the parent, total	Equity attributable to owners of the parent	Share capital	Share premium	Other reserves (Note 32)	(Accumulated losses)/ Retained earnings	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Opening balance at 1 January 2010</b>	670,400	541,355	436,459	54,829	36,230	13,837	129,045
Effects of adopting FRS 139	(5,276)	(5,264)	-	-	882	(6,146)	(12)
Effects of adopting FRS 117	(860)	(439)	-	-	(340)	(99)	(421)
<b>At 1 January 2010 (restated)</b>	664,264	535,652	436,459	54,829	36,772	7,592	128,612
<b>Total comprehensive income</b>	50,495	35,986	-	-	(13,694)	49,680	14,509
<b>Transactions with owners</b>							
Dilution of equity interest	(23,944)	(88)	-	-	-	(88)	(23,856)
Share of post-acquisition reserve	3,543	3,543	-	-	3,543	-	-
Dividends paid to minority shareholders of a subsidiary	(15,230)	-	-	-	-	-	(15,230)
Dividends	(4,910)	(4,910)	-	-	-	(4,910)	-
<b>Total transactions with owners</b>	(40,541)	(1,455)	-	-	3,543	(4,998)	(39,086)
<b>Closing balance at 31 December 2010</b>	674,218	570,183	436,459	54,829	26,621	52,274	104,035
<b>Opening balance at 1 January 2009</b>	605,282	499,973	436,459	54,829	38,565	(29,880)	105,309
Effects of adopting FRS 117	(874)	(446)	-	-	(340)	(106)	(428)
<b>At 1 January 2009 (restated)</b>	604,408	499,527	436,459	54,829	38,225	(29,986)	104,881
<b>Total comprehensive income</b>	68,185	51,117	-	-	(2,335)	53,452	17,068
<b>Transactions with owners</b>							
Contribution by minority interest	23,954	-	-	-	-	-	23,954
Dilution of equity interest	-	91	-	-	-	91	(91)
Dividends paid to minority shareholders of a subsidiary	(17,187)	-	-	-	-	-	(17,187)
Dividends	(9,820)	(9,820)	-	-	-	(9,820)	-
<b>Total transactions with owners</b>	(3,053)	(9,729)	-	-	-	(9,729)	6,676
<b>Closing balance at 31 December 2009</b>	669,540	540,915	436,459	54,829	35,890	13,737	128,625

# Statements of Changes in Equity

For the financial year ended 31 December 2010 (Continued)

Note	← Attributable to equity holders of the Company →					
	Equity, total RM'000	Share capital RM'000	Share premium RM'000	(Accumulated losses)/ Retained earnings RM'000		
<b>Company</b>						
	<b>Opening balance at 1 January 2010</b>	159,757	436,459	54,829	(331,531)	
	Effects of adopting FRS 139	(3,155)	-	-	(3,155)	
	<b>At 1 January 2010 (restated)</b>	156,602	436,459	54,829	(334,686)	
	<b>Total comprehensive income</b>	70,208	-	-	70,208	
<b>Transactions with owners</b>						
	Dividends, representing total transactions with owners	13	(4,910)	-	-	(4,910)
	<b>Closing balance at 31 December 2010</b>	221,900	436,459	54,829	(269,388)	
	<b>Opening balance at 1 January 2009</b>	108,745	436,459	54,829	(382,543)	
	<b>Total comprehensive income</b>	60,832	-	-	60,832	
<b>Transactions with owners</b>						
	Dividends, representing total transactions with owners	13	(9,820)	-	-	(9,820)
	<b>Closing balance at 31 December 2009</b>	159,757	436,459	54,829	(331,531)	

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

# Statements of Cash Flows

For the financial year ended 31 December 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Operating activities</b>					
Profit net of tax, total		<b>69,981</b>	70,980	<b>70,208</b>	58,419
Adjustments for:					
Dividend income	4	<b>(1,162)</b>	(188)	<b>(77,638)</b>	(68,707)
Interest income	4 & 6	<b>(3,405)</b>	(3,368)	<b>(356)</b>	(1,106)
Reversal of provision no longer required	8	<b>(3,285)</b>	-	-	-
Finance costs	7	<b>11,376</b>	18,423	<b>2,950</b>	7,238
Allowance for doubtful debts					
- trade receivables	8	-	299	-	-
Amortisation of prepaid land lease payments	8	<b>218</b>	218	-	-
Bad debts written off	8	<b>301</b>	330	-	-
Reversal of impairment loss on unquoted investment	8	<b>(87)</b>	(79)	-	-
Fair value adjustment of investment properties	8	<b>876</b>	991	-	-
Net unrealised foreign exchange losses/(gains)	8	<b>410</b>	(1,269)	<b>393</b>	1,548
Impairment loss on investment in associates	8	<b>3,463</b>	-	-	-
Impairment loss on other investments	8	<b>14</b>	-	<b>14</b>	-
Reversal of impairment loss on other investment	8	<b>(52)</b>	-	<b>(52)</b>	-
Reversal of impairment loss on loan and receivables	8	<b>(2,877)</b>	-	<b>(532)</b>	-
Net fair value changes on derivatives	8	<b>(700)</b>	-	-	-
Interest on impaired loan	7	<b>(123)</b>	-	-	-
Loss/(gain) on disposal of investment in an associate	8	<b>1,062</b>	3	<b>(3,193)</b>	3

# Statements of Cash Flows

For the financial year ended 31 December 2010 (Continued)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Inventories					
- allowance for write down	8	-	1,208	-	-
- written off	8	2,091	4,717	-	-
- written back	8	(30)	(2,002)	-	-
Property, plant and equipment					
- depreciation	8	29,899	29,350	282	221
- gain on disposal	8	(519)	(1,132)	-	-
- written off	8	83	86	-	16
- impairment losses	8	788	612	-	-
Reversal of liquidated damages	8	-	(237)	-	-
Gains on disposal of:					
- unquoted investments	8	-	(19)	-	-
Share of results of associates		(688)	(1,594)	-	-
Write back of allowance for doubtful debts					
- trade and other receivables	8	(874)	(1,678)	-	-
- amounts due from subsidiaries	8	-	-	(4,564)	(4,434)
Income tax (benefit)/expense	11	(2,988)	5,874	8,166	4,148
<b>Operating cash flows before changes in working capital</b>		<b>103,772</b>	<b>121,525</b>	<b>(4,322)</b>	<b>(2,654)</b>
<u>Changes in working capital</u>					
Property development costs and land held for property development		(9)	-	-	-
Inventories		(39,752)	6,298	-	-
Receivables		5,260	90,473	1,346	2,379
Amounts due from associates		(25,213)	24,760	326	390
Non current assets		-	-	637	(650)
Payables		(45,563)	46,766	(1,260)	(1,519)
Payables to lessors		1,161	-	-	-
Retirement benefit obligations		960	-	960	-
Intercompany balances		-	-	(32,041)	(52,106)
<b>Cash flows from operations</b>		<b>616</b>	<b>289,822</b>	<b>(34,354)</b>	<b>(54,160)</b>
Retirement benefits paid		(1,675)	(116)	(1,600)	-
Tax (paid)/refund		(4,492)	(11,477)	1,177	-
Net cash (used in)/generated from operating activities		<b>(5,551)</b>	<b>278,229</b>	<b>(34,777)</b>	<b>(54,160)</b>

# Statements of Cash Flows

For the financial year ended 31 December 2010 (Continued)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Investing activities</b>					
Proceeds from redemption of other investment		241	381	241	381
Additional investment in an associate		(70)	-	(70)	-
Additional of other investments		(202)	-	-	-
Purchase of property, plant and equipment	14(c)	(184,404)	(44,609)	(462)	(901)
Purchase and subsequent expenditure of investment properties		(19,557)	(2,255)	-	-
Interest received		3,405	3,368	356	1,106
Proceeds from disposal of:					
- quoted investments		4	210	-	-
- property, plant and equipment		554	1,170	-	-
- an associate		4,540	-	4,540	-
- investment property		90	-	-	-
Dividend received		1,843	869	68,500	61,688
Increase in deposit held in trust		(12)	(155)	-	-
Net cash (used in)/generated from investing activities		<b>(193,568)</b>	<b>(41,021)</b>	<b>73,105</b>	<b>62,274</b>
<b>Financing activities</b>					
Repayment of Murabahah Medium Term Notes		(80,000)	(10,000)	(80,000)	(10,000)
Proceeds from short term bank borrowings		138,677	5,539	18,750	-
Repayment of hire purchase		(5,287)	(3,824)	(109)	(102)
Dividends paid	13	(4,910)	(9,820)	(4,910)	(9,820)
Dividends paid to minority shareholders of a subsidiary		(15,230)	(17,187)	-	-
Repayment of short term bank borrowings		(17,421)	(128,583)	-	-
Finance costs paid		(13,966)	(19,467)	(2,950)	(7,238)
Drawdown of term loan		176,960	7,900	-	-
Repayment of term loan		(36,424)	(25,139)	-	-
Net cash generated from/(used in) financing activities		<b>142,399</b>	<b>(200,581)</b>	<b>(69,219)</b>	<b>(27,160)</b>

# Statements of Cash Flows

For the financial year ended 31 December 2010 (Continued)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		(56,720)	36,627	(30,891)	(19,046)
<b>Effects of exchange rate changes on cash and cash equivalents</b>		(8,082)	(1,187)	-	-
<b>Cash and cash equivalents at 1 January</b>		213,378	177,938	34,467	53,513
<b>Cash and cash equivalents at 31 December</b>	26	148,576	213,378	3,576	34,467

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010

## 1. CORPORATE INFORMATION

Leader Universal Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 7A, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050, Penang, Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and the associates are respectively described in Note 18 and Note 19. There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Note 18.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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

### 2.2 Changes in accounting policies

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

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

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

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

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

#### FRS 7 Financial Instruments: Disclosures

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

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

#### FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114, other than additional analysis on revenue and non-revenue generating information for power segment. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 39 to the financial statements.

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

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

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

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 42).

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

#### 'Improvements to FRSs (2009)' Amendments to FRS 117 Leases

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

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases.

The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated.

#### FRS 139 Financial Instruments: Recognition and Measurement

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

- Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM438,000. There is no impact to the opening balance of retained earnings as at 1 January 2010. Investments in equity instruments whose fair value cannot be reliably measured to be continued to carry at cost less impairment losses amounting to RM9,636,000 as at 1 January 2010.

- Derivatives

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

Those derivatives that meet the criteria for hedging are accounted for by using the cash flow hedge or fair value hedge.

Under cash flow hedge, the effective portion of the gain or loss on the derivative is recognised directly in other comprehensive income into the hedging reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses. Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

#### FRS 139 Financial Instruments: Recognition and Measurement (Continued)

Under fair value hedge accounting, the fair value changes in hedge items and hedge instruments due to commodity price movements will offset each other in profit or loss, thus insulating the Group's financial results from the effects of commodity price fluctuations.

Hence, upon the adoption of FRS 139, all derivatives held by the Group as at 1 January 2010 that recognised at their fair values are classified as financial assets at fair value through profit or loss and cash flow hedge amounting to RM5,256,000 and RM1,176,000 respectively.

- Impairment of trade receivables

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

- Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries and associates. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, the Company did not recognise the unexpired financial guarantees issued by the Company as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010. No computation was performed on the fair value of the financial guarantees as the management has assessed qualitatively and concluded that the fair value is not material to the financial statements.

- Inter-company loans

During the current and prior years, the Company granted interest-free advances to its subsidiaries. Prior to 1 January 2010, these advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the advances are measured at amortised cost. As at 1 January 2010, the Company has remeasured such advances at their amortised cost and has determined that no adjustments are required to their previous carrying amounts as the Company will convert the intercompany advances to preference shares as settlement, except for RM2,289,000 from a subsidiary was recognised as adjustments to the opening balance of retained earnings as at that date.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

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

	As previously stated RM'000	Effect of adopting amendments to FRS 117 RM'000	Effect of adopting amendments to FRS 139 RM'000	As restated RM'000
<b>Consolidated statements of financial position</b>				
<b>31 December 2009</b>				
Property, plant and equipment	310,314	15,265	-	325,579
Prepaid land lease payments	45,153	(16,125)	-	29,028
Retained earnings	(13,837)	99	6,146	(7,592)
Other reserves	(36,230)	340	(882)	(36,772)
Minority interest	(129,045)	421	12	(128,612)
<b>1 January 2009</b>				
Property, plant and equipment	295,726	15,702	-	311,428
Prepaid land lease payments	21,867	(16,576)	-	5,291
Accumulated losses	29,880	106	-	29,986
Other reserves	(38,565)	340	-	(38,225)
Minority interest	(105,309)	428	-	(104,881)

	Group	
	Increase/(decrease)	
	As at 31 December 2010 RM'000	As at 1 January 2010 RM'000
<b>Consolidated statements of comprehensive income</b>		
Administrative expenses	(14)	(14)
Profit, net of tax	14	14

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

The following are solely the effects arising from the above changes in accounting policies of FRS 139:

	Increase/(decrease)	
	As at	As at
	31 December	1 January
	2010	2010
	RM'000	RM'000
<b>Statements of financial position</b>		
<b>Group</b>		
Amount due from associates	(2,532)	(5,056)
Redeemable preference shares	(39)	(77)
Investment securities	87	-
Trade receivables	(178)	(247)
Other receivables	(122)	(405)
Term loan	284	407
Derivative assets	2,373	6,432
Derivative liabilities	431	5,266
Deferred tax assets	30	45
Deferred tax liabilities	452	294
Retained earnings	(2,926)	(6,146)
Minority interest	38	(12)
Hedging reserve	1,253	882
<b>Company</b>		
Investment in subsidiaries	-	2,289
Redeemable preference shares	(39)	(77)
Trade and other receivables	(13)	(174)
Amount due from associates	(2,532)	(2,904)
Amounts due from subsidiaries	-	(2,289)
Retained earnings	(2,584)	(3,155)
<b>Statements of comprehensive income</b>		
Finance costs	(123)	-
Other operating expenses	(3,035)	(570)
Other income	32	-
Profit before tax	3,190	570
Income tax expense	798	-
Profit, net of tax	2,392	570
Other comprehensive income for the year, net of tax	371	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.2 Changes in accounting policies (Continued)

	Group Increase/ (decrease) 2010 Sen per share
Earnings per share:	
Basic	0.55

### 2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i>	1 July 2010
FRS 3 <i>Business Combinations (Revised)</i>	1 July 2010
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 127 <i>Consolidated and Separate Financial Statements</i>	1 July 2010
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010
Amendments to FRS 132: <i>Classification of Rights Issues</i>	1 March 2010
Amendments to FRS 1: <i>Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i>	1 January 2011
Amendments to FRS 1: <i>Additional Exemptions for First-Time Adopters</i>	1 January 2011
Amendments to FRS 7: <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 2: <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2011
Amendments to FRS 3: <i>Business Combinations</i>	1 January 2011
IC Interpretation 4: <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
IC Interpretation 18: <i>Transfers of Assets from Customers</i>	1 January 2011
Amendments to IC Interpretation 14: <i>Prepayments of a Minimum Funding Requirements</i>	1 July 2011
IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011
TR i - 4: <i>Shariah Compliant Sale Contracts</i>	1 January 2011
IC Interpretation 15: <i>Agreements for the Construction of Real Estate</i>	1 January 2012
FRS 124: <i>Related Party Disclosures</i>	1 January 2012

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.3 Standards and interpretations issued but not yet effective (Continued)

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the Amendments to FRS 127, IC Interpretation 12 and 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the Amendments to FRS 127 and IC Interpretation 12 and 15 are described below.

#### Revised FRS 3 *Business Combinations* and Amendments to FRS 127 *Consolidated and Separate Financial Statements*

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

#### IC Interpretation 15 *Agreements for the Construction of Real Estate*

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

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

#### IC Interpretation 12 *Service Concession Arrangements*

This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This interpretation has impact to the Group:

- since the Group has signed a Power Purchase Agreement ('PPA') for 18 years with Electricite du Cambodge ('EDC') in installing, operating and maintaining a power plant in Phnom Penh, Kingdom of Cambodia. The power plant will be transferred to EDC in year 2015.
- since the Group has signed a Power Transmission Agreement ('PTA') for 25 years with EDC to build, operate and maintain substations and a power transmission line. The substations and transmission lines will be transferred to EDC at the end of the term of the PTA.

Adoption of this interpretation will result in derecognising of generators as property, plant and equipment and recognising as financial asset receivable. The Group is still assessing the impact of this interpretation on its financial performance.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

### 2.5 Transactions with minority interests

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

### 2.6 Subsidiaries

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

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

### 2.7 Associates

Associates are entities, in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. An associate is an equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.7 Associates (Continued)

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

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

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

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

### 2.8 Property, plant and equipment and depreciation

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

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

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

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

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

Buildings	2% - 20%
Plant, machinery and tools	5% - 20%
Motor vehicles	16% - 20%
Furniture, fixtures, fittings and equipment	5% - 50%

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.8 Property, plant and equipment and depreciation (Continued)

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

### 2.9 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

### 2.10 Land held for property development and property development costs

#### a. Land held for property development

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.10 Land held for property development and property development costs (Continued)

#### b. Property development costs

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

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

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

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

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

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

### 2.11 Impairment of non-financial assets

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.
- Unsold properties: cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash, which, are subject to an insignificant risk of changes in value.

### 2.14 Financial assets

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

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

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

#### a) Financial assets at fair value through profit or loss

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

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

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

#### b) Loans and receivables

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

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.14 Financial assets (Continued)

#### c) Held-to-maturity investments

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

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

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

#### d) Available-for-sale financial assets

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

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

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

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

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.15 Impairment of financial assets

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

#### a) Trade and other receivables and other financial assets carried at amortised cost

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

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

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

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.16 Leases

#### a) As lessee

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

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

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

#### b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(c).

### 2.17 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 statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company. Derivative liabilities (excluding those that are hedge-accounted for) are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group has not designated any financial liabilities as at fair value through profit or loss.

#### b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables (including those owing to subsidiaries and related companies), 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.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.17 Financial liabilities (Continued)

#### b) Other financial liabilities (Continued)

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

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

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

### 2.18 Borrowing costs

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

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

### 2.19 Income taxes

#### a) Current tax

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

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

#### b) Deferred tax

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

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.19 Income taxes (Continued)

#### b) Deferred tax (Continued)

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

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

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

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

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

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

#### c) Sales tax

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

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

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

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.20 Provisions

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

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

### 2.21 Employee benefits

#### a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### b) Employee leaves entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

#### c) Defined benefit plans

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

With effect from 1 January 2003, the Group and the Company had discontinued this defined benefit plan. The amount vested for the eligible employees will be maintained in the financial statements until their retirement.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.22 Foreign currency

#### a) Functional and presentation currency

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

#### b) Foreign currency transactions

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

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

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

#### c) Foreign operations

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

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

### 2.23 Revenue recognition

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

#### a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.23 Revenue recognition

#### b) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.10(b).

#### c) Rental income

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

#### d) Interest income

Interest income is recognised using the effective interest method.

#### e) Dividend income

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

#### f) Revenue from services

Revenue from services relates to insurance agency commission. Recognition of agency commission as revenue is based on the effective commencement or renewal dates of the related policies.

### 2.24 Segment reporting

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

### 2.25 Share capital and share issuance expenses

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

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

### 2.26 Hedge accounting

The Group uses derivatives to manage its exposure to foreign market risk, and commodity price risk. These derivatives comprise forward currency contracts and commodity forward contracts. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationship are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of an unrecognised firm commitment (except for foreign currency risk); or
- Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.26 Hedge accounting (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### (i) Fair value hedges

The change in the fair value of commodity forward contracts is recognised in the profit or loss as cost of goods sold. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Under fair value hedge accounting, the fair value changes in hedge items and hedge instruments due to commodity price movements will offset each other in profit or loss, thus insulating the Group and the Company's financial results from the effects of commodity price fluctuations.

Fair value hedge accounting is discontinued if the hedging instrument expired or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

The Group hedges all of its contracted sales obligations with an offsetting forward purchase on the London Metal Exchange ("LME") as disclosed in Note 25.

#### (ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments as disclosed in Note 25.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

### 2.27 Contingencies

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

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

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 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:

#### a) Classification between land held for property development and property development costs

The Group has developed certain criteria based on FRS201 in making judgement whether a property qualifies as land held for property development. Land held for property development is a land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Judgement is made based on management's operation plans and economy forecasting, to determine if a property qualifies as land held for property development.

#### b) Classification between investment properties, prepaid land lease payments and property, plant and equipment

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

During the financial year, the Group has temporarily sub-let leasehold land and building but has decided not to treat these properties as investment properties because it is not the Group's intention to hold these properties in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified as prepaid land lease payments and property, plant and equipment respectively.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 3.2 Key sources of estimation uncertainty

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

#### a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 20. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM91,000.

#### b) Contingent tax liability

Taxes of subsidiary companies operating in Cambodia are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following assessment by the General Department of Taxation (GDT).

The tax returns of subsidiaries are subject to periodic examination by the GDT. As the application of tax laws and regulations to many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final assessment by the GDT.

## 4. REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods, principally cable, wire and its related products	<b>2,376,412</b>	1,818,249	-	-
Revenue from power generation	<b>111,814</b>	127,623	-	-
Revenue from property development	<b>2,500</b>	7	-	-
Rendering of services	<b>5</b>	10	-	-
Dividend income from:				
- subsidiaries	-	-	<b>76,956</b>	68,025
- associates	-	-	<b>682</b>	682
Fair value through profit and loss financial assets				
- equity investments, quoted in Malaysia	<b>7</b>	23	-	-
- other unquoted equity investment	<b>1,155</b>	165	-	-
Interest income from loan and receivables	<b>356</b>	1,106	<b>356</b>	1,106
Rental income from investment properties	<b>1,776</b>	2,617	-	-
	<b>2,494,025</b>	1,949,800	<b>77,994</b>	69,813

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 5. COST OF SALES

	Group	
	2010	2009
	RM'000	RM'000 Restated
Cost of inventories sold	<b>2,269,928</b>	1,710,564
Cost relating to power generation	<b>67,121</b>	81,970
Property development costs	<b>1,149</b>	1,353
Cost of inventory of completed units	<b>2,007</b>	-
Miscellaneous	-	(323)
	<b>2,340,205</b>	1,793,564

In previous financial year, included in property development costs and miscellaneous for the Group were reversal of provisions no longer required amounted to RM1,123,000 and RM323,000 respectively.

## 6. OTHER INCOME

	Group	
	2010	2009
	RM'000	RM'000
Interest income from loans and receivables	<b>3,049</b>	2,262
Insurance claim	<b>10</b>	456
Rental income	<b>210</b>	210
Miscellaneous income	<b>181</b>	376
	<b>3,450</b>	3,304

## 7. FINANCE COSTS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- bank borrowings	<b>15,519</b>	7,804	<b>1,912</b>	-
- obligation under finance leases	<b>854</b>	560	<b>15</b>	7
- Murabahah Medium Term Notes	<b>615</b>	7,250	<b>615</b>	7,250
Interest paid to corporate shareholder of a subsidiary (Note 36)	<b>2,002</b>	1,510	-	-
Foreign exchange losses/(gains)				
- realised	<b>(1,314)</b>	811	-	(113)
- unrealised	<b>(2,485)</b>	(1,044)	<b>194</b>	-
Bank charges	<b>2,457</b>	1,403	-	4
Legal/professional charges	<b>215</b>	129	<b>214</b>	90
	<b>17,863</b>	18,423	<b>2,950</b>	7,238
Less: Interest expense capitalised in property, plant and equipment (Note 14)	<b>(6,364)</b>	-	-	-
Interest on impaired loan	<b>(123)</b>	-	-	-
	<b>11,376</b>	18,423	<b>2,950</b>	7,238

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax from continuing operations:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for doubtful debts				
- trade receivables	-	299	-	-
Amortisation of prepaid land lease payments (Note 17)	218	218	-	-
Auditors' remuneration				
- current year	408	392	120	110
- prior year	31	13	10	12
Bad debts written off				
- third parties	301	330	-	-
Depreciation (Note 14)	29,899	29,350	282	221
Employee benefits expense (Note 9)	73,623	69,812	-	-
Fair value adjustment of investment properties (Note 16)	876	991	-	-
Loss/(Gains) on disposal of:				
- investment in an associate	1,062	3	(3,193)	3
- unquoted investments	-	(19)	-	-
Lease rental	396	76	-	-
Net foreign exchange (gains)/losses				
- realised	(5,209)	(1,642)	69	11
- unrealised	410	(1,269)	393	1,548
Non-executive directors' remuneration (Note 10)	537	631	120	120
Property, plant and equipment				
- gain on disposal	(519)	(1,132)	-	-
- written off	83	86	-	16
- impairment losses included in cost of sales (Note 14)	788	612	-	-
Reversal of liquidated damages (Note 27)	-	(237)	-	-
Reversal of provision no longer needed	(3,285)	-	-	-
Operating leases:				
- minimum lease payments of land and buildings	1,203	1,176	186	156
Royalties	688	684	-	-
Impairment loss on investment in associates	3,463	-	-	-
Reversal of impairment loss on unquoted investment	(87)	(79)	-	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 8. PROFIT BEFORE TAX

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Inventories				
- allowance for write down	-	1,208	-	-
- reversal of write down *	(30)	(2,002)	-	-
- written off	2,091	4,717	-	-
Impairment loss on other investments	14	-	14	-
Reversal of impairment loss on other investment	(52)	-	(52)	-
Reversal of impairment loss on loan and receivables	(2,877)	-	(532)	-
Net fair value changes on derivatives	(700)	-	-	-
Write back of allowance for doubtful debts				
- trade receivables	(872)	(1,678)	-	-
- other receivables	(2)	-	-	-
- amounts due from subsidiaries	-	-	(4,564)	(4,434)

\* The reversal of write down of inventories was made when the related inventories were sold above their carrying amounts.

## 9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2010 RM'000	2009 RM'000
Wages and salaries	62,904	59,086
Social security contributions	593	549
Contributions to defined contribution plan	6,349	6,123
Other benefits	3,777	4,054
	<b>73,623</b>	<b>69,812</b>

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM9,121,000 (2009: RM7,760,000) as further disclosed in Note 10.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration (Note 9):				
Fees	64	51	-	-
Retirement benefits	1,610	-	-	-
Other emoluments	7,447	7,709	-	-
	<b>9,121</b>	7,760	-	-
Non-executive directors' remuneration (Note 8):				
Fees	150	252	120	120
Other emoluments	387	379	-	-
	<b>537</b>	631	120	120
Total directors' remuneration (Note 36 (b))	<b>9,658</b>	8,391	120	120
Estimated monetary value of benefits-in-kind	<b>346</b>	199	7	7
Total directors' remuneration including benefits-in-kind	<b>10,004</b>	8,590	127	127

The details of remuneration receivable by directors who are directors of the Company during the year are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	2,723	2,599	-	-
Fees	32	34	-	-
Bonuses	1,642	1,909	-	-
Defined contribution plan	842	818	-	-
Retirement benefits	1,610	-	-	-
Estimated monetary value of benefits-in-kind	100	113	-	-
	<b>6,949</b>	5,473	-	-
Non-Executive:				
Fees	130	130	120	120
Other emoluments	363	355	-	-
Estimated monetary value of benefits-in-kind	7	7	7	7
	<b>500</b>	492	127	127
	<b>7,449</b>	5,965	127	127

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 10. DIRECTORS' REMUNERATION (Continued)

Directors' remuneration of the Company, other than fees, are reimbursed by the subsidiaries.

The number of directors of the Company whose total remuneration during the year falls within the following bands is analysed as follows:

	Number of Directors	
	2010	2009
Executive directors:		
RM950,001 - RM1,000,000	1	1
RM1,200,001 - RM1,250,000	-	1
RM1,300,001 - RM1,500,000	1	-
RM1,500,001 - RM1,700,000	1	1
RM1,750,001 - RM1,800,000	-	1
RM2,050,001 - RM3,000,000	1	-
Non-Executive directors:		
RM50,001 - RM100,000	3	3
RM100,001 - RM150,000	2	2

## 11. INCOME TAX BENEFIT/(EXPENSE)

### Major components of income tax expense

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current income tax				
Current income tax:				
Malaysian income tax	4,644	6,428	8,107	5,120
Foreign tax	3,181	3,071	-	-
	7,825	9,499	8,107	5,120
(Over)/Under provision in previous years:				
Malaysian income tax	(491)	(1,614)	59	(972)
Foreign tax	-	36	-	-
	7,334	7,921	8,166	4,148
Deferred taxation (Note 22):				
Relating to origination and reversal of temporary differences	(8,526)	2,395	-	-
Overprovision in prior years	(1,796)	(4,442)	-	-
	(10,322)	(2,047)	-	-
Income tax is recognised in profit or loss				
- benefit	(2,988)	-	-	-
- expense	-	5,874	8,166	4,148

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 11. INCOME TAX BENEFIT/(EXPENSE) (Continued)

### Reconciliation between tax expense and accounting profit

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

Group	2010	2009
	RM'000	RM'000
Accounting profit before tax	66,993	76,854
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	16,748	19,214
Different tax rates in other countries	(4,064)	(4,051)
Adjustments:		
Expenses not deductible for tax purposes	2,373	8,625
Income not subject to tax	(2,953)	(9,300)
Expenses eligible for double deductions	(78)	(31)
Utilisation of current year's capital allowances	(56)	(44)
Utilisation of current year's reinvestment allowances	(272)	(1,535)
Utilisation of previously unrecognised unused tax losses	(1)	(74)
Utilisation of previously unrecognised other deductible temporary differences	(109)	(582)
Deferred tax assets not recognised on unused tax losses, unabsorbed capital allowances and other deductible temporary differences	63	43
Deferred tax recognised on unabsorbed exemption of income for the value of increased export	(10,401)	(58)
Deferred tax recognised on reinvestment allowances	(1,531)	(313)
Deferred tax recognised on other temporary differences	(420)	-
Overprovision of Malaysia income tax in prior years	(491)	(1,614)
Underprovision of foreign income tax in prior years	-	36
Over provision of deferred tax in prior years	(1,796)	(4,442)
Income tax benefit/(expense) recognised in profit or loss	(2,988)	5,874
<b>Company</b>		
Accounting profit before tax	78,374	62,567
Tax at Malaysian statutory tax rate of 25% (2009: 25%)	19,594	15,642
Adjustments:		
- Expenses not deductible for tax purposes	(224)	511
- Income not subject to tax	(11,150)	(10,419)
- Utilisation of current year's capital allowances	(56)	(44)
- Utilisation of previously unrecognised other deductible temporary differences	-	(559)
Under/(over) provision of income tax in prior years	59	(972)
Group relief	(57)	(11)
Income tax expense recognised in profit or loss	8,166	4,148

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 11. INCOME TAX BENEFIT/(EXPENSE) (Continued)

Group	2010	2009
	RM'000	RM'000
Tax losses are analysed as follows:		
Unused tax losses carried forward	<b>27,386</b>	22,302
Unabsorbed capital allowances carried forward	<b>5,695</b>	4,133
Unabsorbed reinvestment allowances and exemption of income for the value of increased export carried forward	<b>53,210</b>	14,321

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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

Two of the subsidiaries in Cambodia have been granted full tax exemption for 9 years upon commencement of operations.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The unused tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 12. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the number of ordinary shares in issue during the financial year.

	Group	
	2010	2009 Restated
Profit attributable to owners of the parent (RM'000)	<b>49,680</b>	53,452
Number of ordinary shares in issue ('000)	<b>436,459</b>	436,459
Basic earnings per share (sen)	<b>11.38</b>	12.25

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 13. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b>Recognised during the year:</b>				
First interim dividend for 2010: 1.5% less 25% taxation, on 436,458,652 ordinary shares (1.12 sen per ordinary share)	4,910	-	4,910	-
First interim dividend for 2009: 1.5% less 25% taxation, on 436,458,652 ordinary shares (1.12 sen per ordinary share)	-	4,910	-	4,910
Second interim dividend for 2009: 1.5% less 25% taxation, on 436,458,652 ordinary shares (1.12 sen per ordinary share)	-	4,910	-	4,910
	<b>4,910</b>	<b>9,820</b>	<b>4,910</b>	<b>9,820</b>

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2010.

## 14. PROPERTY, PLANT AND EQUIPMENT

Group	* Land and buildings RM'000	Plant, machinery and tools RM'000	Furniture, fixtures, fittings and equipment RM'000	Motor vehicles RM'000	Construction -in-progress RM'000	Total RM'000
<b>Cost/Valuation</b>						
<b>At 1 January 2009</b>						
As previously stated	132,566	434,563	56,757	15,310	10,759	649,955
Effects of adopting the amendments to FRS 117	16,280	-	-	-	-	16,280
As restated	148,846	434,563	56,757	15,310	10,759	666,235
Additions	506	9,763	4,232	1,538	28,830	44,869
Disposals	-	-	(39)	(764)	-	(803)
Write off	-	-	(801)	-	-	(801)
Reclassification	597	297	1,026	-	(1,920)	-
Retirement	-	(7,418)	(63)	(105)	-	(7,586)
Exchange differences	(180)	(2,231)	(31)	(27)	(23)	(2,492)
<b>At 31 December 2009 (restated)</b>	<b>149,769</b>	<b>434,974</b>	<b>61,081</b>	<b>15,952</b>	<b>37,646</b>	<b>699,422</b>
Representing						
At cost	7,028	434,974	61,081	15,952	37,646	556,681
At valuation	142,741	-	-	-	-	142,741
At 31 December 2009 (Restated)	149,769	434,974	61,081	15,952	37,646	699,422

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	* Land and buildings RM'000	Plant, machinery and tools RM'000	Furniture, fixtures, fittings and equipment RM'000	Motor vehicles RM'000	Construction -in-progress RM'000	Total RM'000
<b>At 1 January 2010:</b>						
As previously stated	133,489	434,974	61,081	15,952	37,646	683,142
Effects of adopting the amendments to FRS 117	16,280	-	-	-	-	16,280
As restated	149,769	434,974	61,081	15,952	37,646	699,422
Additions	3,113	25,241	9,843	3,191	154,976	196,364
Transfer from investment properties (Note 16)	19,358	-	-	-	-	19,358
Disposals	-	(675)	(63)	(1,771)	-	(2,509)
Write off	-	(742)	(327)	-	-	(1,069)
Reclassification	-	-	4,953	-	(4,953)	-
Transfer to inventories (Note 23)	-	(239)	-	-	-	(239)
Exchange differences	(1,650)	(11,670)	(278)	(196)	(2,801)	(16,595)
<b>At 31 December 2010</b>	<b>170,590</b>	<b>446,889</b>	<b>75,209</b>	<b>17,176</b>	<b>184,868</b>	<b>894,732</b>
Representing						
At cost	10,127	446,889	75,209	17,176	184,868	734,269
At valuation	160,463	-	-	-	-	160,463
At 31 December 2010	170,590	446,889	75,209	17,176	184,868	894,732
<b>Accumulated depreciation and impairment losses</b>						
<b>At 1 January 2009</b>						
As previously stated	9,240	288,064	45,818	11,107	-	354,229
Effects of adopting the amendments to FRS 117	578	-	-	-	-	578
As restated	9,818	288,064	45,818	11,107	-	354,807
Depreciation charge for the year (Note 8)	4,235	20,848	2,355	1,912	-	29,350
Impairment loss included in cost of sales (Note 8)	-	612	-	-	-	612
Disposals	-	-	(39)	(726)	-	(765)
Write off	-	-	(715)	-	-	(715)
Reclassification	-	194	(194)	-	-	-
Retirement	-	(7,418)	(63)	(105)	-	(7,586)
Exchange differences	(146)	(1,645)	(45)	(24)	-	(1,860)
<b>At 31 December 2009 (restated)</b>	<b>13,907</b>	<b>300,655</b>	<b>47,117</b>	<b>12,164</b>	<b>-</b>	<b>373,843</b>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	* Land and buildings RM'000	Plant, machinery and tools RM'000	Furniture, fixtures, fittings and equipment RM'000	Motor vehicles RM'000	Construction -in-progress RM'000	Total RM'000
<b>At 1 January 2010:</b>						
As previously stated	12,892	300,655	47,117	12,164	-	372,828
Effects of adopting the amendments to FRS 117	1,015	-	-	-	-	1,015
As restated	13,907	300,655	47,117	12,164	-	373,843
Depreciation charge for the year (Note 8)	4,119	20,740	3,319	1,721	-	29,899
Impairment loss included in cost of sales (Note 8)	-	788	-	-	-	788
Disposals	-	(675)	(56)	(1,743)	-	(2,474)
Write off	-	-	(315)	(671)	-	(986)
Transfer to inventories (Note 23)	-	(41)	-	-	-	(41)
Retirement	-	-	-	-	-	-
Exchange differences	(695)	(8,296)	(227)	(119)	-	(9,337)
<b>At 31 December 2010</b>	<b>17,331</b>	<b>313,171</b>	<b>49,838</b>	<b>11,352</b>	<b>-</b>	<b>391,692</b>
<b>Net carrying amount</b>						
At cost	6,743	134,319	13,964	3,788	37,646	196,460
At valuation	129,119	-	-	-	-	129,119
<b>At 31 December 2009</b>	<b>135,862</b>	<b>134,319</b>	<b>13,964</b>	<b>3,788</b>	<b>37,646</b>	<b>325,579</b>
At cost	9,357	133,718	25,371	5,824	184,868	359,138
At valuation	143,902	-	-	-	-	143,902
<b>At 31 December 2010</b>	<b>153,259</b>	<b>133,718</b>	<b>25,371</b>	<b>5,824</b>	<b>184,868</b>	<b>503,040</b>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### \* Land and buildings

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b>At 31 December 2009</b>				
<b>Cost/Valuation</b>				
At 1 January 2009				
At cost	-	-	6,325	6,325
At valuation	42,190	-	84,051	126,241
As previously stated	42,190	-	90,376	132,566
Effects of adopting the amendments to FRS 117	-	16,280	-	16,280
As restated	42,190	16,280	90,376	148,846
Additions	-	-	506	506
Reclassification	-	-	597	597
Exchange differences	51	-	(231)	(180)
At 31 December 2009	42,241	16,280	91,248	149,769
Representing				
At cost	-	-	7,028	7,028
At valuation	42,241	16,280	84,220	142,741
At 31 December 2009	42,241	16,280	91,248	149,769
<b>Accumulated depreciation and impairment losses</b>				
As previously stated	-	-	9,240	9,240
Effects of adopting the amendments to FRS 117	-	578	-	578
As restated	-	578	9,240	9,818
Depreciation charge for the year	-	437	3,798	4,235
Exchange differences	-	-	(146)	(146)
At 31 December 2009	-	1,015	12,892	13,907
<b>Net carrying amount</b>				
At cost	-	-	6,743	6,743
At valuation	42,241	15,265	71,613	129,119
At 31 December 2009	42,241	15,265	78,356	135,862

### At 31 December 2010

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### \* Land and buildings (Continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 January 2010				
At cost	-	-	7,028	7,028
At valuation	42,241	-	84,220	126,461
As previously stated	42,241	-	91,248	133,489
Effects of adopting the amendments to FRS 117	-	16,280	-	16,280
As restated	42,241	16,280	91,248	149,769
Additions	-	-	3,113	3,113
Reclassification	9,267	-	10,091	19,358
Exchange differences	(422)	-	(1,228)	(1,650)
At 31 December 2010	51,086	16,280	103,224	170,590
Representing				
At cost	-	-	10,127	10,127
At valuation	51,086	16,280	93,097	160,463
At 31 December 2010	51,086	16,280	103,224	170,590
<b>Accumulated depreciation and impairment losses</b>				
As previously stated	-	-	12,892	12,892
Effects of adopting the amendments to FRS 117	-	1,015	-	1,015
As restated	-	1,015	12,892	13,907
Depreciation charge for the year	-	395	3,724	4,119
Exchange differences	-	-	(695)	(695)
At 31 December 2010	-	1,410	15,921	17,331
<b>Net carrying amount</b>				
At cost	-	-	9,357	9,357
At valuation	51,086	14,870	77,946	143,902
At 31 December 2010	51,086	14,870	87,303	153,259

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor vehicle RM'000	Furniture, fixtures, fittings and equipment RM'000	Renovation RM'000	Total RM'000
<b>At 31 December 2010</b>				
<b>Cost</b>				
At 1 January 2010	553	1,292	288	2,133
Additions	338	348	85	771
Write off	-	(4)	-	(4)
At 31 December 2010	891	1,636	373	2,900
<b>Accumulated depreciation</b>				
At 1 January 2010	486	651	5	1,142
Depreciation charge for the year (Note 8)	79	169	34	282
Write off	-	(4)	-	(4)
At 31 December 2010	565	816	39	1,420
<b>Net carrying amount</b>				
At 31 December 2010	326	820	334	1,480
<b>At 31 December 2009</b>				
<b>Cost</b>				
At 1 January 2009	553	931	-	1,484
Additions	-	613	288	901
Write off	-	(230)	-	(230)
Disposal	-	(22)	-	(22)
At 31 December 2009	553	1,292	288	2,133
<b>Accumulated depreciation</b>				
At 1 January 2009	375	782	-	1,157
Depreciation charge for the year (Note 8)	111	105	5	221
Write off	-	(214)	-	(214)
Disposal	-	(22)	-	(22)
At 31 December 2009	486	651	5	1,142
<b>Net carrying amount</b>				
At 31 December 2009	67	641	283	991

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) Freehold land and buildings were revalued in December 2007 by Henry Butcher Malaysia Sdn. Bhd., an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.
- (b) Had the revalued properties been carried under the cost model, the net carrying amount as at the end of the financial year would be as follows:

	Group	
	2010	2009
	RM'000	RM'000 Restated
Freehold land as at 31 December:		
- Cost and net carrying amount	<b>15,920</b>	16,342
Leasehold land as at 31 December:		
- Cost and net carrying amount	<b>10,009</b>	10,204
Buildings as at 31 December:		
- Net carrying amount	<b>56,510</b>	59,989

- (c) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM196,364,000 (2009: RM44,869,000) and RM772,000 (2009: RM901,000) respectively of which RM11,960,000 (2009: RM260,000) and RM310,000 (2009: RM Nil) were acquired by means of obligation under finance leases arrangements. Net carrying amounts of property, plant and equipment held under obligation under finance leases arrangements are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Plant and machinery	<b>27,294</b>	12,755	-	-
Furniture, fixtures and fittings	<b>1,018</b>	47	-	-
Motor vehicles	<b>1,694</b>	911	<b>326</b>	67
	<b>30,006</b>	13,713	<b>326</b>	67

Included in motor vehicles held under finance leases are motor vehicles with net carrying amount of RM174,000 (2009: RM322,000) and RM95,000 (2009: RM129,000) which, are held in trust respectively by Dato' Seri H'ng Bok San, a director of the Company and Datin H'ng Hsieh Ling, Alternate Director to Dato' Seri H'ng Bok San.

Leased assets are pledged as security for the related finance lease liabilities (Note 28.1).

- (d) Alpha Industries Berhad, a subsidiary of the Group, included within the cable and wire segment has stopped one of the production lines - Outokumpu line that has led to the recognition of an impairment loss of RM788,000 (2009: RM612,000) as disclosed in Note 8. The recoverable amount of the Outokumpu machine was provided by the directors of the subsidiary based on the market value quoted by the supplier of Outokumpu machine.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (e) The Group's construction-in-progress include borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of the power plants and transmission towers. During the financial year, the borrowing costs capitalised amounted to RM6,364,000.
- (f) In addition to assets held under finance leases, the Group's property, plant and equipment with carrying amount of RM174,894,000 are mortgaged to secure bank borrowings.

## 15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land held for property development

Group	Freehold land RM'000	Development costs RM'000	Total RM'000
<b>At 31 December 2010</b>			
<b>Cost</b>			
At 1 January	3,626	11,561	15,187
Additions	-	276	276
Disposal	-	(267)	(267)
At 31 December	3,626	11,570	15,196
<b>Accumulated impairment losses</b>			
At 1 January and 31 December 2010	-	(644)	(644)
Carrying amount at 31 December 2010	3,626	10,926	14,552
<b>At 31 December 2009</b>			
<b>Cost</b>			
At 1 January and 31 December 2009	3,626	11,561	15,187
<b>Accumulated impairment losses</b>			
At 1 January and 31 December 2009	-	(644)	(644)
Carrying amount at 31 December 2009	3,626	10,917	14,543

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)

### (b) Property development costs

Group	Freehold land RM'000	Development costs RM'000	Total RM'000
<b>At 31 December 2010</b>			
<b>Cumulative property development costs</b>			
At 1 January and 31 December 2010	5,016	44,860	49,876
<b>Cumulative costs recognised in profit or loss</b>			
At 1 January and 31 December 2010	(4,671)	(44,152)	(48,823)
Property development costs at 31 December 2010	345	708	1,053
<b>At 31 December 2009</b>			
<b>Cumulative property development costs</b>			
At 1 January and 31 December 2009	5,016	44,860	49,876
<b>Cumulative costs recognised in profit or loss</b>			
At 1 January and 31 December 2009	(4,671)	(44,152)	(48,823)
Property development costs at 31 December 2009	345	708	1,053

## 16. INVESTMENT PROPERTIES

	Group	
	2010 RM'000	2009 RM'000
At 1 January	48,037	46,773
Additions	19,557	2,255
Disposal	(90)	-
Transfer to property, plant and equipment (Note 14)	(19,358)	-
Net loss from fair value adjustment recognised in profit or loss (Note 8)	(876)	(991)
At 31 December	47,270	48,037

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 16. INVESTMENT PROPERTIES (Continued)

The following investment property is held under lease terms:

	Group	
	2010	2009
	RM'000	RM'000
Short term leasehold land	5,627	5,753

Investment properties comprise industrial and commercial properties. The commercial units are leased to third parties (Note 33(b)).

Investment properties are stated at fair value which have been determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with decent experience in the location and category of properties being valued. The valuations are based on the income method that makes reference to estimated market rental and equivalents yields.

During the financial year, the Group transferred land and buildings with carrying value of RM19,358,000 that was held as investment properties to owner-occupied property. The land and buildings are used in its manufacturing operation.

The direct operating expenses of investment properties are analysed below:

	Group	
	2010	2009
	RM'000	RM'000
- Revenue generating during the year	2,752	2,869
- Non-revenue generating during the year	58	80
	2,810	2,949

## 17. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	RM'000	Restated RM'000
<b>Cost</b>		
At 1 January/31 December	5,856	29,810
<b>Accumulated amortisation</b>		
At 1 January	782	564
Amortisation for the year (Note 8)	218	218
At 31 December	1,000	782
<b>Net carrying amount</b>	4,856	29,028
<b>Amount to be amortised:</b>		
- Not later than one year	218	901
- Later than one year but not later than five years	868	3,605
- Later than five years	3,770	24,522
	4,856	29,028

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 17. PREPAID LAND LEASE PAYMENTS (Continued)

- (a) Prepaid land lease payments were revalued in December 2007 by Henry Butcher Malaysia Sdn. Bhd., an independent professional valuer. Fair value was determined by reference to open market values on comparison basis.
- (b) In previous financial year, land use rights of the Group with carrying value of RM23,954,000 is registered under the name of Cambodia International Investment Development Group Co. Ltd (“CIIDG”), a minority shareholder of a subsidiary, Cambodian Energy Limited (“CEL”). The land use rights is acquired as a consideration for the minority shareholder’s subscription in the shares issued by CEL, as disclosed in Note 18(ii).

On 2 July 2010, LCL had entered into a Supplemental and Collaboration Agreement (“SCA Agreement”) with CIIDG, whereby CIIDG cancelled its participation as minority shareholder in CEL. Consequently, the shares issued to CEL and land use rights had been cancelled and CEL became a wholly owned subsidiary, as disclosed in Note 18(ii).

## 18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	RM'000	RM'000
Unquoted shares:		
At cost	<b>173,636</b>	108,644
Less: Accumulated impairment losses	<b>(37)</b>	(37)
Discount on loan to subsidiaries	<b>2,289</b>	-
	<b>175,888</b>	108,607

On 21 June 2010, the Company has accepted a term loan facilities, with the Cross Currency Interest Rate Swap (“CCIRS”) in aggregate principal sum of USD25 million for the purpose to part finance equity portion of two projects in Cambodia (i.e. 2nd Independent Power Plant and Power Transmission System). The CCIRS is to hedge against the RM/USD currency exchange risk and the KLIBOR to LIBOR interest rate risk arising for the term loan granted.

The credit facilities are secured by the following:

- (i) Pledge over 7,200,000 ordinary shares of USD1.00 each in Cambodia Utilities Pte. Ltd. (“CUPL”) held by Leader Universal (Hong Kong) Company Limited. For which the Memorandum of Charge on Securities is to be executed;
- (ii) An assignment by the Company of the dividends, rights title and interest in and to the proceeds receivables from CUPL; and
- (iii) An undertaking from CUPL to upstream the dividends of not less than USD6 million per annum to the Company until year 2015.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2010 %	2009 %	
<b>Held by the Company:</b>				
Leader Cable Industry Berhad *	Malaysia	100.00	100.00	Manufacture and sale of telecommunication and power cables
Universal Cable (M) Berhad *	Malaysia	100.00	100.00	Manufacture and sale of telecommunication and power cables and aluminium rods
Alpha Industries Berhad *	Malaysia	51.00	51.00	Manufacture and sale of copper rods
Leader Asia-Pacific Sdn. Bhd. *	Malaysia	100.00	100.00	Investment holding
Leader Lifecare Sdn. Bhd. *	Malaysia	100.00	100.00	Insurance agent
Leader Universal Properties Sdn. Bhd. *	Malaysia	100.00	100.00	Investment holding
Leader Communication Sdn. Bhd. *	Malaysia	100.00	100.00	Trading of telecommunication related products
Leader International Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Leader Copper Products Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Leader Engineering Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Leader Universal Aluminium Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Universal Cable Engineering Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Leader Universal (Hong Kong) Company Limited **	Hong Kong	100.00	100.00	Investment holding
Kabelco Limited *	British Virgin Islands	100.00	100.00	Design and supply of equipment and trading of telecommunications related products
Leader Infrastructure Limited *	Cayman Islands	100.00	100.00	Investment holding
Leader Universal (Labuan) Limited **	Federal Territory of Labuan, Malaysia	100.00	100.00	Dormant
Leader Universal Aluminium (Sarawak) Sdn. Bhd. *	Malaysia	100.00	-	Manufacture and sale of aluminium rods <sup>^</sup>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2010	2009	
		%	%	
<b>Held through subsidiaries:</b>				
Leader (Cambodia) Limited ***	Cambodia	100.00	100.00	Investment holding
Leader Properties Sdn. Bhd. *	Malaysia	100.00	100.00	Property investment holding
L C I Property Development Sdn. Bhd. *	Malaysia	100.00	100.00	Investment holding
Leader Garden Sdn. Bhd. *	Malaysia	100.00	100.00	Property investment and development
Dolphin Square Sdn. Bhd. *	Malaysia	100.00	100.00	Property development
Leader Holdings Sdn. Bhd. *	Malaysia	100.00	100.00	Letting and management of properties
Exogold Sdn. Bhd. *	Malaysia	100.00	100.00	Property development
Million Crest (M) Sdn. Bhd. *	Malaysia	96.80	96.80	Property development
Central Pahang Iron Mining Sdn. Bhd. *	Malaysia	51.00	51.00	Property investment holding
Leader Metal Enterprise Sdn. Bhd. *	Malaysia	100.00	100.00	Dormant
Leader Cable Philippines Corporation ***	Philippines	100.00	100.00	Dormant
LR Philippines Realty Corporation ***	Philippines	70.60	70.60	Property investment holding
LC Holdings Corporation ***	Philippines	64.00	64.00	Investment holding
Cambodia Utilities Pte. Ltd. ***	Cambodia	60.00	60.00	Power generation
Leader Infrastructure (Labuan) Limited *	Federal Territory of Labuan, Malaysia	100.00	100.00	Investment holding
Cambodian Energy Limited ***	Cambodia	100.00	80.00	Power generation
Cambodian Transmission Limited ***	Cambodia	100.00	100.00	Power transmission
Shantou Hi-Tech Indu. Deve. Dist. Sinda Cable Company Limited	People's Republic of China	Nil #	Nil #	Under liquidation

\* Audited by Ernst & Young, Malaysia

\*\* Audited by member firms of Ernst & Young Global in the respective countries

\*\*\* Audited by firms other than Ernst & Young

# Nil because of loss of control

^ The Company has yet to commence its business activities

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

### Changes in group structure

- (i) On 22 December 2010, the Company had incorporated a new wholly-owned subsidiary known as Leader Universal Aluminium (Sarawak) Sdn. Bhd.. Leader Universal Aluminium (Sarawak) Sdn. Bhd. has an authorised capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each and an issued and paid-up capital of RM2 divided into 2 ordinary shares of RM1.00 each.
- (ii) In the previous financial year, the Company's wholly-owned subsidiary, Leader (Cambodia) Limited, ("LCL") had entered into a Joint Venture and Shareholders Agreement ("JV Agreement") with Cambodia International Investment Development Group Co. Ltd ("CIIDG") to jointly build, own and operate a 100MW coal-fired power project in Sihanoukville, Cambodia ("the Project") via Cambodian Energy Limited ("CEL"), a joint venture company between the Company and CIIDG.

Subsequent to the JV Agreement, the registered capital of CEL was increased from USD1,000 to USD35,000,000 by the issuance and allotment of 34,999,000 ordinary shares of USD1.00 each, whereby LCL subscribed to 28,000,000 ordinary shares of USD1.00 each for a consideration of USD28,000,000 through the conversion of debt while CIIDG subscribed to the remaining 7,000,000 ordinary shares of USD1.00 each for a consideration of USD7,000,000 through the lease of a 20-hectares land at an agreed lease rental of USD7,000,000 ("RM23,954,000"). The lease is for a tenure of 35 years commencing on 11 June 2009.

However, on 2 July 2010, LCL, CIIDG and CEL had entered into a Supplemental and Collaboration Agreement whereby CIIDG shall cease to be a shareholder of CEL but shall continue to collaborate with CEL by providing the relevant assistance for the Project and shall continue with the lease of the Project land to CEL. Consequently, the USD7,000,000 shares held by CIIDG was cancelled and the registered share capital of CEL was reduced from USD35,000,000 to USD28,000,000 comprising 28,000,000 shares of USD1.00 each and CEL became a wholly owned subsidiary of LCL effective on 16 July 2010. Hence, these had resulted in a dilution in CIIDG's interest amounting to RM23,856,000.

- (iii) During the financial year, the Company subscribed for an additional 19,000,000 shares of USD1.00 each in a wholly owned subsidiary, Leader Infrastructure Limited, via a conversion of debts amounting to RM64,992,000.

## 19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Quoted shares in Malaysia, at cost	4,246	-	4,246	-
Unquoted shares at cost	22,738	28,260	3,636	9,158
	<b>26,984</b>	28,260	<b>7,882</b>	9,158
Less: Accumulated impairment losses	(26,481)	(26,481)	(3,028)	(3,028)
	<b>503</b>	1,779	<b>4,854</b>	6,130
Share of post-acquisition reserves	20,097	24,300	-	-
	<b>20,600</b>	26,079	<b>4,854</b>	6,130
Fair value of investment in associate for which there is published price quotation	25,095	-	25,095	-

On 25 May 2010, Sarawak Cable Berhad, an associate of the Company was listed on the Main Market of Bursa Malaysia Securities Berhad.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 19. INVESTMENTS IN ASSOCIATES (Continued)

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest		Principal activities
		2010	2009	
		%	%	

### Held by the Company:

Sarawak Cable Berhad **	Malaysia	15.36 #	25.48	Investment holding
Lite Kabel Sdn. Bhd.*	Malaysia	30.00	30.00	Manufacture and sale of optical fibre cables

### Held through subsidiaries:

SL Philippines Holdings Corporation**	Philippines	40.00	40.00	Investment holding
Hebei Xinhua Leader Cable Co. Ltd.**	People's Republic of China	25.00	25.00	Dormant
La-Bayan Development Sdn. Bhd.**	Malaysia	30.00	30.00	Dormant

\* Audited by Ernst & Young, Malaysia

\*\* Audited by firms other than Ernst & Young

# The Group continues to equity account for its investment in Sarawak Cable Berhad ("SCB") as it is able to exercise significant influence by the representation of a director of the Company on the Board of Directors of SCB.

The summarised financial information of the associates are as follows:

	Group	
	2010	2009
	RM'000	RM'000

### Share of associates' net assets:

Current assets	<b>32,113</b>	19,835
Non-current assets	<b>40,716</b>	41,002
Current liabilities	<b>(40,056)</b>	(22,253)
Non-current liabilities	<b>(3,541)</b>	(4,322)
	<b>29,232</b>	34,262
Less: Group recognised share of losses	<b>(8,632)</b>	(8,183)
Net assets	<b>20,600</b>	26,079

### Share of associates' results:

Revenue	<b>31,837</b>	32,300
Profit for the year	<b>688</b>	1,594

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	<b>275,418</b>	280,924	-	-
Amount due from associates	<b>30,519</b>	11,034	-	-
	<b>305,937</b>	291,958	-	-
Less: Allowance for impairment Third parties	<b>(14,183)</b>	(15,245)	-	-
Trade receivables, net	<b>291,754</b>	276,713	-	-
<b>Other receivables</b>				
Refundable deposits	<b>1,898</b>	4,953	<b>144</b>	79
Prepayments	<b>8,680</b>	9,101	<b>23</b>	63
Sundry receivables	<b>24,063</b>	20,808	<b>279</b>	1,637
Amount due from associates	<b>8,461</b>	8,833	<b>806</b>	329
Amount due from subsidiaries	-	-	<b>105,882</b>	124,684
	<b>43,102</b>	43,695	<b>107,134</b>	126,792
Less: Allowance for impairment Sundry receivables	<b>(1,771)</b>	(1,689)	<b>(13)</b>	-
Amount due from associates	<b>(5,445)</b>	(6,051)	-	-
Amount due from subsidiaries	-	-	<b>(2,289)</b>	(4,563)
	<b>(7,216)</b>	(7,740)	<b>(2,302)</b>	(4,563)
	<b>35,886</b>	35,955	<b>104,832</b>	122,229
	<b>327,640</b>	312,668	<b>104,832</b>	122,229
<b>Non-current</b>				
<b>Other receivables</b>				
Sundry receivables	-	650	-	650
Amount due from associates	<b>8,214</b>	9,017	<b>8,214</b>	9,017
	<b>8,214</b>	9,667	<b>8,214</b>	9,667
Less: Allowance for impairment Amount due from associates	<b>(2,532)</b>	-	<b>(2,532)</b>	-
	<b>5,682</b>	9,667	<b>5,682</b>	9,667
Total trade and other receivables (current and non-current)	<b>333,322</b>	322,335	<b>110,514</b>	131,896
Add: Cash and bank balances (Note 26)	<b>148,576</b>	213,378	<b>3,576</b>	34,467
Less: Prepayments	<b>(8,680)</b>	(9,101)	<b>(23)</b>	(63)
Total loans and receivables	<b>473,218</b>	526,612	<b>114,067</b>	166,300

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 20. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

The Group's normal trade credit terms range from 30 days to 120 days (2009: 30 days to 120 days). They are recognised at their original invoices amounts which represent their fair values on initial recognition.

The Group has a concentration of credit risk that may arise from exposures to a single debtor in the revenue generating power segment which constitutes approximately 3.57% (2009: 4.4%) of total trade receivables.

#### Ageing analysis of trade receivables

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

	Group	
	2010	2009
	RM'000	RM'000
Neither past due nor impaired	<b>192,064</b>	172,275
1 to 30 days past due not impaired	<b>57,314</b>	45,006
31 to 60 days past due not impaired	<b>12,418</b>	19,472
61 to 90 days past due not impaired	<b>6,808</b>	12,146
91 to 120 days past due not impaired	<b>1,494</b>	9,001
More than 121 days past due not impaired	<b>18,624</b>	18,813
	<b>96,658</b>	104,438
Impaired	<b>17,215</b>	15,245
	<b>305,937</b>	291,958

#### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. All of the Group's trade receivables comprised customers with more than two years of experience with the Group and losses have occurred infrequently.

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

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM96,658,000 (2009: RM104,438,000) that are past due at the reporting date but not impaired.

At the reporting date, trade receivables arising from export sales amounting to RM11,085,000 (2009: RM19,711,000) have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. The remaining balance of receivables that are past due but not impaired are unsecured in nature.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 20. 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 of the allowance accounts used to record the impairment are as follows:

	Group	
	2010 RM'000	2009 RM'000
<b>Individually impaired</b>		
Trade receivables - nominal amounts	17,215	15,245
Less: Allowance for impairment	(14,183)	(15,245)
	<b>3,032</b>	-
 Movement in allowance accounts:		
At 1 January	15,245	16,613
Effect of adopting FRS 139	256	-
Charge for the year (Note 8)	-	299
Written off	(293)	-
Reversal of impairment losses	(942)	(1,678)
Exchange differences	(83)	11
At 31 December	<b>14,183</b>	15,245

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

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of trade and other receivables are disclosed in Note 38.

### (b) Amount due from associates

The non-trade amounts due from associates have an average maturity of six years (2009: seven years). The amounts due from associates are unsecured, interest free and to be settled in cash and cash equivalents.

The trade amounts due from associates are unsecured, interest free and receivable in accordance with the terms of trade.

The future minimum repayment is set out below:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Due from associates</b>				
<b>Non-current</b>				
Non-trade	8,214	9,017	8,214	9,017
Less: Allowance for impairment	(2,532)	-	(2,532)	-
	<b>5,682</b>	9,017	<b>5,682</b>	9,017

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 20. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Amount due from associates (Continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b>Current</b>				
Trade	<b>30,519</b>	11,034	-	-
Non-trade	<b>8,461</b>	8,833	<b>806</b>	329
Less: Allowance for impairment	<b>(5,445)</b>	(6,051)	-	-
	<b>33,535</b>	13,816	<b>806</b>	329
	<b>39,217</b>	22,833	<b>6,488</b>	9,346
<b>Future minimum repayment:</b>				
Due within 1 year	<b>33,535</b>	13,816	<b>806</b>	329
Later than 1 year and not later than 2 years	<b>800</b>	800	<b>800</b>	800
Later than 2 years and not later than 3 years	<b>800</b>	800	<b>800</b>	800
Later than 3 years and not later than 4 years	<b>800</b>	800	<b>800</b>	800
Later than 4 years and not later than 5 years	<b>800</b>	800	<b>800</b>	800
Later than 5 years	<b>2,482</b>	5,817	<b>2,482</b>	5,817
	<b>39,217</b>	22,833	<b>6,488</b>	9,346

#### Amount due from associates that are impaired

The Group's amount due from associates that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2010	2009
	RM'000	RM'000
Movement in allowance accounts:		
At 1 January	<b>6,051</b>	6,166
Effect of adopting FRS 139	<b>5,056</b>	-
Reversal of impairment losses	<b>(2,524)</b>	-
Exchange differences	<b>(606)</b>	(115)
At 31 December	<b>7,977</b>	6,051

### (c) Other receivables

Included in the sundry receivables of the Group is an amount of RM989,000 (2009: RM3,240,000) due from a joint venture partner in respect of a collaboration agreement with the main contractor to develop a twenty nine storey luxurious super condominium with one sub-basement and four levels of basement car parks on land belonging to the Group.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 20. TRADE AND OTHER RECEIVABLES (Continued)

### (c) Other receivables (Continued)

The balance relates to the deferred payment for the prior years' disposal of subsidiary. The schedule of repayment is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within 1 year	240	1,500	240	1,500
More than 1 year and less than 2 years	-	650	-	650
	<b>240</b>	<b>2,150</b>	<b>240</b>	<b>2,150</b>

The directors of the Company had extended the settlement date of the deferred payment with carrying amount of RM240,000 (2009: RM2,150,000) from 6 June 2007 to 6 June 2011. In current financial year, the debtors had make repayment of RM1,910,000 to the Company.

#### Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM1,771,000 (2009: RM1,689,000) for impairment of the sundry receivables with a nominal amount of RM24,063,000 (2009: RM20,808,000). This related party has been suffering financial losses for the current and past one financial year.

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

	Group	
	2010 RM'000	2009 RM'000
Movement in allowance accounts:		
At 1 January	1,689	1,680
Effect of adopting FRS 139	397	-
Reversal of impairment losses	(285)	-
Exchange differences	(30)	9
At 31 December	<b>1,771</b>	<b>1,689</b>

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

### (d) Amount due from subsidiaries

The directors are of the view that the balance due from a subsidiary as of 31 December 2010 is a reasonable approximation of its fair value as at 31 December 2010 as a significant portion of the balance will be converted to equity within the next financial year.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 21. INVESTMENT SECURITIES

	2010 RM'000		2009 RM'000	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount* RM'000	Market value of quoted investments RM'000
<b>Group</b>				
<b>Non-current</b>				
Fair value through profit and loss financial assets				
Equity instruments (quoted in Malaysia)	<b>726</b>	<b>726</b>	438	438
Unquoted shares, at cost	<b>9,363</b>		10,403	
Less: Accumulated impairment losses	<b>(363)</b>		(767)	
	<b>9,000</b>		9,636	
Total investment securities	<b>9,726</b>		10,074	

The directors have designated the quoted equity instruments as fair value through profit and loss financial assets at initial recognition.

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

Other information on financial risks of other investments are disclosed in Note 38.

## 22. DEFERRED TAXATION

	Group	
	2010 RM'000	2009 RM'000
At 1 January	<b>15,094</b>	17,143
Effect of adopting FRS 139	<b>249</b>	-
	<b>15,343</b>	17,143
Recognised in profit or loss (Note 11)	<b>(10,322)</b>	(2,047)
Recognised in other comprehensive income	<b>150</b>	-
Exchange differences	<b>43</b>	(2)
At 31 December	<b>5,214</b>	15,094
Presented after appropriate offsetting as follows:		
Deferred tax assets	<b>(1,728)</b>	(419)
Deferred tax liabilities	<b>6,942</b>	15,513
	<b>5,214</b>	15,094

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 22. DEFERRED TAXATION (Continued)

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

### Deferred tax assets of the Group:

	Unused tax losses and unabsorbed allowances *	Property, plant and equipment	Provisions	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	(4,368)	-	(5,005)	(9,373)
Recognised in profit or loss	(11,074)	-	1,579	(9,495)
Exchange differences	43	-	-	43
At 31 December 2010	(15,399)	-	(3,426)	(18,825)
At 1 January 2009	(4,015)	(42)	(2,931)	(6,988)
Recognised in profit or loss	(351)	42	(2,074)	(2,383)
Exchange differences	(2)	-	-	(2)
At 31 December 2009	(4,368)	-	(5,005)	(9,373)

\* Unabsorbed allowances include unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed exemption of income for the value of increased exports.

### Deferred tax liabilities of the Group:

	Property, plant and equipment	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2010	24,467	-	24,467
Recognised in profit or loss	(428)	-	(428)
At 31 December 2010	24,039	-	24,039
At 1 January 2009	24,061	70	24,131
Recognised in profit or loss	406	(70)	336
At 31 December 2009	24,467	-	24,467

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

	Group	
	2010	2009
	RM'000	RM'000
Unused tax losses	18,365	18,044
Unabsorbed capital allowances	3,773	3,773
Unabsorbed reinvestment allowances	79	79
Other deductible temporary differences	8,999	9,255
	<b>31,216</b>	<b>31,151</b>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 23. INVENTORIES

	Group	
	2010	2009
	RM'000	RM'000
<b>Cost:</b>		
Raw materials	<b>154,445</b>	132,405
Work-in-progress	<b>59,338</b>	43,932
Finished goods	<b>46,043</b>	40,244
Consumables	<b>8,320</b>	8,212
	<b>268,146</b>	224,793
Transfer from property, plant and equipment (Note 14)	<b>198</b>	-
	<b>268,344</b>	224,793
<b>Net realisable value:</b>		
Completed property units for sale	<b>15,492</b>	18,158
Consumables	<b>6,716</b>	9,713
	<b>22,208</b>	27,871
	<b>290,552</b>	252,664

## 24. REDEEMABLE PREFERENCE SHARES

	Group and Company	
	2010	2009
	RM'000	RM'000
Unquoted shares, at cost	<b>2,442</b>	2,679
Less: Accumulated impairment losses	<b>(1,769)</b>	(1,726)
	<b>673</b>	953

During the year, the Company has redeemed 6,238 preference shares of Bumiputra Technology Venture Capital Berhad ("BTVC") at RM111 per share and was allotted 6,238 new ordinary shares of RM1 each at par by BTVC. The remaining redeemable preference shares shall be redeemed on or before 30 June 2011. An extension of time from 31 December 2010 to 30 June 2011 was approved by shareholders.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 25. DERIVATIVES

	Contract/ Notional Amount	2010 RM'000		Group		2009 RM'000	
		Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities	
<b>Current Hedging derivatives:</b>							
<b>Fair value hedge:</b>							
Commodity forward contracts							
- Buy	162,824	24,005	-	(87,778)	-	-	-
- Sell	(214,094)	(23,361)	-	148,192	-	-	-
<b>Cash flow hedge:</b>							
Commodity forward contracts							
	13,606	1,776	-	9,721	-	-	-
Forward currency contracts							
	13,544	(79)	-	-	-	-	-
<b>Non-hedging derivatives:</b>							
Forward currency contracts							
	6,327	32	(2)	10,397	-	-	-
Total derivatives		2,373	(2)		-	-	-

### (i) Hedging derivatives

#### (a) Fair value hedges

The Group purchases copper on an ongoing basis as its operations require a continuous supply of copper for the production of electrical conductor grade copper rods and wires. In view of the volatility in copper price, the Group's contracted sale and purchase obligations that are hedged on a back to back basis correspond to London Metal Exchange futures contracts.

The decrease in fair value of the forward commodity contracts of RM240,000 (2009: nil) has been recognised in cost of goods sold and offset with a similar gain on firm commitments. The ineffectiveness portion identified in 2010 was immaterial.

#### (b) Cash flow hedges

##### (i) Commodity forward contracts

The Group purchases aluminium on an ongoing basis as its operations require supplies of aluminium for the production of its rods and cables. In view of the volatility in aluminium prices, the Group held commodity forward contracts designated as hedges based on highly probable forecasted aluminium purchases to reduce the volatility of cash flows.

These contracts are intended to hedge the volatility in the purchase price of aluminium for a period between 3 and 12 months based on anticipated raw material requirements.

There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. No amount was recognised for ineffectiveness in cost of sales in the profit or loss for the current year.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 25. DERIVATIVES (Continued)

### (i) Hedging derivatives (Continued)

#### (b) Cash flow hedges (Continued)

##### (i) Commodity forward contracts (Continued)

The cash flow hedges of the highly probable forecasted aluminium purchases were assessed to be highly effective and as at 31 December 2010, the net unrealised gain of RM600,000, with its related deferred tax liability of RM150,000 were included in other comprehensive income in respect of these contracts.

The amount removed from other comprehensive income during the year and included in the carrying amount of the hedged items as a basis of adjustment was immaterial for the year ended 31 December 2010. The amounts retained in other comprehensive income at 31 December 2010 are expected to mature and affect the profit or loss by a gain of RM450,000 in 2011.

##### (ii) Forward currency contracts

At 31 December 2010, the Group held forward currency contracts designated as hedges of expected future sales or purchases. The forward currency contracts are used to hedge the foreign currency risk of the highly probable forecasted transactions.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. No amount was recognised for ineffectiveness in other expenses in the profit or loss for the current year.

The cash flow hedges of the expected future transactions were assessed to be highly effective and the related net unrealised gain of RM79,000 was included in other comprehensive income in respect of these contracts.

The amount removed from other comprehensive income during the year and included in the carrying amount of the hedging items as a basis of adjustment was immaterial for year ended 31 December 2010. The amounts retained in other comprehensive income at 31 December 2010 are expected to mature and affect the profit or loss by a loss of RM79,000 in 2011.

##### (ii) Non-hedging derivatives

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

During the financial year, the Group recognised a gain of RM34,000 (2009: RM15,000) arising from fair value changes of its forward currency contracts. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The method and assumptions applied in determining the fair value of these derivatives are disclosed in Note 37B.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 26. CASH AND BANK BALANCES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash on hand and at banks	<b>57,002</b>	73,668	<b>1,236</b>	4,736
Deposits with licensed banks:				
Fixed deposits	<b>4,357</b>	6,126	<b>2,338</b>	1,481
Short term placements	<b>87,753</b>	134,107	<b>2</b>	28,250
	<b>149,112</b>	213,901	<b>3,576</b>	34,467
Deposits with a licensed bank held in trust	<b>(536)</b>	(523)	-	-
Total cash and cash equivalents	<b>148,576</b>	213,378	<b>3,576</b>	34,467

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods typically varying between one day and a week depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The effective interest rates of short-term deposits as at 31 December for the Group and the Company ranged within 0.15% to 4.75% (2009: 0.01% to 6.1%) p.a. and 0.75% to 2.5% (2009: 0.1% to 2.5%) p.a. respectively.

Deposits with licensed banks of the Group amounting to RM536,000 (2009: RM523,000) are held in trust by the Group on behalf of the Resident Committees and are restricted from use in operations.

## 27. PROVISIONS

	Group	
	2010 RM'000	2009 RM'000
At 1 January	<b>29</b>	266
Reversal of provision during the year (Note 8)	-	(237)
At 31 December	<b>29</b>	29

The above provision represents provision for liquidated damages in respect of projects undertaken by a subsidiary. The provision was recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

## 28. BORROWINGS

	Note	Maturity	Group		Company	
			2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Short term borrowings</b>						
Secured:						
Obligation under finance leases	28.1	2011	<b>4,632</b>	3,387	<b>79</b>	63
Bank loans:						
- USD loan at LIBOR + 1.5% p.a.		2010	-	21,387	-	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 28. BORROWINGS (Continued)

	Note	Maturity	Group		Company	
			2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank loan A:						
- RM loan at COF + 0.95% to 2.0% p.a.		2011	<b>8,265</b>	5,265	-	-
Bank loan B:						
- RM loan at 5.5% p.a.		2011	<b>401</b>	401	-	-
			<b>13,298</b>	30,440	<b>79</b>	63
Unsecured:						
Bankers' acceptances		2011	<b>140,260</b>	100,222	-	-
Trust receipts		On demand	<b>95,495</b>	20,532	-	-
Revolving credits		On demand	<b>18,098</b>	11,844	-	-
Murabahah Medium Term Notes at 7.7% p.a.	28.2	2010	-	80,000	-	80,000
Bank loan						
- USD loan at 2.02% to 2.17% p.a.		2011	<b>18,750</b>	-	<b>18,750</b>	-
- RM loan at COF + 1.5% to 2.0% p.a.		2011	<b>10,803</b>	-	-	-
- RM loan at 6.3% p.a.		2011	<b>1,320</b>	1,320	-	-
			<b>284,726</b>	213,918	<b>18,750</b>	80,000
			<b>298,024</b>	244,358	<b>18,829</b>	80,063
<b>Long term borrowings</b>						
Secured:						
Obligation under finance leases	28.1	2012-2015	<b>8,436</b>	3,009	<b>227</b>	43
Bank loans:						
Bank loan A:						
- RM loan at COF + 0.95% to 2.0% p.a.		2014-2015	<b>25,334</b>	20,900	-	-
Bank loan B:						
- RM loan at 5.5% p.a.		2012	<b>734</b>	1,135	-	-
Bank loan C:						
- USD loan at COF + 2.75% p.a.		2014-2019	<b>33,133</b>	-	-	-
Bank loan D:						
- USD loan at COF + 3.0% p.a.		2023	<b>57,668</b>	-	-	-
			<b>125,305</b>	25,044	<b>227</b>	43

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 28. BORROWINGS (Continued)

	Note	Maturity	Group		Company	
			2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured:						
Bank loan						
- RM loan at COF + 1.5% to 2% p.a.		2013-2015	<b>36,140</b>	-	-	-
- RM loan at 6.3% p.a.		2013	<b>2,450</b>	3,770	-	-
			<b>38,590</b>	3,770	-	-
			<b>163,895</b>	28,814	<b>227</b>	43
<b>Total borrowings</b>						
Bankers' acceptances		2011	<b>140,260</b>	100,222	-	-
Trust receipts		On demand	<b>95,495</b>	20,532	-	-
Revolving credits		On demand	<b>18,098</b>	11,844	-	-
Term loan		2011-2023	<b>194,998</b>	54,178	<b>18,750</b>	-
Obligation under finance leases	28.1	2011-2015	<b>13,068</b>	6,396	<b>306</b>	106
Murabahah Medium Term Notes	28.2	2010	-	80,000	-	80,000
			<b>461,919</b>	273,172	<b>19,056</b>	80,106

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Maturity of borrowings (excluding obligation under finance leases):</b>				
Within one year	<b>293,392</b>	240,971	<b>18,750</b>	80,000
More than 1 year and less than 2 years	<b>21,125</b>	7,321	-	-
More than 2 years and less than 5 years	<b>52,082</b>	18,484	-	-
More than 5 years	<b>82,252</b>	-	-	-
	<b>448,851</b>	266,776	<b>18,750</b>	80,000

COF denotes Cost of Fund

Bank loan A:

RM loan at COF + 0.95% to 2.0% p.a.

The loan is secured by the following:-

1. Corporate guarantee by the Company;
2. Negative pledge on land and factory building;
3. Negative pledge on any of the present and future properties;
4. A Lien Holder's Caveat is created over an Industrial Land with a 3 storey office/single storey factory/Extra voltage tower/utilities building etc erected thereon, with carrying value of RM19,173,000 as at 31 December 2010;
5. Letter of Undertaking from a subsidiary, Leader Universal Aluminium Sdn. Bhd., to undertake to pay the rental proceeds directly into another subsidiary's bank account; and
6. Legal Assignment over the rental proceeds from Leader Universal Aluminium Sdn. Bhd., a subsidiary of the Company.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 28. BORROWINGS (Continued)

### Bank loan B:

RM loan at 5.5% p.a.

This loan is secured by corporate guarantee by the Company and negative pledge over all present and future assets of the subsidiary.

### Bank loan C:

USD loan at COF + 2.75% p.a.

On 10 February 2010, the Company's wholly owned subsidiary, Leader Infrastructure (Labuan) Limited ("LILL") had executed a Facility Agreement with OCBC Bank (Malaysia) Berhad and Malayan Banking Berhad as the Joint Mandated Lead Arrangers and AmBank (M) Berhad and Bank of China (Malaysia) Berhad as the Lead Managers for a Syndicated Term Loan Facility of USD140 million ("the Syndicated Term Loan Facility").

The Syndicated Term Loan Facility is secured by following mortgage and pledge:-

1. The entire property, plant and equipment of a subsidiary with carrying value of RM84,050,000 as at 31 December 2010, including all the relevant future assets;
2. The rights, benefits and interest under Implementation Agreement, Power Purchase Agreement, and Governmental Guarantee of Payment of a subsidiary;
3. Corporate Guarantee of a subsidiary;
4. Designated accounts of a subsidiary;
5. All rights, benefits and interest of a subsidiary's construction contract, operation and maintenance contract, performance bonds, advance payment bonds and/or other similar arrangements from all contractors or subcontractors;
6. Cambodian insurance of a subsidiary;
7. A full, unconditional and irrevocable joint and several corporate Guarantee by the company;
8. First ranking debenture comprising fixed and floating charges over one of the project companies' future assets; and
9. Charge over shares held by Leader (Cambodia) Limited in Cambodian Energy Limited with a carrying value of USD28,000,000.

### Bank loan D:

USD loan at COF + 3.0% p.a.

On 5 February 2010, the Group executed a Facility Agreement with Export-Import Bank of Malaysia Bhd ("EXIM Bank") for an Overseas Project Financing-i under the Islamic Principle of Istisna totalling USD65 million for tenure of 13 years. The loan is repayable over 10 years and the first repayment is due in 2013. This loan is secured by a charge over one of the project companies' assets and corporate guarantee provided by the Company.

Other information on financial risks of borrowings are disclosed in Note 38.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 28. BORROWINGS (Continued)

### 28.1 Obligation under finance leases

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Future minimum lease payments:</b>				
Not later than 1 year	5,254	3,690	92	66
Later than 1 year and not later than 2 years	3,324	2,489	92	23
Later than 2 years and not later than 5 years	5,838	650	152	22
	<b>14,416</b>	6,829	<b>336</b>	111
Less: Future finance charges	(1,348)	(433)	(30)	(5)
Present value of obligation under finance leases liabilities	<b>13,068</b>	6,396	<b>306</b>	106
<b>Present value of obligation under finance leases liabilities:</b>				
Not later than 1 year	4,632	3,387	79	63
Later than 1 year and not later than 2 years	2,937	2,373	83	21
Later than 2 years and not later than 5 years	5,499	636	144	22
	<b>13,068</b>	6,396	<b>306</b>	106
<b>Analysed as:</b>				
Amount due within 12 months (Note 28)	4,632	3,387	79	63
Amount due after 12 months (Note 28)	8,436	3,009	227	43
	<b>13,068</b>	6,396	<b>306</b>	106

The obligations are secured by a charge over the leased lands (Note 14(b)). The average discount rate implicit in the leases of the Group and the Company are 4.72% p.a. (2009: 4.72% p.a.) and 4.02% p.a. (2009: 3.78% p.a.) respectively. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

There are no restrictions placed upon the Group and the Company by entering into these leases.

Other information on financial risks of obligation under finance leases are disclosed in Note 38.

## 29. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	41,723	39,843	-	-
Amounts due to related parties	105,780	93,573	-	-
	<b>147,503</b>	133,416	-	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 29. TRADE AND OTHER PAYABLES (Continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Other payables</b>				
Amount due to associates	-	6,297	-	-
Amount due to subsidiaries	-	-	<b>50,858</b>	36,316
Accrual for payroll related expenses:				
Contractual payroll costs	<b>599</b>	451	-	-
Non-contractual payroll costs	<b>6,500</b>	4,493	<b>2,744</b>	1,546
Duties and other taxes payable	<b>10,759</b>	17,073	-	-
Amounts payable to suppliers of indirect materials and services	<b>37,553</b>	32,712	<b>2,074</b>	2,099
Accruals	<b>29,991</b>	93,193	<b>59</b>	3,131
	<b>85,402</b>	154,219	<b>55,735</b>	43,092
	<b>232,905</b>	287,635	<b>55,735</b>	43,092
<b>Non-current</b>				
<b>Other payables</b>				
Amount payable to lessor	<b>1,161</b>	-	-	-
Total trade and other payables	<b>234,066</b>	287,635	<b>55,735</b>	43,092
Add: Borrowings (Note 28)	<b>461,919</b>	273,172	<b>19,056</b>	80,106
Less: Non contractual payroll costs	<b>(6,500)</b>	(4,493)	<b>(2,744)</b>	(1,546)
Less: Duties and other taxes payable	<b>(10,759)</b>	(17,073)	-	-
Less: Amount payable to lessor	<b>(1,161)</b>	-	-	-
Total financial liabilities carried at amortised cost	<b>677,565</b>	539,241	<b>72,047</b>	121,652

### (a) Trade payables

These amounts are non interest bearing. The normal trade credit terms granted to the Group ranged from cash advance to 120 days (2009: cash advance to 120 days).

### (b) Amount due to related parties

Amount due to related parties except for corporate shareholder are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash and cash equivalent.

Amount due to corporate shareholder bears interest of 1.77% (2009: 1.83%) p.a. and are repayable within 30 days.

### (c) Other payables

The amount payable to lessor is in relation to the lease agreement and Supplemental and Collaboration Agreement entered with CIIDG as disclosed in Note 18(ii).

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of trade and other payables are disclosed in Note 38.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 30. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current	<b>3,293</b>	3,368	<b>3,167</b>	3,167

Movements in the net liability in the current year are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	<b>3,368</b>	3,484	<b>3,167</b>	3,167
Paid during the year	<b>(75)</b>	(116)	-	-
At 31 December	<b>3,293</b>	3,368	<b>3,167</b>	3,167

With effect from 1 January 2003, the Group and the Company had discontinued this defined benefit plan. The amount vested for the eligible employees will be maintained in the financial statements until their retirement.

## 31. SHARE CAPITAL

	Number of ordinary shares of RM1.00 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised *	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Issued and fully paid *	<b>436,459</b>	436,459	<b>436,459</b>	436,459

\* No movement during the year.

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

## 32. OTHER RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>(a) Distributable</b>				
Capital reserve	1,836	1,836	-	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 32. OTHER RESERVES (Continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>(b) Non-Distributable</b>				
Revaluation surplus (Restated)	29,687	29,687	-	-
Hedging reserve	1,291	-	-	-
Foreign currency translation reserve	(9,736)	4,367	-	-
Share of post-acquisition reserve	3,543	-	-	-
	<b>24,785</b>	34,054	-	-
	<b>26,621</b>	35,890	-	-

The movements in each category of reserves are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Capital reserve</b>				
At 31 December *	1,836	1,836	-	-
<b>Revaluation surplus</b>				
As previously stated	30,027	30,027	-	-
Effect of adopting the Amendments to FRS 117	(340)	(340)	-	-
At 31 December (Restated)	29,687	29,687	-	-
<b>Hedging reserve</b>				
At 1 January	-	-	-	-
Effect of adopting FRS 139	882	-	-	-
At 1 January (Restated)	882	-	-	-
Arising in the year	409	-	-	-
At 31 December (Restated)	1,291	-	-	-
<b>Foreign currency translation reserve</b>				
At 1 January	4,367	6,702	-	-
Arising in the year	(14,103)	(2,335)	-	-
At 31 December	(9,736)	4,367	-	-
<b>Share of post-acquisition reserve</b>				
At 31 December	3,543	-	-	-

\* No movement during the year.

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

- Capital reserve comprises mainly the gains arising from the disposals of certain subsidiaries in Malaysia.
- Revaluation surplus of the Group represents the surpluses arising from the revaluation of the Group's land and buildings.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 32. OTHER RESERVES (Continued)

- (c) Hedging reserve contains the effective portion of the gain or loss, net of tax, on derivatives designated as the hedging instrument in cash flow hedge.
- (d) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. 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.
- (e) Share of post-acquisition reserve mainly arising from recognition of the investors' share of post-acquisition net assets.

## 33. OPERATING LEASE ARRANGEMENTS

### (a) The Group and the Company as lessee

The Group has entered into non-cancellable operating lease agreements for the use of lands and buildings. These leases have an average life between 1 year and 16 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The Group also leases buildings and certain plant and machineries under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2010	2009
	RM'000	RM'000
<b>Future minimum rental payments:</b>		
Not later than 1 year	1,449	455
Later than 1 year and not later than 5 years	22,236	1,715
	<b>23,685</b>	<b>2,170</b>

The lease payments recognised in profit or loss during the financial year are disclosed in Note 8.

### (b) The Group as lessor

The Group has entered into cancellable operating lease agreements on its investment property portfolio. These leases have remaining cancellable lease terms of between 1 and 2 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lessees are required to give a three-month-notice for the termination of those agreements.

Investment property rental income, recognised in profit or loss during the financial year is disclosed in Note 4.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 34. COMMITMENTS

	Group	
	2010	2009
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	<b>784,850</b>	42,784
Approved but not contracted for:		
Property, plant and equipment	<b>66,568</b>	589
Compensation to lessor	<b>155,745</b>	-

## 35. CONTINGENCIES

	Company	
	2010	2009
	RM'000	RM'000

### Contingent liabilities

#### Unsecured

Corporate guarantees given to banks as securities for banking facilities of its subsidiaries	<b>1,477,400</b>	788,450
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Total outstanding balances for the said banking facilities amounted to RM298,140,000 (2009: RM159,401,000). The directors are of the opinion that the fair value of corporate guarantees granted to subsidiaries is immaterial.

## 36. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions with related parties during the financial year:

Group	Note	2010	2009
		RM'000	RM'000
Associates:			
Repayment of advances from Lite Kabel Sdn. Bhd.		<b>303</b>	396
Repayments made on behalf of Universal Cable (Sarawak) Sdn. Bhd. and Sarawak Cable Berhad		<b>24</b>	20
Sales to Lite Kabel Sdn. Bhd.	(i)	<b>7,375</b>	8,981
Sales of goods to Universal Cable (Sarawak) Sdn. Bhd.	(i)	<b>58,942</b>	23,068
Purchases from Universal Cable (Sarawak) Sdn. Bhd.	(ii)	-	27,715
Rental income from Lite Kabel Sdn. Bhd.	(vi)	<b>432</b>	1,195
Dividends received from Sarawak Cable Berhad		<b>682</b>	682
Corporate shareholders of a subsidiary:			
Sales to Toyota Tsusho Corporation Ltd.	(i)	<b>15,311</b>	38,638
Sales commission to a subsidiary of Toyota Tsusho Corporation Ltd.	(i)	<b>17</b>	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 36. RELATED PARTY DISCLOSURES (Continued)

Group	Note	2010 RM'000	2009 RM'000
Sales to a subsidiary of Toyota Tsusho Corporation Ltd.	(i)	<b>25,790</b>	973
Purchases from Toyota Tsusho Corporation Ltd.	(ii)	<b>1,495,198</b>	960,275
Interest paid to Toyota Tsusho Corporation Ltd.	(iii)	<b>2,002</b>	1,510
Management fees paid to Toyota Tsusho Corporation Ltd.	(iv)	<b>1,000</b>	1,000
Technical assistance fees paid to Furukawa Electric Co. Ltd.	(iv)	<b>732</b>	691
Sales to subsidiaries of Furukawa Electric Co. Ltd.	(i)	<b>43,391</b>	27,588
Others:			
Rental of premises at Menara Northam paid to Jeska Properties Sdn. Bhd., a company in which certain directors have interest	(v)	<b>411</b>	367
<b>Company</b>			
Subsidiaries:			
Repayments of advance from/(Advances to)		<b>20,548</b>	(26,799)
Payments made on behalf		<b>52,601</b>	23,758
Write back of allowance for doubtful debts		<b>4,564</b>	4,434
Conversion of intercompany balances into equity		<b>64,992</b>	-
Waiver of debts		-	2,413
Dividends receivable		<b>76,957</b>	68,025
Associates:			
Repayments made on behalf of Universal Cable (Sarawak) Sdn. Bhd. and Sarawak Cable Berhad		<b>24</b>	20
Payments made on behalf of Universal Cable (Sarawak) Sdn. Bhd. and Sarawak Cable Berhad		-	26
Dividends received from Sarawak Cable Berhad		<b>682</b>	682
Repayment of advances from Lite Kabel Sdn. Bhd.		<b>303</b>	396
Others:			
Rental of premises at Menara Northam paid to Jeska Properties Sdn. Bhd., a company in which certain directors have interest	(v)	<b>186</b>	156
Advisory fee paid to persons connected to directors of the Company		<b>36</b>	36
Retirement benefits paid to directors of the Company		<b>1,600</b>	-

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 36. RELATED PARTY DISCLOSURES (Continued)

- (i) The sales of products to an associate, a corporate shareholder and subsidiaries of a corporate shareholder were made according to prices and terms mutually agreed between the respective parties which were not materially different from those obtainable in transactions with unrelated parties.
- (ii) The purchases of products from a corporate shareholder were made according to prices and terms mutually agreed between the respective parties which were not materially different from those obtainable in transactions with unrelated parties.
- (iii) The interest expenses arose from the amounts due to related parties. Further details are disclosed in Note 29.
- (iv) The management fees and technical assistance fees were charged at prices mutually agreed between the respective parties.
- (v) The rentals were charged at prices mutually agreed between the respective parties based on the estimated market rates provided by an external property agent.
- (vi) The rentals were charged at prices mutually agreed between the respective parties based on estimated market rate provided by an external property agent.

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	9,425	8,199	120	120
Defined contribution plan	1,144	1,118	-	-
	<b>10,569</b>	9,317	<b>120</b>	120
Included in the total remuneration of key management personnel are:				
Directors' remuneration (Note 10)	<b>9,658</b>	8,391	<b>120</b>	120

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>At 31 December 2010:</b>					
<b>Financial assets:</b>					
Unquoted shares	21	9,000	*	-	-
<b>Financial liabilities:</b>					
Term loan	28	194,998	188,575	18,750	18,292
Obligation under finance leases	28.1	13,068	12,403	306	288

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	Note	Group Carrying amount RM'000	Group Fair value RM'000	Company Carrying amount RM'000	Company Fair value RM'000
<b>At 31 December 2009:</b>					
<b>Financial assets:</b>					
Unquoted shares	21	9,636	*	-	-
<b>Financial liabilities:</b>					
Term loan	28	54,178	54,065	-	-
Obligation under finance leases	28.1	6,396	6,330	106	105

\* It is not practicable to estimate the fair value of the Group's current unquoted investments due to the lack of quoted market prices and the variability to estimate fair value. However, the Group believes that the carrying amount represents the recoverable value.

### B. Determination of fair value

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

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

	Note
Other receivables (non-current)	
- Amount due from associates	20
Trade and other receivables (current)	20
Trade and other payables (current)	29
Borrowings (current)	28
Borrowings (non-current)	28
- USD loan at COF + 0.5% to 3.0% p.a.	28
- USD loan at 2.02% to 2.17% p.a	28
- RM loan at COF + 0.95% to 2.0% p.a	28
- RM loan at 5.5% to 6.3% p.a.	28

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### B. Determination of fair value (Continued)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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

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

#### Investment securities - quoted equity instruments

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

#### Derivatives

Fair values of forward currency contracts and commodity forward contracts are calculated by reference to forward rates or prices quoted at the reporting date for contracts with similar maturity profiles.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors and Enterprise Risk Management Committee review and agree policies and procedures for the management of these risks, which are executed by the Group and Company. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient and effective.

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

### (a) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Loan and borrowings at floating rates expose the Group to cash flow interest rate risk.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date, approximately 42% (2009: 80%) of the Group's borrowings are at fixed rates of interest.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10% lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM764,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Interest rate risk (Continued)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax (through the impact on interest expense on floating rate loans and borrowings).

	Increase/Decrease percentage	Effect on profit net of tax RM'000
<b>Group</b>		
- Ringgit Malaysia	+10%	(570)
	-10%	570
- US dollar	+10%	(194)
	-10%	194
<b>Company</b>		
- Ringgit Malaysia	+10%	4
	-10%	(4)

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Interest rate risk (Continued)

The following tables set out the carrying amounts, the highest and lowest interest rates as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments:

	Note	Highest %	Lowest %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>At 31 December 2010</b>										
<b>Group</b>										
<b>Floating rate</b>										
Deposits with licensed banks and financial institutions	26	4.75	0.15	92,110	-	-	-	-	-	92,110
Bankers' acceptances	28	3.75	3.32	(140,260)	-	-	-	-	-	(140,260)
Trust receipts	28	1.75	1.12	(95,495)	-	-	-	-	-	(95,495)
Revolving credits	28	4.40	0.78	(18,098)	-	-	-	-	-	(18,098)
Term loan	28	6.90	2.02	(39,539)	(29,957)	(29,232)	(25,932)	(12,386)	(57,952)	(194,998)
<b>Company</b>										
<b>Floating rate</b>										
Deposits with licensed banks and financial institutions	26	2.50	0.75	2,340	-	-	-	-	-	2,340
<b>At 31 December 2009</b>										
<b>Group</b>										
<b>Floating rate</b>										
Deposits with licensed banks and financial institutions	26	6.10	0.01	140,233	-	-	-	-	-	140,233
Bankers' acceptances	28	3.02	2.53	(100,222)	-	-	-	-	-	(100,222)
Trust receipts	28	1.75	1.30	(20,532)	-	-	-	-	-	(20,532)
Revolving credits	28	3.61	1.15	(11,844)	-	-	-	-	-	(11,844)
Term loan	28	6.90	1.98	(28,373)	(7,321)	(7,321)	(7,063)	(4,100)	-	(54,178)
<b>Company</b>										
<b>Floating rate</b>										
Deposits with licensed banks and financial institutions	26	2.5	0.01	29,731	-	-	-	-	-	29,731

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group Credit Control Committee.

#### Credit risk concentration profile

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

	2010		Group		2009	
	RM'000	% of total	RM'000	% of total	RM'000	% of total
<b>By country:</b>						
Malaysia	119,301	45.7%	166,607	62.7%		
Singapore	52,488	20.1%	35,205	13.3%		
Middle East	28,418	10.9%	21,267	8.0%		
Australia	12,144	4.6%	6,203	2.3%		
China and Hong Kong	10,053	3.8%	6,980	2.6%		
Cambodia	9,335	3.6%	12,099	4.6%		
South Africa	6,643	2.5%	332	0.1%		
India	4,263	1.6%	3,197	1.2%		
Other countries	18,708	7.2%	13,789	5.2%		
	261,353	100%	265,679	100%		
<b>By industry sectors:</b>						
Cable and Wire	250,953	96.02%	252,640	95.10%		
Power	9,334	3.57%	11,885	4.47%		
Others	1,066	0.41%	1,154	0.43%		
	261,353	100%	265,679	100%		

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Credit risk (Continued)

At the reporting date, approximately:

- 26% (2009: 26%) of the Group's trade receivables were due from 5 major customers who are from cable and wire industry located in Malaysia.
- 12% (2009: 3%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of available credit facilities.

The Group's and the Company's liquidity risk management policy is that not more than 20% (2009: 20%) of loans and borrowings should mature in the next one year's period, and to maintain sufficient liquid financial assets and available credit facilities with not less than 6 different banks. At the reporting date, approximately 64% (2009: 89%) of the Group's loans and borrowings (Note 28) will mature in less than one year based on the carrying amount reflected in the financial statements, excluding discontinued operation. The high percentages are due to majority of the borrowings comprise short time revolving working capital facilities. A 98.75% (2009: 99.99%) of the Company's loans and borrowings will mature in less than one year at the reporting date.

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

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

	2010 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	232,905	-	-	232,905
Borrowings	308,274	85,634	85,920	479,828
Derivatives - settled net	2	-	-	2
Total undiscounted financial liabilities	541,181	85,634	85,920	712,735
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables	4,877	-	-	4,877
Borrowings	19,235	244	-	19,479
Total undiscounted financial liabilities	24,112	244	-	24,356

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. 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, US Dollar ("USD") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 55% (2009: 48%) of the Group's sales are denominated in foreign currencies whilst almost 63% (2009: 66%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM100 million (2009: RM117 million) and RM2.46 million (2009: RM5 million) for the Group and the Company respectively.

The Group measures foreign currency risk of each transaction by ascertains the volatility of each specific foreign currency against RM, the amount of the commitment and the time frame from its crystallisation. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2010, the Group hedged 1% (2009: 10%) and 13% (2009: nil) of its foreign currency denominated receivables and payables respectively, for which firm commitments existed at the reporting date.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Kingdom of Cambodia, Hong Kong and Philippines. The Group's net investments in the countries are not hedged as currency positions in USD is considered to be long-term in nature.

#### 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 SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group 2010 RM'000	Company 2010 RM'000
	<i>Profit, net of tax</i>	<i>Profit, net of tax</i>
USD/RM - strengthened 2% (2009: 2%)	-1,217	-241
- weakened 2% (2009: 2%)	+1,217	+241
SGD/RM - strengthened 2% (2009: 2%)	+86	-9
- weakened 2% (2009: 2%)	-86	+9

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Foreign currency risk (Continued)

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

	2010 RM'000	Group 2009 RM'000
<b>Amounts due from associates</b>		
- United States Dollars	2,210	2,453
<b>Trade and other receivables</b>		
- United States Dollars	166,296	126,035
- Euro Dollars	1,267	1,039
- Singapore Dollars	9,217	10,480
- Philippines Peso	52	54
- Swiss Franc	-	12
- Australia Dollar	959	728
- British Pound Sterling	3	203
- Cambodia Riels	568	528
	<b>178,362</b>	<b>139,079</b>
<b>Cash and bank balances</b>		
- United States Dollars	99,997	117,476
- Euro Dollars	37	43
- Singapore Dollars	3,496	2,456
- Philippines Peso	95	147
- Cambodia Riels	918	1,706
- Japan Yen	1,124	323
	<b>105,667</b>	<b>122,151</b>
<b>Borrowings</b>		
- United States Dollars	208,095	48,763
<b>Trade and other payables</b>		
- United States Dollars	148,244	119,263
- Euro Dollars	559	5
- Singapore Dollars	477	2,959
- Philippines Peso	273	287
- British Pound Sterling	1	29
- Japan Yen	2	26
- Cambodia Riels	1,403	6,541
	<b>150,959</b>	<b>129,110</b>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Foreign currency risk (Continued)

	Company	
	2010 RM'000	2009 RM'000
<b>Amounts due from subsidiaries</b>		
- United States Dollars	45,880	70,669
<b>Amounts due to subsidiaries</b>		
- United States Dollars	(11,513)	(11,522)
<b>Cash and bank balances</b>		
- United States Dollars	2,462	5,004

### (e) Market price risk

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

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad.

These instruments are classified as fair value through profit or loss.

The Group's objective is to manage investment returns and equity price risk by investing in investment grade shares with steady dividend yield with less volatility. Any deviation from this policy is required to be approved by the Board of Directors and Audit Committee.

At the reporting date, all of the Group's equity portfolios are investment grade shares included in the FTSE Bursa Malaysia.

#### Sensitivity analysis for equity price risk

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM34,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

### (f) Commodity price risk

Commodity 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 commodity prices.

The Group is exposed to commodity price risk arising from the commodity forward contracts entered into to hedge its forecasted purchases of aluminium. Changes in the spot and forward prices of aluminium will cause corresponding changes in the fair values of the commodity forward contracts. The Group applies cash flow hedge accounting on its commodity forward contracts.

All the Group's contracted sales and purchase obligations are hedged on a back to back basis with corresponding LME futures contracts, hence, insulating the Group from commodity price risk.

#### Sensitivity analysis for commodity price risk

At the reporting date, had aluminium prices been 5% higher/lower, with all other variables held constant, the Group's hedging reserve would have been RM692,000 higher/lower, arising as a result of an increase/decrease in the fair value of derivatives on which cash flow hedge accounting is applied.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 39. SEGMENTAL INFORMATION

### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (b) Business segments

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

#### i. Cable and wire

The cable and wire segment is a manufacturer and supplier of telecommunication cables, power cables, aluminium, electrical conductor grade copper rods and wires for domestic and export markets.

#### ii. Power

The power generation segment is involved in construction of power substations and also supply, operate and manage power generation and electricity transmission facility.

#### iii. Others

This reportable segment has been formed by aggregating the property and corporate segments, comprise companies in various services sectors which are not of a sufficient size to be reported separately.

The property segment is in the business of constructing, developing and leasing out residential and commercial properties, comprising the property construction/development operating segment and the investment properties operating segment. The corporate segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

Inter-segment sales comprise mainly rental and interest income and advances from/to subsidiaries.

Management monitors the operating results of each business unit separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on profit before tax, as explained in the table below.

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

Group	Cable and wire	Revenue Generating	Power Non-Revenue Generating	Others	Total
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
Segment revenue/Total revenue	2,376,412	111,814	-	5,799	2,494,025
<b>Results</b>					
Profit/(Loss) before tax	52,921	38,435	(6,296)	(18,067)	66,993
Income tax benefit					2,988
Profit for the year					69,981

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 39. SEGMENTAL INFORMATION (Continued)

### (b) Business segments (Continued)

	Cable and wire RM'000	Revenue Generating RM'000	Power Non-Revenue Generating RM'000	Others RM'000	Total RM'000
<b>Assets</b>					
Segment assets	897,790	132,336	176,500	149,903	1,356,529
Investments in associates					20,600
Unallocated assets					5,896
Consolidated total assets					<u>1,383,025</u>
<b>Liabilities</b>					
Segment liabilities	217,194	15,311	1,845	3,468	237,818
Unallocated liabilities					470,989
Consolidated total liabilities					<u>708,807</u>
Capital expenditure	46,817	-	148,718	20,387	215,922
Amortisation	218	-	-	-	218
Depreciation	21,044	7,838	151	866	29,899
Non-cash expense other than depreciation and amortisation	961	1,006	-	2,254	4,221
<b>31 December 2009</b>					
<b>Revenue and expenses</b>					
<b>Revenue</b>					
Segment revenue/Total revenue	1,818,249	127,623	-	3,928	1,949,800
<b>Results</b>					
Profit/(Loss) before tax	50,953	37,605	(5,977)	(5,727)	76,854
Income tax expense					(5,874)
Profit for the year					<u>70,980</u>
<b>Assets</b>					
Segment assets	807,159	152,779	54,692	203,537	1,218,167
Investments in associates					26,079
Unallocated assets					7,393
Consolidated total assets					<u>1,251,639</u>
<b>Liabilities</b>					
Segment liabilities	258,551	23,405	956	8,120	291,032
Unallocated liabilities					291,067
Consolidated total liabilities					<u>582,099</u>

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 39. SEGMENTAL INFORMATION (Continued)

### (b) Business segments (Continued)

	Cable and wire RM'000	Revenue Generating RM'000	Power Non-Revenue Generating RM'000	Others RM'000	Total RM'000
Capital expenditure	15,287	951	27,061	3,565	46,864
Amortisation	521	-	-	147	668
Depreciation	19,421	8,883	-	609	28,913
Non-cash expense other than depreciation and amortisation	(1,517)	1,194	-	2,153	1,830

### (c) Geographical segments

The Group's business segments operate in two main geographical areas:

- Malaysia (mainly manufacture and sales of cable & wire and property development)
- Cambodia (power)

	Total revenue from external customers		Segment assets		Capital expenditure	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	<b>1,373,558</b>	1,151,683	<b>1,022,408</b>	956,652	<b>67,204</b>	18,771
Cambodia	<b>112,541</b>	128,126	<b>309,090</b>	234,275	<b>148,718</b>	28,093
Singapore	<b>245,148</b>	205,078	-	-	-	-
Others *	<b>762,778</b>	464,913	<b>25,031</b>	28,100	-	-
	<b>2,494,025</b>	1,949,800	<b>1,356,529</b>	1,219,027	<b>215,922</b>	46,864

\* Others mainly refer to countries such as India, Iraq, Australia, United Arab Emirates and Hong Kong.

### (d) Allocation basis and transfer pricing

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

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

## 40. SIGNIFICANT EVENTS

- (a) On 20 January 2010, the Company's wholly owned subsidiary, Cambodian Transmission Limited ("CTL") had entered into a 25 years Build-Operate-Transfer Power Transmission Agreement with Electricite Du Cambodge ("EDC"), a wholly state-owned limited liability company established under the Royal Decree of the Kingdom of Cambodia, to develop a 230kV power transmission system from Phnom Penh to Kampong Cham ("the Project") on a Build-Operate-Transfer basis. Implementation Agreement was also signed on even date with The Royal Government of Cambodia represented by the Ministry of Industry, Mines and Energy and the Ministry of Economy and Finance for the implementation of the Project.

A Lease Agreement was also signed with EDC to lease the land for the abovesaid two substations and grant for all rights of easement and/or rights of way.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 40. SIGNIFICANT EVENTS (Continued)

- (b) On 5 February 2010, CTL had executed a Facility Agreement with Export-Import Bank of Malaysia Berhad ("EXIM Bank") whereby EXIM Bank had offered to CTL and CTL had agreed to take up EXIM Bank's offer for an Islamic financing under Overseas Project Financing-i of USD65 million under the Islamic principle of Istisna and for a tenure of 13 years ("the Financing Facility"). The purpose of the Financing Facility is to part finance the development of the Project which involves the construction of two substations i.e. the North Phnom Penh substation and the Kampong Cham substation together with the construction of approximately 110km of double circuit 230kV overhead power transmission lines linking the two substations.
- (c) On 10 February 2010, the Company's wholly owned subsidiary, Leader Infrastructure (Labuan) Limited ("LILL") had executed a Facility Agreement with OCBC Bank (Malaysia) Berhad and Malayan Banking Berhad as the Joint Mandated Lead Arrangers and AmBank (M) Berhad and Bank of China (Malaysia) Berhad as the Lead Managers for a Syndicated Term Loan Facility of USD140 million ("the Syndicated Term Loan Facility"). The purpose of the Syndicated Term Loan Facility is to part finance the development of two units of 50MW coal-fired electric power generating facility and other ancillary facilities. The tenure of the Syndicated Term Loan Facility is 7 years from the date of its first drawdown with an option to extend for another 2 years at the lenders' sole discretion.
- (d) On 2 July 2010, the Company's wholly-owned subsidiary, LCL had entered into the Supplemental and Collaboration Agreement ("SCA Agreement") with Cambodia International Investment Development Group Co. Ltd ("CIIDG") whereby CIIDG shall cease to be a shareholder of CEL, a joint venture company between the Company and CIIDG to build, own and operate the 100 MW coal-fire power project in Sihanoukville, Cambodia ("the Project"). Consequently, the USD7 million shares held by CIIDG was cancelled and the registered share capital of CEL was reduced from USD35 million to USD28 million comprising 28 million shares of USD1.00 each and CEL became a wholly owned subsidiary of LCL effective on 16 July 2010.

However, CIIDG shall continue to collaborate with CEL in respect of the Project by providing the relevant assistance for the Project and shall continue with the lease of the Project land to CEL.

The lease on the Project land had been registered and mortgaged under the applicable laws to meet the requirements of the facility lenders for the Project. All the documents required by the facility lenders for the Project had also been signed by CIIDG and became effective on 1 October 2010.

## 41. SUBSEQUENT EVENTS

- (a) On 9 February 2011, the Company had acquired the entire issued and paid-up share capital of 2 ordinary shares of RM1.00 each in Clarion Power Sdn. Bhd. ("Clarion Power") at a total cash consideration of RM2.00 for use as an investment holding company. Clarion Power is a wholly-owned subsidiary of the Company.
- (b) On 3 March 2011, Clarion Power had entered into a Joint Venture Agreement with Dato' Sri Mahmud Abu Bekir Taib, Austin Corp. (Malaysia) Sdn. Bhd. and Trenergy Infrastructure Sdn. Bhd. ("Trenergy Infrastructure") to acquire 700,000 ordinary shares of RM1.00 each in Trenergy Infrastructure at a cash consideration of RM11,550,000. With the above acquisition, the Company owned a 35% interest in Trenergy Infrastructure.
- (c) On 22 March 2011, the Company's wholly-owned subsidiary, Leader Universal (Labuan) Limited ("LULL") had entered into a Termination Agreement to officially terminate the Joint Venture and Shareholders' Agreement ("JVSA") dated 8 July 2009 with Al-Ghazalah Development Co. ("Al-Ghazalah") and Suasana Daya Sdn. Bhd. ("Suasana"), to set up a joint venture company ("JVC") in the Kingdom of Saudi Arabia ("KSA") for purposes of selling and supplying of cables and cable related accessories and equipment to customers in KSA, installation of cables and turnkey projects and supply and/or construction of power transmission, distribution, substation and related projects in KSA. Despite the mutual termination of the JVSA, the parties would continue to jointly explore for business opportunities in KSA.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

## 42. CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio of less than 50%. Net debt comprises borrowings, amounts due to related companies, amount payable to lessor and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to owners of the parents of the Group.

With respect to banking facilities that the Group has with certain financial institutions, the Group ensures that the maximum debt-to-equity ratio limit of 1.75 times is complied with at all times.

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Borrowings	28	<b>461,919</b>	273,172	<b>19,056</b>	80,106
Amounts due to subsidiaries	29	-	-	<b>50,858</b>	36,316
Trade and other payables	29	<b>232,905</b>	281,338	<b>4,877</b>	6,776
Amount payable to lessor	29	<b>1,161</b>	-	-	-
Less: Cash and bank balances	26	<b>(148,576)</b>	(213,378)	<b>(3,576)</b>	(34,467)
Net debt		<b>547,409</b>	341,132	<b>71,215</b>	88,731
Equity attributable to the owners of the parent, representing total capital		<b>570,183</b>	540,915	<b>221,900</b>	159,757
Capital and net debt		<b>1,117,592</b>	882,047	<b>293,115</b>	248,488
Gearing ratio		<b>49%</b>	39%	<b>24%</b>	36%

## 43. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform to current year's presentation:

2009	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
<b>Income statement</b>			
Cost of sales	1,791,088	2,476	1,793,564
Administrative expenses	37,737	(2,288)	35,449
Selling and marketing expenses	32,726	(188)	32,538

## 44. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 30 March 2011.

# Notes to The Financial Statements

For the financial year ended 31 December 2010 (Continued)

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

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

	Group RM'000	Company RM'000
<b>2010</b>		
Total retained profits of the Company and its subsidiaries		
- Realised	(185,202)	(268,839)
- Unrealised	(6,734)	(549)
	(191,936)	(269,388)
Total share of retained profits from associate		
- Realised	(155)	-
- Unrealised	(107)	-
	(192,198)	(269,388)
Less: Consolidation adjustments	244,472	-
Retained profits as per financial statements	52,274	(269,388)