

DIALOG

DIALOG GROUP BERHAD
(178694-V)

Annual Report **2011**
Financial Statements



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



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Directors' Report

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

DIVIDENDS

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

- (a) Final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to RM35,398,411 in respect of the previous financial year was paid on 15 December 2010;
- (b) Interim single tier dividend of 13% per ordinary share of RM0.10 each, amounting to RM25,643,130 in respect of the current financial year was paid on 20 June 2011; and
- (c) Proposed final single tier dividend of 18% per ordinary share of RM0.10 each, amounting to approximately RM35,524,000 in respect of the current financial year as recommended by the Directors subsequent to the end of the reporting period for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

- (a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;
- (b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;
- (c) The option price of a new ordinary share under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;
- (d) The actual number of shares which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:
 - (i) not more than 50% of the shares available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and
 - (ii) not more than 10% of the shares available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued and paid-up share capital of the Company;
- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years;
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

Directors' Report

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

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

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

* Due to resignation or rejection of the options granted.

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

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

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

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

REPURCHASE OF OWN SHARES

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

- (i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;
- (ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings and share premium of the Company at the time of purchase; and
- (iii) The Directors may retain the shares so repurchased as treasury shares and may resell the treasury shares and/or distribute them as share dividend and/or cancel them in a manner they deem fit in accordance with the provisions of the Companies Act, 1965 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

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

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

DIRECTORS OF THE COMPANY

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

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

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

Directors' Report

DIRECTORS OF THE COMPANY (CONTINUED)

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

DIRECTORS' INTERESTS

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

Shares in the Company	----- Number of ordinary shares of RM0.10 each -----			Balance as at 30.6.2011
	Balance as at 1.7.2010/ * Date of appointment	Bought	Sold	
<u>Direct interests:</u>				
Ngau Boon Keat	27,240,740	1,855,000	–	29,095,740
Chan Yew Kai	4,879,821	1,007,400	–	5,887,221
Dato' Mohamed Zakri Bin Abdul Rashid	1,147,288	–	–	1,147,288
Dr. Junid Bin Abu Saham	3,140,559	–	–	3,140,559
Chew Eng Kar	1,212,372	873,200	(400,000)	1,685,572
Kamariyah Binti Hamdan	736,962*	–	–	736,962
Zainab Binti Mohd Salleh	1,245,385	649,800	(310,000)	1,585,185
<u>Indirect interests:</u>				
Ngau Boon Keat	496,434,057	1,527,600	–	497,961,657
Dato' Mohamed Zakri Bin Abdul Rashid	164,276	–	–	164,276
Dr. Junid Bin Abu Saham	78,540	–	–	78,540
Chew Eng Kar	3,611,014	–	–	3,611,014
Kamariyah Binti Hamdan	101,959*	–	–	101,959
----- Number of options over ordinary shares ----- of RM0.10 each				
Share options in the Company	Balance as at 1.7.2010	Granted	Exercised	Balance as at 30.6.2011
<u>Direct interests:</u>				
Ngau Boon Keat	11,515,000	9,000,000	(1,855,000)	18,660,000
Chan Yew Kai	7,434,000	3,000,000	(757,400)	9,676,600
Chew Eng Kar	2,865,800	2,005,000	(623,200)	4,247,600
Zainab Binti Mohd Salleh	2,002,000	1,851,000	(499,800)	3,353,200
<u>Indirect interests:</u>				
Ngau Boon Keat	264,600	809,000	(33,600)	1,040,000

DIRECTORS' INTERESTS (CONTINUED)

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

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

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that no known bad debts is required to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' Report

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

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

(d) In the opinion of the Directors:

- (i) there has not been any item, transaction or event of a material or unusual nature which has arisen and which is likely to substantially affect the results of operations of the Group and of the Company for the financial year in which this report is made except for those as disclosed in Note 42 to the financial statements; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

AUDITORS

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

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



Ngau Boon Keat
Director



Dato' Mohamed Zakri Bin Abdul Rashid
Director

Petaling Jaya
5 October 2011

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 12 to 105 have been drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



Ngau Boon Keat
Director



Dato' Mohamed Zakri Bin Abdul Rashid
Director

Petaling Jaya
5 October 2011

Statutory Declaration

I, Zainab Binti Mohd Salleh, being the Director primarily responsible for the financial management of Dialog Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 105 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Petaling Jaya this 5 October 2011



Before me:



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

Independent Auditors' Report

to the members of Dialog Group Berhad

Report on the Financial Statements

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

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 44 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of such supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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



BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
5 October 2011



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

Statements of Financial Position

as at 30 June 2011

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

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

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

Income Statements

for the financial year ended 30 June 2011

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

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

Statements of Comprehensive Income

for the financial year ended 30 June 2011

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

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

Statements of Changes in Equity

for the financial year ended 30 June 2011

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

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

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

Statements of Changes in Equity

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

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

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

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

Statements of Cash Flows

for the financial year ended 30 June 2011

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

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

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

Notes to the Financial Statements

30 June 2011

1. CORPORATE INFORMATION

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

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

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

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

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (“FRSs”) and the provisions of the Companies Act, 1965 in Malaysia. However, the supplementary information set out in Note 44 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation (continued)

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

4.3 Business combination

Business combinations from 1 July 2010 onwards

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

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

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to the replacements by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Business combination (continued)

Business combinations before 1 July 2010

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

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

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in the profit or loss any excess remaining after that reassessment.

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

4.4 Property, plant and equipment and depreciation

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

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

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

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

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment and depreciation (continued)

Freehold land has unlimited useful life and is not depreciated.

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

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

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

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

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

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

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

(b) Operating leases

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Construction contracts

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

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

4.7 Investments

(a) Subsidiaries

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

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

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

(b) Associates

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

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

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Investments (continued)

(b) Associates (continued)

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

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

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

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

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

(c) Jointly controlled entities

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Investments (continued)

(c) Jointly controlled entities (continued)

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

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

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

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

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

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

4.8 Intangible assets

(a) Goodwill

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Intangible assets (continued)

(a) Goodwill (continued)

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

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

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

(b) Development costs

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

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

(c) Intellectual property

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment of non-financial assets

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

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

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

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

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

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows estimates have not been adjusted. An impairment loss is recognised in the profit or loss when the carrying amount of the asset or the CGU, including the allocated goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in the profit or loss immediately.

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Inventories

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

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

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

4.11 Financial instruments

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

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

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

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

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

(a) Financial assets

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

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

(i) Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(a) Financial assets (continued)

(i) Loans and receivables (continued)

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

(ii) Available-for-sale financial assets

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

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

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

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

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

(b) Financial liabilities

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

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(b) Financial liabilities (continued)

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

(c) Hedge accounting

Cash flow hedge

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

(d) Equity

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

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

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

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

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

4.12 Impairment of financial assets

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

(a) Loans and receivables

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

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

The carrying amount of loans and receivables are reduced through the use of an allowance account.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Impairment of financial assets (continued)

(a) Loans and receivables (continued)

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

(b) Available-for-sale financial assets

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

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.13 Borrowing costs

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

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

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

4.14 Income taxes

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Income taxes (continued)

(a) Current tax

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

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the end of the reporting period.

(b) Deferred tax

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

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

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

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

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

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Provisions

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

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

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

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

4.16 Contingent liabilities and contingent assets

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

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

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

4.17 Employee benefits

4.17.1 Short term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Employee benefits (continued)

4.17.2 Defined contribution plans

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

4.17.3 Share-based payments

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

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

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

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

4.18 Foreign currencies

4.18.1 Functional and presentation currency

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

4.18.2 Foreign currency transactions and balances

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Foreign currencies (continued)

4.18.3 Foreign operations denominated in functional currencies other than Ringgit Malaysia (“RM”)

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

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

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

4.18.4 Net investment in foreign operations

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

4.19 Revenue recognition

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

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

(a) Construction contracts

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Revenue recognition (continued)

(b) Services

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

(c) Sale of goods

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

(d) Dividend income

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

(e) Interest income

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

(f) Rental income

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

4.20 Earnings per share

(a) Basic

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

(b) Diluted

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

4.21 Operating segments

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

Notes to the Financial Statements

5. ADOPTION OF NEW FRSs AND AMENDMENTS TO FRSs

5.1 New FRSs adopted during the current financial year

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

FRSs/Interpretations		Effective date
Amendments to FRS 1 and FRS 127	First-time adoption of Financial Reporting Standards; and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate (*)	1 January 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives (*)	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes (**)	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (*)	1 January 2010
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement; Financial Instrument: Disclosures; and Reassessment of Embedded Derivatives (*)	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation (*)	1 January 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement (*)	1 January 2010
Improvements to FRSs (2009)	Amendment to FRS 5,8,107,108,110,116,118, 119,120,123,127,128,129,131,134,136,138 & 140 (*)	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation (*)	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards (*)	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payments (*)	1 July 2010
Amendments to FRS 5	Non-Current Assets Held for Sale and Discontinued Operations (*)	1 July 2010
Amendments to FRS 138	Intangible Assets (*)	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives (*)	1 July 2010
IC Interpretation 12	Service Concession Arrangements (**)	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation (*)	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners (*)	1 July 2010

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

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

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

5.1 New FRSs adopted during the financial year (continued)

- (a) FRS 4 *Insurance Contracts* and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202₂₀₀₄ *General Insurance Business* and FRS 203₂₀₀₄ *Life Insurance Business*.

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

5.1 New FRSs adopted during the financial year (continued)

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

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

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

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

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

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

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

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

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

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

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

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

5.1 New FRSs adopted during the financial year (continued)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

FRSs/Interpretations		Effective date
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (#)	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments (#)	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 13	Customer Loyalty Programmes (*)	1 January 2011
Improvements to FRSs (2010)	Amendments to FRS 1,3,7,101,121,128,131, 132,134,139 & IC Interpretation 13	1 January 2011
Amendments to IC Interpretation 14	FRS 119 – The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15	Agreements for the Construction of Real Estate (*)	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

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

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

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

6.1 Critical judgments made in applying accounting policies

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

6.2 Key sources of estimation uncertainty

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

6.2.1 Impairment of goodwill on consolidation

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

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

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

6.2.2 Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unused tax losses and the capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

6.2.3 Impairment of receivables

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

Notes to the Financial Statements

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

6.2 Key sources of estimation uncertainty (continued)

6.2.4 Depreciation of property, plant and equipment

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

6.2.5 Impairment of assets

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

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

6.2.6 Fair values of borrowings

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

6.2.7 Impairment of intangible assets

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

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

6.2.8 Employee's share option scheme

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

7. PROPERTY, PLANT AND EQUIPMENT

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

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

Notes to the Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) The strata titles of certain buildings with a carrying amount of RM5,373,000 (2010: RM5,517,000) have yet to be issued by the relevant authority.
- (b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

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

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

- (d) Additions during the financial year include:

	Group	
	2011 RM'000	2010 RM'000
Interest expense	<u>410</u>	<u>406</u>

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

- (e) Leasehold land is analysed as:

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

Notes to the Financial Statements

8. INTANGIBLE ASSETS

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

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

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

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

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

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

8. INTANGIBLE ASSETS (CONTINUED)

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

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

- (b) Development costs relate to the development of prototypes of centralised switching infrastructure undertaken by a subsidiary. No amortisation is provided during the financial year as the assets have yet to be ready for its intended commercial use.
- (c) Intellectual property relates to welding process and procedures acquired through the acquisition of Fitzroy Engineering Group Limited. These are skilled sets used in fabrication business and are amortised on a straight line basis over a period of 10 years.

9. INVESTMENT IN SUBSIDIARIES

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

The subsidiaries are as follows:

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

Notes to the Financial Statements

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Notes to the Financial Statements

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Notes to the Financial Statements

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

+ Subsidiaries not required to be audited by local authority and consolidated using management financial statements

@ Subsidiaries audited by BDO member firms

* Subsidiaries not audited by BDO Malaysia or BDO member firms

^ Previously held by Dialog Petroleum Sdn. Bhd.

^^ Previously held by Dialog Services Pte. Ltd.

^^^ Previously held by OTEC Holding Pte. Ltd.

Acquisition of subsidiaries during the financial year ended 30 June 2011

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

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

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

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

- (ii) In April 2011, the Group through its 49% owned subsidiary, acquired 19,900 ordinary shares, representing 99.5% equity interest in Ultimate Technology & Services Co., Ltd., (a company incorporated in Thailand) for a cash consideration of THB79 million (approximately RM7.9 million).
- (iii) In April 2011, the Group completed its acquisition of 2,382,352 ordinary shares, representing 90% equity interest of Fitzroy Engineering Group Limited (“FEGL”) (a company incorporated in New Zealand), for a cash consideration of NZD13.5 million (approximately RM32.3 million).

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

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

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

Acquisitions of subsidiaries during the financial year ended 30 June 2010

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

Notes to the Financial Statements

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

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

10. INVESTMENT IN ASSOCIATES

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

10. INVESTMENT IN ASSOCIATES (CONTINUED)

The associates are as follows:

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

+ Not audited by BDO Malaysia

* Not audited by BDO Malaysia or BDO member firms

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

The summarised financial information of the associates is as follows:

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

Notes to the Financial Statements

11. INTEREST IN JOINTLY CONTROLLED ENTITIES

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

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

The details of the jointly controlled entities are as follows:

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

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

* Not audited by member firms of BDO

Deregistered during the financial year

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

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

Notes to the Financial Statements

12. OTHER INVESTMENTS

	Group 2011 RM'000
Non-current	
Available-for-sale financials assets	
– Unquoted shares in Malaysia	1,792
– Unquoted shares outside Malaysia	1,788
– Club membership, unquoted	324
	<hr/>
	3,904
Less: Impairment loss	(1,490)
	<hr/>
	2,414
	<hr/>
	2010 RM'000
Non-current	
At cost	
– Unquoted shares in Malaysia	1,792
– Unquoted shares outside Malaysia	1,700
– Club membership, unquoted	349
	<hr/>
	3,841
Less: Impairment loss	(1,411)
	<hr/>
	2,430
	<hr/>

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

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

The movement in carrying amount is as follows:

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

12. OTHER INVESTMENTS (CONTINUED)

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

13. DEFERRED TAX

Recognised deferred tax assets and liabilities

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	13,887	8,819	–	2
Deferred tax liabilities	(3,931)	(6,134)	–	–
	<u>9,956</u>	<u>2,685</u>	<u>–</u>	<u>2</u>

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

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

Notes to the Financial Statements

13. DEFERRED TAX (CONTINUED)

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

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

Unrecognised deferred tax assets

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

	Group	
	2011 RM'000	2010 RM'000
Unused tax losses	5,699	3,977
Unabsorbed capital allowances	181	162
Accrued expenses	87	–
	<u>5,967</u>	<u>4,139</u>

14. INVENTORIES

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

15. TRADE AND OTHER RECEIVABLES

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

Notes to the Financial Statements

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

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

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

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

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Receivables that are past due and impaired

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

Additions to aggregate costs incurred during the financial year include:

	Group	
	2011 RM'000	2010 RM'000
Hire of plant and machinery and motor vehicles	<u>6,358</u>	<u>10,815</u>

17. AMOUNTS OWING BY/(TO) SUBSIDIARIES

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

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

	Company	
	2011 RM'000	2010 RM'000
United States Dollar – receivables	891	3,110
New Zealand Dollar – receivables	20,043	–
Singapore Dollar – receivables	606	642
Singapore Dollar – payables	(490)	(489)
	<u>20,950</u>	<u>3,263</u>

18. AMOUNTS OWING BY/(TO) ASSOCIATES

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

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

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

20. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

Notes to the Financial Statements

21. SHARE CAPITAL

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

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

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

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

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

22. RESERVES

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

(a) Exchange translation reserve

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

(b) Hedging reserve

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

(c) Share options reserve

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

(d) Retained earnings

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

Notes to the Financial Statements

23. BORROWINGS

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

24. BANK LOANS

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

Notes to the Financial Statements

24. BANK LOANS (CONTINUED)

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

- (a) Term loan I was secured by a property of an indirect subsidiary and guaranteed by its immediate holding company. The loan was fully settled during the financial year.
- (b) Term loan II is secured by a property of a subsidiary and guaranteed by the Company. The term loan is repayable by 32 equal quarterly principal instalments of RM393,750 commencing September 2009.
- (c) Term loan III is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly instalments commencing December 2008.
- (d) Term loan IV is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly instalments commencing June 2009.
- (e) Term loan V is secured by a property of a subsidiary and guaranteed by the Company. The loan is repayable by 60 monthly equal instalments of RM200,000 commencing July 2009.
- (f) The revolving credit is unsecured and repayable by September 2014.
- (g) The short-term loans are unsecured and repayable within six months.
- (h) Information on financial risks of bank loans is disclosed in Note 39 to the financial statements.

25. HIRE PURCHASE CREDITORS

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

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

26. TRADE AND OTHER PAYABLES

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

Notes to the Financial Statements

26. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The credit terms of trade payables range from 7 to 60 days (2010: 7 to 60 days).
- (b) The foreign currency exposure of trade and other payables of the Group is as follows:

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

27. COMMITMENTS

(a) Operating lease commitments

(i) The Group as lessee

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

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

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

(ii) The Group as lessor

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

27. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (continued)

(ii) The Group as lessor (continued)

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

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

(b) Capital commitments

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

28. REVENUE

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

Notes to the Financial Statements

29. PROFIT BEFORE TAX

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

30. DIRECTORS' REMUNERATION

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

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

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

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

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

Notes to the Financial Statements

31. TAX EXPENSE

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

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

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

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

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

31. TAX EXPENSE (CONTINUED)

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

* Percentage immaterial to disclose.

32. EARNINGS PER ORDINARY SHARE

(a) Basic

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

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

Notes to the Financial Statements

32. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted

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

	Group	
	2011	2010
Profit for the financial year attributable to equity holders of the parent (RM'000)	<u>152,298</u>	<u>118,297</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,965,272</u>	1,967,564
Effect of dilution due to ESOS	<u>12,837</u>	1,958
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	<u>1,978,109</u>	<u>1,969,522</u>
	2011	2010
Diluted earnings per ordinary share (sen)	<u>7.70</u>	<u>6.01</u>

33. DIVIDENDS

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

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

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

34. EMPLOYEE BENEFITS

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

35. EMPLOYEE'S SHARE OPTION SCHEME

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

- (a) The ESOS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act, 1965 in Malaysia;
- (b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS;
- (c) The option price for a new share under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Main Market of Bursa Malaysia Securities Berhad at the time the option is granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;
- (d) The actual number of shares which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:
 - (i) not more than 50% of the shares available under the ESOS should be allocated in aggregate to Executive Directors and senior management of the Company and its subsidiaries; and
 - (ii) not more than 10% of the shares available under the ESOS should be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more in the issued and paid-up share capital of the Company;
- (e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee and is subject to the allotment of shares between 10% – 50% per year over vesting periods of 3 to 5 years;
- (f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company; and
- (g) No eligible employee shall participate at any time in any other employees' share option scheme within the Company and its subsidiaries unless otherwise approved by the ESOS Committee.

Notes to the Financial Statements

35. EMPLOYEE'S SHARE OPTION SCHEME (CONTINUED)

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

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

* Due to resignation or rejection of the options granted.

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

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

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

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

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) Associates as disclosed in Note 10 to the financial statements;
- (iii) Jointly controlled entities as disclosed in Note 11 to the financial statements;
- (iv) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Group;
- (v) ePetrol Holding Sdn. Bhd. (“ePetrol Holding”) and its subsidiaries, ePetrol Services Sdn. Bhd. (“ePetrol Services”) and ePetrol Systems Sdn. Bhd. (“ePetrol Systems”) (collectively referred to as the “ePetrol Group”) whereby a director cum substantial shareholder of the Company is also a director and/or substantial shareholder in ePetrol Group;
- (vi) Overseas Technical Engineering and Construction Pte. Ltd. (“OTEC”), Dialog Plant Services Pte. Ltd. (“DPSPL”) and Dialog OTEC Sdn. Bhd. (“DOSB”) (collectively referred to as the “DEPL Group”) whereby certain directors of subsidiaries have directorship and/or substantial interest in DEPL Group. In June 2011, OTEC and DOSB are no longer related parties by virtue of certain directors and/or substantial shareholders ceased to have interest in DEPL Group; and
- (vii) Dialog Catalyst Services Sdn. Bhd. (“DCSSB”), Dialog Technivac Limited (“DTL”) and Catalyst Handling Research & Engineering Limited (“CHREL”) (collectively referred to as the “Catalyst Group”) whereby a subsidiary director holds substantial indirect shareholdings and directorships in DCSSB, DTL and CHREL.

Notes to the Financial Statements

36. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

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

36. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

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

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

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

(d) Material contracts

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

Notes to the Financial Statements

37. OPERATING SEGMENTS

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

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

37. OPERATING SEGMENTS (CONTINUED)

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

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS

(a) Capital management

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

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

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

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

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

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments

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

(i) Categories of financial instruments

Group 2011	Loans and receivables RM'000	Available for sale RM'000	Total RM'000
Financial assets:			
Other investments	–	2,414	2,414
Trade and other receivables	214,421	71	214,492
Amount owing by associates	552	–	552
Amount owing by jointly controlled entities	13,259	–	13,259
Cash and cash equivalents	278,463	–	278,463
	<u>506,695</u>	<u>2,485</u>	<u>509,180</u>
		Other financial liabilities RM'000	Total RM'000
Financial liabilities:			
Borrowings		110,050	110,050
Amount owing to associates		1,519	1,519
Amount owing to jointly controlled entities		138	138
Trade and other payables		278,151	278,151
		<u>389,858</u>	<u>389,858</u>
		Loans and receivables RM'000	Total RM'000
Company 2011			
Financial assets:			
Trade and other receivables		29	29
Amount owing by subsidiaries		40,666	40,666
Amount owing by jointly controlled entities		15	15
Cash and cash equivalents		27,834	27,834
		<u>68,544</u>	<u>68,544</u>

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

Company 2011	Other financial liabilities RM'000	Total RM'000
Financial liabilities:		
Borrowings	40,000	40,000
Amount owing to subsidiaries	490	490
Trade and other payables	536	536
	<u>41,026</u>	<u>41,026</u>

(ii) Fair values of financial instruments

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

Group	Note	2011		2010	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Recognised					
Financial assets:					
Other investments					
– unquoted shares	12	2,090	2,090	2,081	2,081
– club memberships	12	324	324	349	349
		<u>2,414</u>	<u>2,414</u>	<u>2,430</u>	<u>2,430</u>
Financial liabilities:					
Hire purchase liabilities	25	3,141	3,141	4,327	4,327
		<u>3,141</u>	<u>3,141</u>	<u>4,327</u>	<u>4,327</u>
Group					
Unrecognised					
– Letter of undertaking issued to a jointly controlled entity	40	–	94	–	187
		<u>–</u>	<u>94</u>	<u>–</u>	<u>187</u>
Company					
Unrecognised					
Contingent liabilities					
– Corporate guarantee issued to licensed banks and third parties for certain subsidiaries	40	–	1,360	–	1,555
– Letter of undertaking issued to a jointly controlled entity	40	–	94	–	187
		<u>–</u>	<u>1,454</u>	<u>–</u>	<u>1,742</u>

38. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Methods and assumptions used to estimate fair value

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

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

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

- II. Unquoted shares and club memberships

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

- III. Hire purchase liabilities

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

- IV. Derivatives

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

(d) Fair value hierarchy

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

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

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

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

Notes to the Financial Statements

38. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value hierarchy (continued)

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

Assets measured at fair value

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

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Foreign currency risk

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency risk (continued)

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

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

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

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

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

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

Notes to the Financial Statements

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

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

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Interest rate risk (continued)

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

(iii) Credit risk

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

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Notes to the Financial Statements

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity and cash flows risk

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

Analysis of financial instruments by remaining contractual maturities:-

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

40. CONTINGENT LIABILITIES – UNSECURED

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

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

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

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

- ii) In April 2011, the Group through its 49% owned company, Dialog Systems (Thailand) Ltd., acquired 19,900 ordinary shares, representing 99.5% equity interest in Ultimate Technology & Services Co., Ltd., (incorporated in Thailand) for a cash consideration of THB79,000,000 (approximately RM7,900,000).
- iii) In April 2011, the Group completed its acquisition of 2,382,352 ordinary shares, representing 90% equity interest of Fitzroy Engineering Group Ltd. (incorporated in New Zealand), for a cash consideration of NZD13,500,000 (approximately RM32,300,000).
- iv) In June 2011, the Group carried out an internal reorganisation exercise whereby it subscribed 4,969,852 ordinary shares, representing an 80% equity interest of Dialog OTEC Pte. Ltd. The effective interests in the following subsidiaries after the internal reorganisation exercise are as follows:

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

Notes to the Financial Statements

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

- i) In July 2011, the Group's 51% owned jointly controlled entity, PTSB, entered into a shareholders' agreement with the State Secretary, Johor (Incorporated) ("SSI") to invest in Pengerang Independent Terminals Sdn. Bhd. ("PITSB") to undertake the first phase portion of the design, and development of an independent deepwater petroleum terminal at Pengerang, Johor. PTSB will hold 90% equity stake in PITSB and the balance 10% equity stake will be held by SSI.
- ii) In July 2011, the Group incorporated a wholly-owned subsidiary, Dialog Atlas Global Sdn. Bhd. for its investment in upstream oil and gas activities with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares of RM1.00 each.
- iii) In July 2011, the Group has proposed to acquire a 51% equity interest in Anewa Engineering Private Limited ("Anewa"), India, for Rs117,145,050 (equivalent to RM7,884,377). The proposed acquisition has been completed in September 2011.
- iv) In August 2011, a wholly owned subsidiary, Dialog D & P Sdn. Bhd. ("Dialog D & P"), together with Roc Oil Malaysia (Holdings) Sdn. Bhd. ("Roc Oil") and PETRONAS Carigali Sdn. Bhd. ("PCSB"), has signed a Small Field Risk Service Contract ("SFRSC") with Petroliam Nasional Berhad ("PETRONAS").

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

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

- v) In August 2011, the Company proposed to undertake the following:-
 - (a) a renounceable rights issue of up to 398,736,680 new ordinary shares of RM0.10 each in the Company ("Rights Shares") together with up to 199,368,340 free detachable warrants ("Warrants") at a price to be determined later on the basis of two Rights Shares together with one free Warrant for every ten existing ordinary shares of RM0.10 each ("Shares") held in the Company at an entitlement date to be determined later, based on a minimum subscription level of 280,000,000 Rights Shares together with 140,000,000 free Warrants ("Proposed Rights Issue with Warrants"); and
 - (b) increase in the authorised share capital of the Company from RM250,000,000 comprising 2,500,000,000 Shares to RM500,000,000 comprising 5,000,000,000 Shares and in consequence thereof, the Company's Memorandum of Association be amended accordingly.

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

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

43. OPENING STATEMENT OF FINANCIAL POSITION

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

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

Notes to the Financial Statements

43. OPENING STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

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

44. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

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

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

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