



SPK-SENTOSA CORPORATION BERHAD (5347-X)



SPK-SENTOSA CORPORATION BERHAD (5347-X)
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Annual Report **2010**



SPK-SENTOSA CORPORATION BERHAD (5347-X)

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A villa in Village 4, Al-Falah Community Development Project in Abu Dhabi



Two blocks of residential, commercial and recreational development of 44 storeys each in Al-Reem Island, Abu Dhabi

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Gen. Tan Sri Yaacob Bin Mat Zain (R)
Chairman, Non-Executive and Non-Independent

Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)
Director, Non-Executive and Independent

Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R)
Director, Non-Executive and Non-Independent

Ir. Dr. Azman Bin Ahmad
Director, Executive and Non-Independent

Rear Admiral Dato' Yaacob Bin Haji Daud (R)
Director, Non-Executive and Independent

Meor Mohar Azhar Bin Abd Ghani
Director, Non-Executive and Independent

CHIEF EXECUTIVE OFFICER

Saiful Aznir Bin Shahabudin

AUDIT COMMITTEE

Meor Mohar Azhar Bin Abd Ghani
Chairman, Non-Executive and Independent

Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)
Non-Executive and Independent

Rear Admiral Dato' Yaacob Bin Haji Daud (R)
Non-Executive and Independent

REMUNERATION COMMITTEE

Gen. Tan Sri Yaacob Bin Mat Zain (R)
Chairman, Non-Executive and Non-Independent

Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R)
Non-Executive and Non-Independent

Meor Mohar Azhar Bin Abd Ghani
Non-Executive and Independent

NOMINATION COMMITTEE

Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)
Chairman, Non-Executive and Independent

Rear Admiral Dato' Yaacob Bin Haji Daud (R)
Non-Executive and Independent

Meor Mohar Azhar Bin Abd Ghani
Non-Executive and Independent

COMPANY SECRETARY

Fateh Hanum Bte Khairuddin
(LS 0009093)

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights,
50490 Kuala Lumpur

REGISTRAR

Shareworks Sdn Bhd
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel: +603 6201 1120
Fax: +603 6201 3121

REGISTERED OFFICE

12th Floor, Menara Perak
No. 24, Jalan Perak
50450 Kuala Lumpur
Tel: +603 2264 5555
Fax: +603 2264 5545

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Affin Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Al-Reem Development
Project in Abu Dhabi



CORPORATE STRUCTURE

EC225 helicopter owned
by the Awan Group



100% CONSTRUCTION

Pembinaan SPK Sdn Bhd

and its subsidiaries undertaking the following projects:

- Ambangan Heights Development
- Cahaya-SPK Development
- Putrajaya STP 2 Module 2
- Al-Falah Community Development
- Al Raha Gardens Community Retail Centre Development
- Pekan Agropolitan Development
- Besut Setiu Agropolitan Development

OIL AND GAS 50%

Nadaprise Sdn Bhd

and its subsidiaries/jointly controlled entities/associates
undertaking the following projects:

- Miri Crude Oil Terminal Rejuvenation Phase 2
- Blasting and Painting Works for Gumusut-Kakap FPS Hull
- Helicopter Aviation Services



Retail Centre at Al Raha Gardens
Community in Abu Dhabi

CHAIRMAN'S STATEMENT



Dear valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2010.

Gen. Tan Sri Yaacob Bin Mat Zain (R)
Chairman

GROUP OVERVIEW

2010 saw a broad economic recovery from the unprecedented global financial crisis which adversely affected global economies in 2008 and 2009. Advanced economies experienced moderate recovery but the pace of recovery remained subdued amidst persistently weak labour markets in the United States and escalating turmoil in the sovereign debt markets and the prospects of fiscal austerity measures in the European Union. In most of the Asian countries, domestic economies remained resilient with consumption and private-sector led growth being well under way.

Malaysia registered a commendable recovery in economic growth last year underpinned by strong domestic demand and recovery in exports. Supported by the Government's proactive stimulus packages and accommodative policies, the Malaysian economy chalked up a better than expected growth of 7.2% in 2010 compared with a contraction of 1.7% in 2009. The construction sector recorded a lower growth of 5.2% in 2010 compared to 5.8% in 2009 while the mining and quarrying sector rebounded a marginal 0.2% from a -3.8% in 2009.

During the year, the Group focussed on completing its existing contracts while pursuing quality government contracts to increase its order book. Though 2010 was a challenging year, the Group managed to secure an international contract for the construction of a retail centre known as Al Raha Gardens Community Retail Centre Development in Abu Dhabi, United Arab Emirates valued at AED29.9 million and two local government contracts under the East Coast Economic Region Council, namely:

- the construction and completion of 213 units of houses, 10 units management quarters, amenities and infrastructure works for Pekan Agropolitan Development, valued at RM29.9 million; and
- the construction and completion of 100 units of houses, 5 units management quarters, amenities, 52 animal production units, fodder plot and other associated facilities and infrastructure works for Besut Setiu Agropolitan Development, valued at RM60.0 million.

Chairman's Statement

(cont'd)

Our current order book of approximately RM1.0 billion should sustain the Group's construction operations for another 2 years as we continuously strive to enhance it.

Looking back, I am pleased to say that the Group's venture into the business of helicopter aviation services through Awan Inspirasi Holdings Sdn Bhd and its subsidiaries ("Awan group") two years ago, has proven to be a fruitful and exciting venture. The Awan group has performed commendably without incidents since its inception and continued to deliver strongly on its profits.

With more than 2 years of track record under its belt, the Awan group will be in a position of strength to capitalise on the various opportunities in the helicopter aviation services industry, locally and abroad. We will continue to pursue new helicopter aviation services contracts with other oil & gas majors to expand Awan group's earnings base. We are confident that this business venture will provide the Group with substantial recurring income which will steer the Group towards an exciting future.

To create and deliver long-term value to shareholders, your Board will continue to pursue good business opportunities to expand our core businesses, both locally and internationally, which will provide a steady and reliable source of sustainable income as we take the Group to the next phase of earnings growth.

FINANCIAL REVIEW

Despite challenging conditions, the Group registered an improved performance during the year with a significantly lower loss after tax of RM2.9 million on the back of higher revenue of RM360.6 million compared to a loss after tax of RM13.0 million and revenue of RM210.1 million in 2009. The improvement was mainly attributable to significant contributions from the Group's international construction project in Abu Dhabi, namely Al Falah Community Development Project and the recovery of tax refund from Inland Revenue Board.

The loss for the year under review was mainly attributable to losses posted by the Oil & Gas Division as a result of the upward revision of total estimated project costs for a project undertaken by the Oil & Gas Division and lower share of profit of associated companies due to interest charged by supplier for credit given in relation to the purchase of helicopters.

The Group's balance sheet as at 31 December 2010 remains healthy with shareholders' funds of RM74.2 million, cash and bank balances of RM68.5 million and a gearing ratio of 0.57 time.

REVIEW OF OPERATIONS

Construction Division

The projects undertaken during 2010 include the following:

- Al Raha Gardens Project**
 This AED29.9 million contract which was awarded to us on 23 March 2010 involves the construction of a retail centre for Al Raha Gardens Community in Abu Dhabi. Commenced in March 2010, this project is substantially complete. We expect to hand over the project to the client within the agreed time-line of 12 months.



Piping systems at the Miri Crude Oil Terminal in Miri



Al-Reem Development Project in Abu Dhabi

Chairman's Statement

(cont'd)

- Al Falah Village 4 Project**
 This AED950 million contract involves the construction and completion of 730 villas for Village 4 of Al Falah Community Development Project in Abu Dhabi. Commenced in January 2010, this project is scheduled to be completed in 3 sections with the last section being completed within 30 months, i.e. by 9 July 2012. Work on this project is progressing smoothly in accordance with the scheduled work programme. We expect to complete and deliver the project on schedule within the agreed timeframe.
- Pekan Agropolitan Project**
 This RM29 million contract which was awarded to us in September 2010 involves the construction and completion of 213 units of houses, 10 units management quarters, amenities and infrastructure works for Pekan Agropolitan Development. Work on the project commenced in September 2010 and is progressing well in accordance with schedule. We expect to complete and deliver the project within the stipulated timeframe of 15 months, i.e. by 22 December 2011.
- Besut Setiu Agropolitan Project**
 This RM60 million contract which was awarded to us in September 2010 involves the construction and completion of 100 units of houses, 5 units management quarters, amenities, 52 animal production units ("APU"), fodder plot and other associated facilities and infrastructure works for Besut Setiu Agropolitan Development. Commenced in September 2010, the project is behind schedule due to major changes in earthwork and foundation design to the resettlement and APU areas as requested by the client. We are pursuing an extension of time for the completion of the project by the 3rd quarter of 2012.
- Putrajaya STP 2 Module 2 Project**
 This RM163.2 million contract involves the design, construction, completion and commissioning of an integrated sewerage treatment plant STP2 module 2 for Putrajaya. Since commencement in February 2009, we have made good progress on this project. However, due to major changes in mechanical & engineering components requested by the relevant authority, we are pursuing an extension of time for completion of the project. We expect to complete and handover the project to the client by the 1st quarter of 2013.

Oil and Gas Division

During the year, the Division focussed on executing its existing projects while pursuing new projects to expand its helicopter aviation services business.

- GUMUSUT Kakap FPS Hull Project**
 This RM24 million contract which involves the execution of painting and blasting works for Gumusut-Kakap FPS Hull project, was undertaken by a 80:20 joint-venture between our jointly controlled entity, namely ThyssenKrupp Xervon Corp. Sdn Bhd, and Mindus (M) Sdn Bhd. Commenced in May 2008, we have completed the relevant works in accordance with the scheduled work programme and expect final delivery of the project in the 2nd quarter of 2011.
- Miri Crude Oil Terminal Rejuvenation Project Phase 2**
 This RM146.2 million contract involves the procurement, construction and commissioning of Miri Crude Oil Terminal Rejuvenation Project - Phase 2 and is being undertaken on a "live plant". Following the resumption of work in March last year, we have substantially completed the project and expect to hand over the project soon.
- Helicopter Aviation Services**
 Since its inception on 1 October 2008, the Awan group has performed commendably without incidents. In terms of operational and safety standards, it has met the stringent requirements of the Malaysian Department of Civil Aviation and passed with flying colours all of the several operational audits by Shell Aviation and CHC Helicopters. We are proud to say that the Awan group was the first Malaysian aviation company to operate the EC225. It is also heartening to note that Awan group's operation has been rated as one of the best helicopter aviation services provider in the South East Asia region.

Pursuant to the sales contract entered into with Eurocopter Malaysia Sdn Bhd for the purchase of 3 + 1 brand new EC225 helicopters in offshore configuration, the group has taken delivery of the first helicopter in December 2010. The second helicopter is expected to be delivered by end of 2011 while the third helicopter is scheduled for delivery by May 2013. The existing helicopters under lease from CHC Helicopters will be replaced progressively upon delivery of the group's owned helicopters.

The group has also obtained the relevant approvals for the construction of its own hangar costing RM35 million at Miri Airport. Construction of the hangar commenced in June 2010 and is scheduled for completion in July 2011.

Chairman's Statement

(cont'd)

PROSPECTS FOR 2011

The current political instability in the Middle East and North Africa, will result in the volatility of crude oil prices in the near future. This coupled with issues such as concerns over the Euro sovereign debt situation and rising inflationary pressures in emerging economies (including China and India) could impede a sustainable turnaround for the global economy. The recent devastating earthquake and tsunami in Japan add to the uncertainties. All in all, these could have an indirect impact on the Malaysian economy.

Barring any uncertainties which may derail the recovery of the global economy, the outlook for global and domestic economies in 2011 remains positive with growth forecast at 4.2% and 5.6% respectively (source: Economic Report 2010/2011 published by Ministry of Finance and Economic Outlook 2011 published by RAM Holdings Berhad). Domestic growth is expected to be supported by the expansion in private investment, private consumption and exports while the manufacturing and services sectors are expected to spearhead sectoral growth.

The domestic construction industry is expected to sustain a growth of 4.4% in 2011, supported by the acceleration of ongoing projects such as KLIA 2, the second Penang Bridge and other major development projects under the Economic Transformation Programme ("ETP") and 10th Malaysia Plan. The Government has allocated RM20 billion facility fund under the 10th Malaysia Plan to assist the private sector in their PFI investments. The anticipated roll-out of many sizeable government contracts under the ETP and 10th Malaysia Plan such as the RM37 billion mass rapid transit line for Greater Kuala Lumpur project and the RM7 billion extension of existing light rail transit lines will provide a strong boost to the construction industry in the near to medium term.

Meanwhile, demand for oil and gas support services is expected to strengthen, after a 2-year lull due to higher crude oil prices. Domestic oil and gas activities, including the development of marginal oil fields and enhanced oil recovery programmes, are expected to be initiated by the oil companies.

Having put in place appropriate resources, the Group is well-positioned to face any challenges ahead and take advantage of the many opportunities that may arise in the construction industry and oil & gas sector. The Group is working towards securing some significant contracts in 2011 to enhance its order book. We are also upbeat on the prospects for the Oil and Gas Division's business in the helicopter aviation services which we anticipate to contribute positively to the earnings growth of the Group as we actively pursue new helicopter aviation services contracts to expand Awan group's earnings base.

For 2011, the Group expects positive contributions from its overseas construction projects. In addition, the Group is pursuing quality domestic construction projects to enhance profitability for this segment. The oil & gas support services, in particular the helicopter aviation services is expected to continue with positive contributions to the Group. In view of the above and barring any unforeseen changes to the global and domestic operating environment, the Board is optimistic that the Group will perform satisfactorily in the 2011 financial year.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 December 2010.

ACKNOWLEDGEMENT

On behalf of my fellow Board members, I would like to take this opportunity to thank our valued shareholders, business associates, customers, bankers, sub-contractors, suppliers and regulatory authorities for their steadfast support and unwavering confidence in our Group.

I would also like to thank the Management and staff for their diligence and dynamism they have displayed amidst the challenges of a highly competitive operating environment during the course of the year. And last but not least, I would like to express my sincere appreciation and thanks to my fellow Board members for your astute insights, guidance and invaluable advice that has helped us steer the Group through yet another challenging year.

2011 will be an exciting year for us and I look forward to your continued enthusiasm, support and commitment as we rise up to face the challenges and capitalise on the opportunities that 2011 may present. Together, we can make a difference and I am optimistic that 2011 will be a positive year for the Group.

FINANCIAL HIGHLIGHTS

Five Year Group Financial Statistics

	2010	2009*	2008*	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	360,599	210,061	208,447	124,521	128,872
(Loss)/Profit before tax	(10,464)	(14,669)	(72,681)	16,733	2,287
Income tax expense	7,583	1,639	(2,371)	(699)	(1,871)
(Loss)/Profit for the year	(2,881)	(13,030)	(75,052)	16,034	416
(Loss)/Profit attributable to equity holders of the Company	(3,207)	(13,645)	(74,269)	15,583	416
Issued Share Capital	133,944	133,944	133,944	133,944	133,944
Reserves	(59,789)	(55,778)	(41,928)	29,769	14,256
Minority Interests	-	-	87	550	-
Total Equity	74,155	78,166	92,103	164,263	148,200
Total Assets	352,632	274,915	281,128	224,929	203,490
Total Liabilities	(278,477)	(196,749)	(189,025)	(60,666)	(55,290)
(Loss)/Earnings per share (sen)	(2.4)	(10.2)	(55.5)	11.6	0.3
Gross Dividend per share (sen)	-	-	-	-	-
Net Tangible Assets per share (RM)	0.42	0.45	0.53	1.06	0.97
Net Assets per share (RM)	0.55	0.58	0.69	1.23	1.11

Segment Reporting

	2010	2009	2008	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
Construction	321,572	185,498	87,987	76,484	122,467
Oil and Gas	39,027	24,563	120,460	44,791	-
Others	-	-	-	3,246	6,405
	360,599	210,061	208,447	124,521	128,872
(LOSS)/PROFIT BEFORE TAX					
Construction	1,591	(12,470)	(16,936)	(560)	2,467
Oil and Gas	(11,457)	2,171	(53,858)	(2,566)	-
Others	(598)	(4,370)	(1,887)	19,859	(180)
	(10,464)	(14,669)	(72,681)	16,733	2,287

* Restated as a result of adopting the amendments to FRS 117 as disclosed in Note 2.2 to the financial statements on pages 43 and 44.

PROFILE OF BOARD OF DIRECTORS

Gen. Tan Sri Yaacob Bin Mat Zain (R)

Chairman, Non-Independent, Non-Executive Director

Malaysian

Age: 75

Y.Bhg. Gen. Tan Sri Yaacob Bin Mat Zain (R), was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 12 November 1997. He was the Chief of Defence Staff of the Malaysian Armed Forces, prior to his retirement in June 1993. Among the principal appointments held by him during his illustrious career in the Armed Forces included that of the Divisional Commander, Director of Military Intelligence, Chief of Army and subsequently Chief of the Malaysian Armed Forces. Currently, Gen. Tan Sri Yaacob Bin Mat Zain (R) also serves on the Board of various public and private companies, namely Sharikat Permodalan Kebangsaan Berhad, Affin Investment Bank Berhad and Mah Sing Group Berhad.

Gen. Tan Sri Yaacob Bin Mat Zain (R) does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for any offences within the past 10 years.

Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)

Independent, Non-Executive Director

Malaysian

Age: 65

Y.Bhg. Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R) was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 26 March 2002. He was commissioned into the Royal Engineer Regiment of the Malaysian Armed Forces in 1965 and has attended various courses in various military institutions in Australia, United States of America and United Kingdom. His last held position prior to his retirement was Chief Engineer in the Malaysian Armed Forces with the rank of Brigadier General. He currently serves on the board of Affin Fund Management Berhad.

Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R) does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for any offences within the past 10 years.

Rear Admiral Dato' Yaacob Bin Haji Daud (R)

Independent, Non-Executive Director

Malaysian

Age: 68

Y.Bhg. Rear Admiral Dato' Yaacob Bin Haji Daud (R) was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 9 January 2009. He was the Director of Special Federal Task Force, National Security Council of the Prime Minister's Department, prior to his retirement in June 1997. He graduated from the Britannia Royal Naval College, Dartmouth, England and was commissioned into the Royal Malaysian Navy in 1964. He has attended various courses in United Kingdom, United States of America, Netherlands and Australia. Among the principal appointments held by him during his career in the Navy included that of the Commanding Officer of ships, Director of Operations and Training in the Malaysian Armed Forces Headquarters, Fleet Operational Commander and Deputy Chief of Navy. He currently serves on the board of Prima Prai Sdn. Bhd. and Ketengah Perwira Sdn. Bhd.

Rear Admiral Dato' Yaacob Bin Haji Daud (R) does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for any offences within the past 10 years.

Lt. Gen. Datuk Hj Md Hanif Bin Hj Darimi, RMAF (R)

Non-Independent, Non-Executive Director

Malaysian

Age: 59

Y.Bhg. Lt. Gen. Datuk Hj Md Hanif Bin Hj Darimi, RMAF (R) was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 10 August 2010. He was the Air Operations Commander, prior to his retirement in April 2007. Among the principal appointments held by him during his career in the Royal Malaysian Air Force ("RMAF") included that of the Commanding Officer of VVIP Flying Squadron, Base Commander of RMAF Subang and Inspector General of the RMAF. He currently serves on the board of Sharikat Permodalan Kebangsaan Berhad and is also a director of a few other private companies.

Lt. Gen. Datuk Hj Md Hanif Bin Hj Darimi, RMAF (R) does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for any offences within the past 10 years.

Profile of Board of Directors

(cont'd)

Ir. Dr. Azman Bin Ahmad

Non-Independent, Executive Director

Malaysian

Age: 49

Ir. Dr. Azman Bin Ahmad was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad on 24 February 2003. He is a qualified Civil Engineer, with a Bachelor of Engineering (Hons) Civil Degree from University of Adelaide, Australia and a Ph.D in Engineering from University of Malaya. He has 28 years of experience in the corporate and construction industry. He is currently the Executive Vice Chairman of the board of Sharikat Permodalan Kebangsaan Berhad and is also a director of a few other private companies.

Ir. Dr. Azman Bin Ahmad is the brother-in-law to Saiful Aznir Bin Shahabudin, the Chief Executive Officer of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past 10 years.

Meor Mohar Azhar Bin Abd Ghani

Independent, Non-Executive Director

Malaysian

Age: 58

Meor Mohar Azhar Bin Abd Ghani was appointed to the Board of Directors of SPK- Sentosa Corporation Berhad on 1 September 2010. He is a fellow member of the Chartered Institute of Management Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountants and an associate member of the Chartered Tax Institute of Malaysia. He has over 30 years of working experiences in many areas including accounts, audit, finance, taxation, budgeting, corporate planning while serving in various positions in the corporate sector of which, the last 10 years have been in senior positions.

Meor Mohar Azhar Bin Abd Ghani does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no conviction for any offences within the past 10 years.

PROFILE OF CHIEF EXECUTIVE OFFICER

Saiful Aznir Bin Shahabudin

Chief Executive Officer

Malaysian

Age: 51

Saiful Aznir Bin Shahabudin was appointed to the Board of Directors of SPK-Sentosa Corporation Berhad ("SPK-Sentosa") on 26 March 2002 and was subsequently appointed as Managing Director on 20 May 2004. Saiful Aznir Bin Shahabudin resigned from the Board of SPK-Sentosa on 10 August 2010. He is currently the Chief Executive Officer of the Company. He qualified as a member of the American Institute of Certified Public Accountants, and is a member of the Malaysian Institute of Certified Public Accountants. He holds a Master of Business Administration Degree from the University of Chicago and a Bachelor of Business Administration Degree from Western Michigan University. Prior to his appointment, he was the Group Chief Executive Officer of Encorp Group Sdn Bhd. He currently holds a directorship in Bumi Armada Berhad.

Saiful Aznir Bin Shahabudin is the brother-in-law to Ir. Dr. Azman Bin Ahmad, a Director of the Company. He has no conflict of interest with the Company and has no conviction for any offences within the past 10 years.

Saiful Aznir Bin Shahabudin is deemed a substantial shareholder in the Company by virtue of Section 6A(4) of the Companies Act, 1965 through his 99.99% interest in Gerak Jaguh Sdn. Bhd., which in turn has a direct equity of 22.8% in Sharikat Permodalan Kebangsaan Berhad ("SPKB"). SPKB is a substantial shareholder of SPK-Sentosa holding 63.24% of the equity interest.

STATEMENT ON CORPORATE GOVERNANCE

The Company recognises that maintaining the trust and confidence of shareholders, employees, customers and other people with whom it interacts and does business, is crucial to the Company's continued growth and success.

The Board of Directors thus is committed to direct and manage the Company towards enhancing business prosperity and corporate accountability with the objective of realising shareholders' value, whilst taking into account the interests of other stakeholders.

Accordingly, the Company takes every step to ensure compliance to the principles of good corporate governance, to adhere to the Malaysian Code on Corporate Governance's (the "Code") best practices for companies and to fulfill the provisions of the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

Composition

The Board comprises a non-executive Chairman, an executive director and a non-executive director who are non-independent and three (3) non-executive directors who are independent.

The Board consists of various professionals from diverse fields such as accountants and engineers and are persons of calibre and credibility with the necessary skill and experience to effectively discharge the Board's stewardship responsibilities in spearheading the Group's growth and future direction.

All independent directors are independent of the Management and free from any relationship which could interfere with their independent judgment.

The profiles of the Directors are as set out on pages 9 to 10.

Duties of Directors

The Board takes full responsibility in ensuring the effective performance of the Group in all areas and guides the Group in achieving its short and long term objectives, advises and oversees the implementation of strategies and new business development as well as overseeing the corporate development of the Group.

In furtherance of their duties, the directors have access to the advice and services of the Company Secretary and to all information within the Company whether as a full Board or in their individual capacity. Where necessary, the directors engage independent professionals for advice on specialised issues at the Company's expense to enable them to discharge their duties with full knowledge of the cause and effect.

Board Meetings

The Board meets regularly at least once in three (3) months and additional meetings will be held as and when required.

In advance of each Board meeting, the members of the Board are each provided with an agenda and a Board report containing information relevant to the business of the meeting, including information on major financial, operational and corporate matters as well as activities and performance of the Company to enable them to discharge their duties in a proper and effective manner.

The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Company's Memorandum and Articles of Association provides for the Chairman to have the casting vote in the event when an equality of votes arises over an issue in question except in situation where only two (2) directors (including the Chairman) are present to constitute the quorum.

Statement on Corporate Governance

(cont'd)

BOARD OF DIRECTORS cont'd

Board Meetings cont'd

The Board met five (5) times during the financial year ended 31 December 2010 and details of the attendance of the directors are set out below:-

Details of attendance of Directors at Board Meetings

Directors	No. of Meetings Attended
Gen. Tan Sri Yaacob Bin Mat Zain (R)	5/5
Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)	5/5
Ir. Dr. Azman Bin Ahmad	5/5
Rear Admiral Dato'Yaacob Bin Haji Daud (R)	5/5
Saiful Aznir Bin Shahabudin (<i>resigned w.e.f. 10 August 2010</i>)	4/4
Krishnan a/l C.K Menon (<i>retired w.e.f. 9 June 2010</i>)	3/3
Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R) (<i>appointed w.e.f. 10 August 2010</i>)	1/1
Meor Mohar Azhar Bin Abd Ghani (<i>appointed w.e.f. 1 September 2010</i>)	1/1

Details of place, date and time of Board Meetings

The Board Meetings on 25 February 2010, 21 April 2010, 19 May 2010 and 26 November 2010 were held at 12th Floor, Menara Perak, No. 24, Jalan Perak, 50450 Kuala Lumpur and the Board Meeting on 9 August 2010 was held at the Meeting Room, Lot 48, Jalan Hijau Pelangi U9/51, Cahaya SPK, Seksyen U9, 40150 Shah Alam, Selangor Darul Ehsan. The date and time of the Board Meetings held were as follows:

Date of Meeting	Time
25 February 2010	10.00 a.m.
21 April 2010	10.00 a.m.
19 May 2010	10.00 a.m.
9 August 2010	11.00 a.m.
26 November 2010	9.00 a.m.

Appointment and Re-election of Directors

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are of and over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

In accordance with the Company's Memorandum and Articles of Association, which is in compliance with Chapter 7 of the Listing Requirements, one-third (1/3) of the Directors shall retire from office at each Annual General Meeting and they can offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

The roles of the Chairman and the Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate, each with clear division of responsibilities to ensure a balance of power and authority.

Statement on Corporate Governance

(cont'd)

BOARD OF DIRECTORS cont'd

Board Committees

The following committees have been established to assist the Board in the discharge of its duties. Each committee operates under approved terms of reference or guidelines.

NOMINATION COMMITTEE

The Board has delegated to the Nomination Committee the responsibility for considering the appointment of Directors, for identifying and selecting potential new Directors and for proposing to the Board, the appointment of new Directors.

The Nomination Committee meets as and when required but not less than once a year, and is chaired by Y.Bhg. Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R) and its members are Meor Mohar Azhar Bin Abd Ghani and Rear Admiral Dato' Yaacob Bin Haji Daud (R).

The Nomination Committee has written terms of reference as follows:-

- To recommend to the Board of Directors candidates for all directorships to be filled.
- To consider in making its recommendations, candidates for directorships proposed by the Managing Director/ Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or Shareholder.
- To recommend to the Board of Directors the nominee to fill seats or vacancies on Board Committees.
- To review, on an annual basis, the required mix of skills and experience and other qualities, including core competencies which, non-executive directors should have.

REMUNERATION COMMITTEE

Level and Make-Up of Remuneration

The full Board and/or Remuneration Committee determines the remuneration of each Director. It is the Remuneration Committee's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. The Executive Directors play no part in deciding their own remuneration and the respective Board members abstain from all discussion pertaining to their remuneration.

Directors' fees are tabled to the Company's shareholders for approval at the Company's Annual General Meeting.

The Remuneration Committee meets as and when required. It is responsible for all aspects of remuneration and terms and conditions of service of the Directors.

The Remuneration Committee is chaired by Y.Bhg. Gen. Tan Sri Yaacob Bin Mat Zain (R) and its members are Lt. Gen. Datuk Md. Hanif Bin Hj Darimi, RMAF (R) and Meor Mohar Azhar Bin Abd Ghani.

Statement on Corporate Governance

(cont'd)

REMUNERATION COMMITTEE cont'd

Level and Make-Up of Remuneration cont'd

The Remuneration Committee has written terms of reference as follows:-

- To review and assess the remuneration packages of the Directors in all forms, with or without other independent professional advice or other outside advice.
- To ensure the remuneration be sufficiently attractive and be able to retain directors required to run the Company and the business successfully.
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance.
- To recommend to the Board of Directors the remuneration packages of the Directors.
- To act in line with the directions of the Board of Directors.
- To consider and examine such other matters within its authority as the Remuneration Committee considers appropriate.

Directors' remuneration

The breakdown of the remuneration for all the Directors of the Company for the financial year ended 31 December 2010 is as follows:-

Non-Executive	RM'000
(a) Total Remuneration	
Fees	87
Salaries and other emoluments	17
	104
Non-Executive	
(b) Number of Directors whose remuneration falls within the band of RM50,000 and below	4

The above disclosure does not include the remuneration of two (2) of the Directors of the Company as these directors are remunerated as directors of the holding company by the holding company, Sharikat Permodalan Kebangsaan Berhad.

Statement On Corporate Governance

(cont'd)

DIRECTORS' TRAINING

The Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. To stay abreast with current issues arising from the ever-changing business environment within which the Company and Group operate, the Directors are also encourage to attend other professional programmes. Amongst the training programmes and seminar attended by the Directors in 2010 were:

NO.	NAME	DATE	COURSES ATTENDED
1.	Gen. Tan Sri Yaacob Bin Mat Zain (R)	6 -7 July 2010	2nd Annual Corporate Governance Summit 2010
		10 February 2010	Goods and Services Tax for Malaysia : The Right Approach To Taxation
		27 April 2010	Invitation to Colloquium on Risk Management of Derivatives
		28 June 2010	Performance Pays: The Report on Non-Executive Directors' Remuneration
		27-28 September 2010	IT Governance and Risk Management
2.	Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)	3 November 2010	Financial Industry Conference
		24 November 2010	MICG Updates on Regulatory Framework and Directors' Duties 2010
3.	Rear Admiral Dato' Yaacob Bin Haji Daud (R)	20 April 2010	Blue Ocean Best Practices
		1 December 2010	Corporate Directors' Training Programme
4.	Ir. Dr. Azman Bin Ahmad	25 May 2010	Understanding the Roles and Functions of the Nominating and Remuneration Committees
		25 May 2010	Redefining the Roles and Functions of an Independent Director
5.	Saiful Aznir Bin Shahabudin <i>(resigned w.e.f. 10 August 2010)</i>	19-20 July 2010	Annual Conference – Governance and Ethical Practices in the Boardroom
6.	Krishnan a/l C.K Menon <i>(retired w.e.f. 9 June 2010)</i>	24 March 2010	The Non-Executive Directors Development Series
		7 April 2010	Corporate Governance Development in Malaysia and Towards Boardroom Excellence (Managing Related Party Transaction and Conflict of Interest)
7.	Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R) <i>(appointed w.e.f. 10 August 2010)</i>	1 December 2010	Corporate Directors' Training Programme
8.	Meor Mohar Azhar Bin Abd Ghani <i>(appointed w.e.f. 1 September 2010)</i>	23 October 2010	2011 Budget Seminar – Highlights & Implications
		8-11 November 2010	World Congress of Accountants 2010

Statement On Corporate Governance

(cont'd)

SHAREHOLDERS

The Group recognises the importance of accountability to its shareholders through proper communication with shareholders. The Group adheres to the disclosure requirements of the Bursa Securities and views the timely and equal dissemination of information to shareholders as important. The Company reaches out to its shareholders through its distribution of annual reports.

The Annual General Meeting is the principal forum for dialogue with shareholders. All shareholders are encouraged to attend the Company's Annual General Meeting and to participate in the proceedings. Shareholders' suggestions received during Annual General Meetings are reviewed and considered for implementation, wherever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Group through its holding Company had contributed to the allocation of a premise in Cahaya SPK, Shah Alam to the Polis Diraja Malaysia to be used as a police post.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company's and Group's financial positions and prospects in all their reports, to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the Annual Report through the Chairman's Statement as well as through the quarterly announcements.

Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control set out on page 18.

Relationship with Auditors

The external auditors report to members of the Company on their findings which are included as part of the Company's statutory financial statements. The Company maintains a transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 20 to 22.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Board considers that it has complied throughout the financial year with the Best Practices as set out in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 18 April 2011.

Gen. Tan Sri Yaacob Bin Mat Zain (R)

Chairman

STATEMENT ON INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and thus internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. It is possible that internal control system can be circumvented or overridden. Moreover, because of changing circumstances and conditions, the effectiveness of internal control system may vary over time. Hence the system of internal control cannot be expected to eliminate all the risks.

The Board confirms that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the financial year under review and up to date of approval of the annual report and financial statements. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal controls, the Statement on Internal Control : Guidance for Directors of Public Listed Companies.

The Group has a defined delegation of authority with a clear line of responsibility and accountability. It sets out the decisions that need to be taken and the appropriate approving authority at various levels of management including matters that require the Board's approval.

The Group performs regular reviews of business processes to assess the effectiveness and integrity of its internal control system. To assist the Board in fulfilling its role, the Audit Committee in its advisory capacity is established with specific terms of reference which include the overseeing and monitoring of the Group's financial reporting system and the review of the effectiveness of the Group's system of internal control periodically. The review covers the financial, operational and compliance controls as well as risk management.

Statement made in accordance with the resolution of the Board of Directors dated 18 April 2011.

Gen. Tan Sri Yaacob Bin Mat Zain (R)

Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITY

in Relation to the Financial Statements

The Directors are required to prepare financial statements which give a true and fair view of the financial position of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors confirm that in preparing the financial statements:

- the Group and the Company have used appropriate accounting policies which are consistently applied;
- reasonable and prudent judgments and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors further confirm that they are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

REPORT ON AUDIT COMMITTEE

In line and in compliance with Paragraph 15.16 of the Listing Requirements, the Board is pleased to present a report on the Audit Committee:

MEMBERSHIP

The Audit Committee comprises three (3) members who are non-executive and independent directors. It is chaired by Meor Mohar Azhar Bin Abd Ghani and its members are Y.Bhg. Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R) and Rear Admiral Dato' Yaacob Bin Haji Daud (R).

COMPOSITION OF MEMBERS

The Board elects the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, where all are non-executive and independent directors.

No alternate director of the Board has been appointed as a member of the Audit Committee.

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated above, the Board will within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, is an independent director approved by the Board of Directors. He is also a member of at least one (1) of the appointed bodies prescribed in the Listing Requirements.

The Company Secretary is the Secretary to the Audit Committee.

MEETINGS

During the financial year ended 31 December 2010, the members of the Audit Committee met five (5) times, on 25 February 2010, 21 April 2010, 19 May 2010, 9 August 2010 and 25 November 2010 respectively.

The details of attendance are as follows:

Members	No. of Meetings Attended
Krishnan a/l C.K Menon (<i>retired w.e.f. 9 June 2010</i>)	3/3
Brig. Gen. Dato' Mohd Hashim Bin Haji Abu (R)	5/5
Rear Admiral Dato' Yaacob Bin Haji Daud (R)	5/5
Meor Mohar Azhar Bin Abd Ghani (<i>appointed w.e.f. 1 September 2010</i>)	1/1

The Audit Committee meetings are scheduled to be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

In the absence of the Chairman, the other independent director will be the Chairman for that meeting.

Representatives of the external auditors may be required to be in attendance at meetings at least twice a year, without any executive Board members present, where matters relating to the audit of the statutory financial statements and/or external auditors are to be discussed.

Other directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee.

Report on Audit Committee

(cont'd)

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

TERMS OF REFERENCE

The principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group specifically in the following areas:-

- To review the maintenance and control of an effective accounting system;
- To review the Group's public accountability and compliance with the laws and regulations;
- To ensure the adequacy of internal and external audit procedures;
- To evaluate the quality and suitability of external auditors, make recommendations concerning their appointment and remuneration, to consider the nomination and to review any letter of resignation of a person or persons as external auditors;
- To provide liaison between the external auditors, the management and the Board of Directors and also to review the assistance given by the management to the external auditors;
- To review the findings of the internal and external auditors;
- To review the quarterly results and annual financial statements before submission to the Board of Directors;
- To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- To report its findings on the financial and management performance, and other material matters to the Board of Directors;
- To act in line with the directions of the Board of Directors; and
- To consider and examine such other matters as the Audit Committee deems appropriate.

In addition to the duties and responsibilities set out under its Terms of Reference, the Audit Committee also acts as a forum for discussion of internal issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems. The Audit Committee's functions will also include a review of the internal audit functions i.e. its authority, resources and scope of work. It will ensure that no restrictions are placed on the scope of statutory audits and on the independence of the internal audit functions.

SCOPE OF AUTHORITY

The Audit Committee shall, in accordance with procedures determined/to be determined by the Board of Directors and at the expense of the Company:

- have the authority to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee;
- have full and unrestricted access to all information and/or documents required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- obtain other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- convene meetings with the external auditors, without the attendance of the executive member of the Audit Committee, whenever deemed necessary; and
- be able to make relevant report when necessary to the relevant authorities if a breach of the Listing Requirements occurred.

Report on Audit Committee

(cont'd)

ACTIVITIES

During the year under review, the Audit Committee met with due notices of meetings issued and with agendas planned and itemised in order for issues raised to be discussed in a focused and detailed manner.

The reviews of the Group's quarterly reports were held before the Board meetings at which the reports were to be approved. The Chairman of the Committee briefed the Board on issues and recommendations of the Committee thereon during the Board meetings.

The Committee had also met with the external auditors and discussed the audit of the Company and the Group. In a meeting held subsequent to the financial year, the Committee reviewed the draft audited financial statements of the Company and the Group for the financial year ended 31 December 2010. The financial statements had been authorised for issue by the Board in accordance with a resolution of Directors on 18 April 2011.

The Committee carried out reviews on related party transactions within the Company and the Group and also considered and deliberated on issues arising from the Listing Requirements.

The Company did not establish any employees share option scheme during the year under review. Thus, no review being conducted by the Audit Committee for the allocation of options during the year.

INTERNAL AUDIT FUNCTION

The Audit Committee is aware of the fact that an independent and adequately resourced internal audit department is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control. The internal audit function of the Group is outsourced to a firm of qualified professionals. The role of the internal audit function is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Board. The internal audits will include evaluation of the processes by which significant risks are identified, assessed and managed and ensuring that instituted controls are appropriate and effectively applied and that risk exposures are consistent with the Company's risk management policy.

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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to the subsidiaries.

The principal activities of the subsidiaries are as disclosed in Note 16 to the financial statements.

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

RESULTS

	Group	Company
	RM'000	RM'000
Loss for the year, attributable to:		
Equity holders of the Company	(3,207)	(16,170)
Minority interests	326	-
	<u>(2,881)</u>	<u>(16,170)</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of FRS139 Financial Instruments: Recognition and Measurement which has resulted in an increase in the Group's loss net of tax by RM184,000 as disclosed in Note 2.2 to the financial statements.

DIRECTORS

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

Gen. Tan Sri Yaacob bin Mat Zain (R)
 Brig. Gen. Dato' Mohd Hashim bin Haji Abu (R)
 Rear Admiral Dato' Yaacob bin Haji Daud (R)
 Ir. Dr. Azman bin Ahmad
 Lt. Gen. Datuk Hj Md Hanif bin Hj Darimi, RMAF (R) (*appointed on 10 August 2010*)
 Meor Mohar Azhar bin Abd Ghani (*appointed on 1 September 2010*)
 Saiful Aznir bin Shahabudin (*resigned on 10 August 2010*)
 Krishnan a/l C.K Menon (*retired on 9 June 2010*)

Directors' Report

(cont'd)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

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

Name of director	Number of ordinary shares of RM1 each			31 December 2010
	1 January 2010	Acquired	Sold	
Direct Interest:				
Ordinary shares of holding company (Sharikat Permodalan Kebangsaan Berhad)				
Gen. Tan Sri Yaacob bin Mat Zain (R)	1,000	-	-	1,000
Ir. Dr. Azman bin Ahmad	1,000	-	-	1,000
Lt. Gen. Datuk Hj Md Hanif bin Hj Darimi, RMAF (R)	-	1,000	-	1,000
Ordinary shares of a fellow subsidiary (Sunshine Bonus Sdn. Bhd.)				
Ir. Dr. Azman bin Ahmad	49,999	-	-	49,999

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

OTHER STATUTORY INFORMATION

- (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 satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report

(cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 38 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2011.

GEN. TAN SRI YAACOB BIN MAT ZAIN (R)

LT. GEN. DATUK HJ MD HANIF BIN HJ DARIMI, RMAF (R)

STATEMENT BY DIRECTORS

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

We, GEN. TAN SRI YAACOB BIN MAT ZAIN (R) and LT. GEN. DATUK HJ MD HANIF BIN HJ DARIMI, RMAF (R), being two of the directors of SPK-SENTOSA CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 95 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 39 to the financial statements on page 96 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2011.

GEN. TAN SRI YAACOB BIN MAT ZAIN (R)

LT. GEN. DATUK HJ MD HANIF BIN HJ DARIMI, RMAF (R)

STATUTORY DECLARATION

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

I, CHUNG KOK PENG, being the officer primarily responsible for the financial management of SPK-SENTOSA CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 95 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed CHUNG KOK PENG at
Kuala Lumpur in the Federal Territory
on 18 April 2011.

CHUNG KOK PENG

Before me,

Mohd Radzi bin Yasin
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the Members of SPK-Sentosa Corporation Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SPK-SENTOSA CORPORATION BERHAD, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 95.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent Auditors' Report

to the Members of SPK-Sentosa Corporation Berhad (Incorporated in Malaysia)
(cont'd)

OTHER MATTERS

The supplementary information set out in Note 39 to the financial statements on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
18 April 2011

Habibah binti Abdul
No. 1210/05/12(J)
Chartered Accountant

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Revenue	4	360,599	210,061
Other income	5	3,668	779
Construction contract costs		(357,558)	(195,667)
Cost of goods sold		(303)	(4,264)
Cost of services rendered		(922)	(89)
Administrative expenses		(12,885)	(9,519)
Other expenses		(864)	(13,783)
Operating loss		(8,265)	(12,482)
Finance costs	6	(3,036)	(13)
Share of profit of associates		1,694	3,055
Share of loss of jointly controlled entities		(857)	(5,229)
Loss before tax	7	(10,464)	(14,669)
Income tax expense	10	7,583	1,639
Loss for the year, net of tax		(2,881)	(13,030)
Loss attributable to:			
Equity holders of the Company		(3,207)	(13,645)
Minority interests		326	615
		(2,881)	(13,030)
Basic loss per share attributable to equity holders of the Company (sen)	11	(2.39)	(10.19)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010	2009
	RM'000	RM'000
Loss for the year, net of tax	(2,881)	(13,030)
Other comprehensive income:		
Foreign currency translation	(739)	(454)
Total comprehensive income for the year	<u>(3,620)</u>	<u>(13,484)</u>
Total comprehensive income attributable to:		
Equity holders of the Company	(3,620)	(13,872)
Minority interests	-	388
	<u>(3,620)</u>	<u>(13,484)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated
ASSETS				
Non-current assets				
Plant and equipment	12	2,967	1,787	2,667
Investment property	14	4,500	4,500	4,500
Goodwill	15	18,500	18,500	21,316
Investments in jointly controlled entities	17	1,652	3,000	2,780
Investments in associates	18	23,611	22,571	-
Trade receivables	20	8,285	4,677	3,799
		59,515	55,035	35,062
Current assets				
Trade and other receivables	20	143,073	138,042	150,178
Other current assets	21	81,522	50,701	35,584
Cash and bank balances	23	68,522	31,137	58,484
		293,117	219,880	244,246
Assets of disposal group classified as held for sale		-	-	1,820
		293,117	219,880	246,066
TOTAL ASSETS		352,632	274,915	281,128
EQUITY AND LIABILITIES				
Current liabilities				
Provisions	24	-	8,224	-
Income tax payable		15	-	1,663
Borrowings	25	41,474	104,567	33,941
Trade and other payables	27	224,596	71,767	134,378
Other current liability	28	4,470	4,879	12,889
		270,555	189,437	182,871
Liabilities directly associated with assets classified as held for sale		-	-	823
		270,555	189,437	183,694
Net current assets		22,562	30,443	62,372

Consolidated Statement of Financial Position

as at 31 December 2010
(cont'd)

	Note	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated
Non-current liabilities				
Deferred tax liabilities	19	630	630	648
Borrowings	25	849	381	-
Deferred revenue	26	334	391	448
Trade payables	27	6,109	5,910	4,235
		7,922	7,312	5,331
Total liabilities		278,477	196,749	189,025
Net assets		74,155	78,166	92,103
Equity attributable to equity holders of the Company				
Share capital	29	133,944	133,944	133,944
Share premium	29	51,380	51,380	51,380
Foreign currency translation reserve	30	(501)	(88)	139
Accumulated losses		(110,668)	(107,070)	(93,447)
		74,155	78,166	92,016
Minority interests		-	-	87
Total equity		74,155	78,166	92,103
TOTAL EQUITY AND LIABILITIES		352,632	274,915	281,128

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	<----- Attributable to Equity Holders ----->						
	<- Non-Distributable ->						
	Share Capital (Note 29)	Share Premium (Note 29)	Foreign Currency Translation Reserve (Note 30)	Accumulated Losses	Total	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	133,944	51,380	139	(95,810)	89,653	87	89,740
Effects of adopting amendments to FRS 117 (Note 2.2)	-	-	-	2,363	2,363	-	2,363
At 1 January 2009 (restated)	133,944	51,380	139	(93,447)	92,016	87	92,103
Effects of adopting amendments to FRS 117 (Note 2.2)	-	-	-	22	22	-	22
Total comprehensive income	-	-	(227)	(13,645)	(13,872)	388	(13,484)
Disposal of subsidiary (Note 16(c)(iii))	-	-	-	-	-	(475)	(475)
At 31 December 2009	133,944	51,380	(88)	(107,070)	78,166	-	78,166
At 1 January 2010	133,944	51,380	(88)	(107,070)	78,166	-	78,166
Effects of adopting FRS 139 (Note 2.2)	-	-	-	(391)	(391)	-	(391)
	133,944	51,380	(88)	(107,461)	77,775	-	77,775
Total comprehensive income	-	-	(413)	(3,207)	(3,620)	-	(3,620)
At 31 December 2010	133,944	51,380	(501)	(110,668)	74,155	-	74,155

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	2010	2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(10,464)	(14,669)
Adjustments for:		
Amortisation of prepaid land lease payments	-	22
(Reversal of provisions)/provisions	(1,250)	8,224
Impairment of goodwill	-	2,816
Bad debts written off	76	29
Impairment loss on amount due from jointly controlled entities	782	2,145
Depreciation of plant and equipment	599	594
Reversal of impairment loss on receivables	-	(9)
Reversal of accrual of costs	(3)	(128)
Deferred revenue earned	(57)	(57)
Finance costs	3,036	13
Interest income	(1,165)	(545)
Share of profit of associates	(1,694)	(3,055)
Share of loss of jointly controlled entities	857	5,229
Loss on disposal of a subsidiary	-	94
Gain on disposal of plant and equipment	(22)	-
Plant and equipment written off	6	480
Accretion of discount	(362)	-
Unrealised foreign exchange gain	(95)	(3)
Unrealised foreign exchange loss	861	-
Operating (loss)/profit before working capital changes	(8,895)	1,180
(Increase)/decrease in trade and other receivables	(9,225)	14,436
Increase in other current assets	(24,479)	(15,117)
Decrease in provisions	(6,974)	-
Increase/(decrease) in trade and other payables	153,486	(80,544)
(Decrease)/increase in other current liability	(409)	8,010
Cash generated from/(used in) operations	103,504	(72,035)
Interest paid	(8,707)	(5,906)
Income taxes refunded/(paid)	12,386	(712)
Net cash generated from/(used in) operating activities	107,183	(78,653)

Consolidated Statement of Cash Flows

for the year ended 31 December 2010
(cont'd)

	2010	2009
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,230	651
Proceeds from disposal of plant and equipment	22	-
Purchase of plant and equipment	(1,105)	(126)
Advances to jointly controlled entities	(6,349)	(550)
Repayment of advances by jointly controlled entities	-	872
Subscription of shares in jointly controlled entities	-	(918)
Subscription of shares in an associate	-	(19,949)
Net cash inflow arising from disposal of a subsidiary	-	384
Dilution of interest in the net assets of a subsidiary	-	724
Net cash used in investing activities	<u>(6,202)</u>	<u>(18,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase liabilities	(356)	(328)
Proceeds from borrowings	2,373	69,537
Repayment of borrowings	(93,292)	-
Net cash (used in)/generated from financing activities	<u>(91,275)</u>	<u>69,209</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,706	(28,356)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,211	58,567
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>39,917</u>	<u>30,211</u>

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

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Revenue	4	-	56,160
Other income	5	17,135	6,119
Administrative expenses		(672)	(1,345)
Other expenses		(40,220)	(102,457)
Loss before tax	7	(23,757)	(41,523)
Income tax expense	10	7,587	582
Loss for the year, net of tax representing total comprehensive income for the year		(16,170)	(40,941)

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

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated
ASSETS				
Non-current assets				
Plant and equipment	12	1	3	5
Investment property	14	4,500	4,500	4,500
Investments in subsidiaries	16	62,251	74,465	115,352
		66,752	78,968	119,857
Current assets				
Trade and other receivables	20	33,395	31,158	104,011
Cash and bank balances	23	2,206	163	497
		35,601	31,321	104,508
TOTAL ASSETS		102,353	110,289	224,365
EQUITY AND LIABILITIES				
Current liabilities				
Provisions	24	-	224	-
Income tax payable		15	-	-
Trade and other payables	27	38,410	29,910	103,234
		38,425	30,134	103,234
Net current (liabilities)/assets		(2,824)	1,187	1,274
Non-current liabilities				
Deferred tax liabilities	19	630	630	630
Deferred revenue	26	334	391	448
		964	1,021	1,078
Total liabilities		39,389	31,155	104,312
Net assets		62,964	79,134	120,053
Equity attributable to equity holders of the Company				
Share capital	29	133,944	133,944	133,944
Share premium	29	51,380	51,380	51,380
Accumulated losses		(122,360)	(106,190)	(65,271)
Total equity		62,964	79,134	120,053
TOTAL EQUITY AND LIABILITIES		102,353	110,289	224,365

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share Capital (Note 29) RM'000	Non- Distributable Share Premium (Note 29) RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2009	133,944	51,380	(67,634)	117,690
Effects of adopting amendments to FRS 117 (Note 2.2)	-	-	2,363	2,363
At 1 January 2009 (restated)	133,944	51,380	(65,271)	120,053
Effects of adopting amendments to FRS 117 (Note 2.2)	-	-	22	22
Net loss for the year, representing total comprehensive income	-	-	(40,941)	(40,941)
At 31 December 2009	133,944	51,380	(106,190)	79,134
At 1 January 2010	133,944	51,380	(106,190)	79,134
Net loss for the year, representing total comprehensive income	-	-	(16,170)	(16,170)
At 31 December 2010	133,944	51,380	(122,360)	62,964

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(23,757)	(41,523)
Adjustments for:		
Amortisation of prepaid land lease payments	-	22
Provisions	-	224
Impairment of investments in subsidiaries	12,214	40,887
Depreciation of plant and equipment	2	2
Deferred revenue earned	(57)	(57)
Dividend income	-	(55,800)
Interest income	(7,126)	(6,062)
Reversal of impairment loss on amount due from a subsidiary	(9,952)	-
Waiver of amount due from a subsidiary	17,032	-
Impairment loss on amount due from subsidiaries	10,974	61,345
Operating loss before working capital changes	(670)	(962)
(Increase)/decrease in trade and other receivables	(13,896)	18,402
Decrease in provisions	(224)	-
Increase/(decrease) in trade and other payables	8,500	(17,524)
Cash used in operations	(6,290)	(84)
Income taxes refunded/(paid)	8,288	(254)
Net cash generated from/(used in) operating activities	1,998	(338)
CASH FLOW FROM INVESTING ACTIVITY		
Interest received, representing net cash generated from investing activity	45	4
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,043	(334)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	163	497
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,206	163

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Menara Perak, No. 24, Jalan Perak, 50450 Kuala Lumpur.

The holding and ultimate holding company is Sharikat Permodalan Kebangsaan Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activities of the Company are investment holding and the provision of management services to the subsidiaries. The principal activities of the subsidiaries are as disclosed in Note 16. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

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

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

FRS 7:	Financial Instruments: Disclosures
FRS 8:	Operating Segments
FRS 101:	Presentation of Financial Statements (Revised)
FRS 123:	Borrowing Costs
FRS 139:	Financial Instruments: Recognition and Measurement
Amendment to FRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 7:	Financial Instruments: Disclosures
Amendment to FRS 117:	Leases
Amendment to FRS 119:	Employee Benefits
Amendment to FRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123:	Borrowing Costs
Amendments to FRS 1:	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2:	Share-based Payment – Vesting Conditions and Cancellations
Amendment to FRS 5:	Non-current Assets Held for Sale and Discontinued Operations

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

Amendment to FRS 127:	Consolidated and Separate Financial Statements
Amendment to FRS 128:	Investments in Associates
Amendment to FRS 129:	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131:	Interests in Joint Ventures
Amendments to FRS 132:	Financial Instruments: Presentation
Amendment to FRS 134:	Interim Financial Reporting
Amendments to FRS 138:	Intangible Assets
Amendments to FRS 139:	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendment to FRS 140:	Investment Property
IC Interpretation 9:	Reassessment of Embedded Derivatives
IC Interpretation 10:	Interim Financial Reporting and Impairment
IC Interpretation 11:	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13:	Customer Loyalty Programmes
IC Interpretation 14:	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts and TRI-3 Presentation of Financial Statements of Islamic Financial Institutions which are also effective for annual periods beginning on or after 1 January 2010 are not applicable to the Group or the Company.

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

FRS 7 Financial Instruments: Disclosures

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

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 37.

FRS 101 Presentation of Financial Statements (Revised)

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 101 Presentation of Financial Statements (Revised) (cont'd)

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

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 36).

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

Amendments to FRS 117 Leases

Amendments to FRS 117 Leases clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings.

Prior to 1 January 2010, leasehold land was classified as prepaid land lease payments and are amortised on a straight-line basis over the lease term. The amendments to FRS 117 have resulted in a change in the accounting policy relating to the classification of the leasehold land. The leasehold land meets the criteria of finance lease and is held either to earn rental income or for capital appreciation or for both. The Group and the Company have applied the change in accounting policy in respect of leasehold land in accordance with the amendments to FRS 117.

The reclassification of leasehold land as investment property has been accounted for retrospectively and as disclosed below, certain comparatives have been restated. As required under FRS 101, a statement of financial position at the beginning of the earliest comparative period is also disclosed. The leasehold land has been measured at its fair value of RM4,500,000 and the gain arising from a change in the fair value is recognised in accumulated losses.

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

Amendments to FRS 117 Leases (cont'd)

The following comparatives have been restated:

	Note	As Previously Stated RM'000	Adjustment RM'000	As Restated RM'000
Consolidated statement of financial position				
31 December 2009				
Investment property	14	-	4,500	4,500
Prepaid land lease payments	13	1,485	(1,485)	-
Accumulated losses		(109,455)	2,385	(107,070)
Deferred tax liability	19	-	630	630
1 January 2009				
Investment property	14	-	4,500	4,500
Prepaid land lease payments	13	1,507	(1,507)	-
Accumulated losses		(95,810)	2,363	(93,447)
Deferred tax liability	19	18	630	648
Company statement of financial position				
31 December 2009				
Investment property	14	-	4,500	4,500
Prepaid land lease payments	13	1,485	(1,485)	-
Accumulated losses		(108,575)	2,385	(106,190)
Deferred tax liability	19	-	630	630
1 January 2009				
Investment property	14	-	4,500	4,500
Prepaid land lease payments	13	1,507	(1,507)	-
Accumulated losses		(67,634)	2,363	(65,271)
Deferred tax liability	19	-	630	630

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 139 Financial Instruments: Recognition and Measurement

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

Financial assets and liabilities

(a) *Loans and receivables*

Prior to 1 January 2010, loans and receivables were stated at gross proceeds receivables less provision for doubtful debts. Upon the adoption of FRS 139, loans and receivables are recorded initially at their fair values plus directly attributable transaction costs. Subsequent to initial measurement, the loans and receivables are measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. As at 1 January 2010, the Group has remeasured its loans and receivables at their amortised cost to RM141,718,000. The adjustments to their previous carrying amounts are recognised as adjustments to the opening accumulated losses as at 1 January 2010.

(b) *Payables*

Prior to 1 January 2010, trade and other payables were stated at the proceeds received less directly attributable transaction costs. Upon the adoption of FRS 139, payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement. As at 1 January 2010, the Group has remeasured its payables at their amortised cost to RM76,497,000 and the adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of accumulated losses as at that date.

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

Financial assets and liabilities (cont'd)

The following are effects arising from the above changes:

	Group	
	Increase/(decrease)	
	As at	As at
	31.12.2010	1.1.2010
	RM'000	RM'000
Statement of financial position		
Trade and other receivables	(2,409)	(1,001)
Trade and other payables	(2,086)	(1,180)
Investments in jointly controlled entities	(252)	(570)
Accumulated losses	575	391
Statement of comprehensive income		
Revenue	(789)	-
Contract costs	(391)	-
Other income	362	-
Finance cost	466	-
Share of loss of jointly controlled entities	(318)	-
Loss net of tax	184	-

2.3 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new or revised FRSs, amendments to FRSs and IC Interpretations have been issued but are not yet effective and have not been adopted by the Group and the Company:

Effective for financial periods beginning on or after 1 July 2010

FRS 1:	First-time Adoption of Financial Reporting Standards (Revised)
FRS 3:	Business Combinations (Revised)
FRS 127:	Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 2:	Share-based Payment
Amendments to FRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138:	Intangible Assets
IC Interpretation 12:	Service Concession Arrangements
IC Interpretation 16:	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17:	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9:	Reassessment of Embedded Derivatives

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards and interpretations issued but not yet effective (cont'd)

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1:	Additional Exemptions for First-time Adopters & Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 2:	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7:	Improving Disclosures about Financial Instruments
IC Interpretation 4:	Determining Whether an Arrangement Contains a Lease
IC Interpretation 18:	Transfers of Assets from Customers
Amendments to FRSs contained in the documents entitled 'Improvements to FRSs (2010)'	
- Amendments to FRS 1:	First-time Adoption of Financial Reporting Standards
- Amendments to FRS 3:	Business Combinations
- Amendments to FRS 7:	Financial Instruments: Disclosures
- Amendments to FRS 101:	Presentation of Financial Statements
- Amendments to FRS 121:	The Effects of Changes in Foreign Exchange Rates
- Amendments to FRS 128:	Investments in Associates
- Amendments to FRS 131:	Interests in Joint Ventures
- Amendments to FRS 132:	Financial Instruments: Presentation
- Amendments to FRS 134:	Interim Financial Reporting
- Amendments to FRS 139:	Financial Instruments: Recognition and Measurement

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19:	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14:	Prepayments of a Minimum Funding Requirement

Effective for financial periods beginning on or after 1 January 2012

FRS 124:	Related Party Disclosures
IC Interpretation 15 and Amendments to IC Interpretation 15:	Agreements for the Construction of Real Estate

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.9. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

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

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Associates (cont'd)

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

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

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

2.7 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.6.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.8 Transactions with minority interests

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

2.9 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment loss.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Plant and equipment

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

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	20%
Office equipment and computers	10% - 25%
Renovations, furniture and fittings	10% - 20%
Machinery	12%

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

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment set out in Note 2.11 up to the date of change in use.

2.13 Financial assets

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

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

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial assets (cont'd)

(b) Loans and receivables

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

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

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

(c) Held-to-maturity investments

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

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

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

The Group and the Company have not designated any financial assets as held-to-maturity.

(d) Available-for-sale financial assets

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

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

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

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

The Group and the Company have not designated any financial assets as available-for-sale.

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

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

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Impairment of financial assets

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

(a) Trade and other receivables carried at amortised cost

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

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

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

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

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

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2.17 Revenue recognition

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

(a) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.16.

(b) Sale of goods

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

(c) Rendering of services

Revenue is recognised when services are rendered.

(d) Interest income

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

(e) Dividend income

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

(f) Management fees

Management fees are recognised when services are rendered.

Notes to the Financial Statements

31 December 2010

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Financial liabilities

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

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

(a) *Financial liabilities at fair value through profit or loss*

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

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

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

(b) *Other financial liabilities*

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

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

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

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

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

2.20 Leases - as lessee

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Leases - as lessee (cont'd)

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

2.21 Provisions

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

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

2.22 Borrowing costs

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

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

2.23 Financial guarantee contracts

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

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

2.24 Employee benefits - defined contribution plans

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

2.25 Foreign currency

(a) *Functional and presentation currency*

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Foreign currency (cont'd)

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their nature of business which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital

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

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

Notes to the Financial Statements

31 December 2010
(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.28 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 15.

(b) Construction contracts

The Group recognises construction contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% increase or decrease in the estimated total contract costs would result in a decrease or increase of approximately 25% and 27% respectively in contract revenue recognised for the year.

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 20.

Notes to the Financial Statements

31 December 2010

(cont'd)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Key sources of estimation uncertainty (cont'd)

(d) *Deferred tax assets*

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of the unrecognised tax losses and capital allowances of the Group and the Company was RM62,008,000 (2009: RM43,692,000) and RM3,684,000 (2009: RM3,684,000) respectively.

4. REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Construction contracts	360,078	204,532	-	-
Sale of goods	521	5,497	-	-
Dividend income from subsidiaries	-	-	-	55,800
Management fees from an associate	-	32	-	-
Management fees from subsidiaries	-	-	-	360
	360,599	210,061	-	56,160

Notes to the Financial Statements

31 December 2010
(cont'd)

5. OTHER INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income	1,165	545	7,126	6,062
Gain on disposal of plant and equipment	22	-	-	-
Liquidated ascertained damages recovered	481	-	-	-
Reversal of allowance for impairment of amount due from:				
- a subsidiary (Note 20)	-	-	9,952	-
- a jointly controlled entity (Note 20)	-	9	-	-
Reversal of accrual of costs	3	128	-	-
Reversal of provisions (Note 24)	1,250	-	-	-
Deferred revenue earned	57	57	57	57
Unrealised foreign exchange gain	95	3	-	-
Accretion of discount	362	-	-	-
Miscellaneous	233	37	-	-
	3,668	779	17,135	6,119

6. FINANCE COSTS

	Group	
	2010 RM'000	2009 RM'000
Interest expense on:		
- Borrowings	8,684	5,893
- Hire purchase liabilities	23	13
	8,707	5,906
Less: Interest expense capitalised in costs of construction contracts (Note 22)	(6,137)	(5,893)
	2,570	13
Unwinding of discount	466	-
Total finance costs	3,036	13

Notes to the Financial Statements

31 December 2010

(cont'd)

7. LOSS BEFORE TAX

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Employee benefits expense (Note 8)	5,533	5,032	12	570
Non-executive directors' remuneration (Note 9)	104	112	104	112
Auditors' remuneration:				
- Ernst & Young Malaysia	108	102	23	22
- member firms of Ernst & Young Global Limited	48	10	-	-
- other services	10	5	10	5
Amortisation of prepaid land lease payments	-	22	-	22
Impairment of goodwill (Note 15)	-	2,816	-	-
Impairment of investments in subsidiaries	-	-	12,214	40,887
Depreciation of plant and equipment:				
- Group/Company (Note 12)	599	592	2	2
- subsidiary disposed (Note 16(c))	-	2	-	-
Plant and equipment written off	6	480	-	-
Bad debts written off	76	29	-	-
Impairment loss on amount due from:				
- subsidiaries (Note 20)	-	-	10,974	61,345
- jointly controlled entities (Note 20)	782	2,145	-	-
Waiver of amount due from a subsidiary	-	-	17,032	-
Loss on disposal of a subsidiary (Note 16(c))	-	94	-	-
Unrealised foreign exchange loss	861	-	-	-
Realised foreign exchange loss	3	18	-	-
Operating leases:				
- minimum lease payments for equipment	51	60	-	-
- minimum lease payments for premises	852	1,492	-	-
Provisions (Note 24)	-	8,224	-	224

Notes to the Financial Statements

31 December 2010

(cont'd)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	6,859	9,780	-	500
Contributions to defined contribution plan	475	1,014	-	60
Social security contributions	30	68	-	1
Other benefits	311	250	12	9
	7,675	11,112	12	570
Less: Employee benefits expense capitalised in costs of construction contracts (Note 22)	(2,142)	(6,080)	-	-
	5,533	5,032	12	570

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM926,000 (2009: RM516,000) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive directors' remuneration (Note 8):				
Salaries and other emoluments	846	469	-	-
Contributions to defined contribution plan	80	47	-	-
	926	516	-	-
Non-executive directors' remuneration (Note 7):				
Fees	87	95	87	95
Other emoluments	17	17	17	17
	104	112	104	112
Total directors' remuneration	1,030	628	104	112

The number of directors of the Company whose total remuneration during the year fell within the band below is:

	Number of Directors	
	2010	2009
Non-executive directors:		
Below RM50,000	4	4

The other directors of the Company, who are also directors of the holding company, are remunerated by the holding company.

Notes to the Financial Statements

31 December 2010

(cont'd)

10. INCOME TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax:				
Malaysian income tax	15	363	15	-
Overprovision in prior years	(7,598)	(1,984)	(7,602)	(582)
	(7,583)	(1,621)	(7,587)	(582)
Deferred income tax (Note 19):				
Origination and reversal of temporary differences	-	(18)	-	-
Income tax expense	(7,583)	(1,639)	(7,587)	(582)

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

	2010 RM'000	2009 RM'000
Group		
Loss before tax	(10,464)	(14,669)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(2,616)	(3,667)
Income not subject to tax	(2,917)	(1,065)
Expenses not deductible for tax purposes	969	4,353
Utilisation of previously unrecognised tax losses	(212)	(108)
Utilisation of previously unrecognised unabsorbed capital allowances	(18)	(172)
Deferred tax assets recognised during the year	-	(40)
Deferred tax assets not recognised during the year	4,809	1,044
Overprovision of tax expense in prior years	(7,598)	(1,984)
Income tax expense for the year	(7,583)	(1,639)

Notes to the Financial Statements

31 December 2010
(cont'd)

10. INCOME TAX EXPENSE (cont'd)

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows (cont'd):

	2010	2009
	RM'000	RM'000
Company		
Loss before tax	(23,757)	(41,523)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(5,939)	(10,381)
Income not subject to tax	(4,265)	(15,561)
Expenses not deductible for tax purposes	10,219	25,889
Utilisation of previously unrecognised tax losses	-	(8)
Deferred tax assets not recognised during the year	-	61
Overprovision of tax expense in prior years	(7,602)	(582)
Income tax expense for the year	(7,587)	(582)

Tax savings during the financial year arose from:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Utilisation of current year tax losses	113	36	-	1
Utilisation of previously unrecognised tax losses	212	108	-	8

11. BASIC LOSS PER SHARE

The loss per share is calculated by dividing loss for the year, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2010	2009
Loss for the year, net of tax, attributable to ordinary equity holders of the Company (RM'000)	(3,207)	(13,645)
Weighted average number of ordinary shares in issue ('000)	133,944	133,944
Basic loss per share (sen)	(2.39)	(10.19)

The Group does not have any potential dilutive instruments as at 31 December 2010.

Notes to the Financial Statements

31 December 2010

(cont'd)

12. PLANT AND EQUIPMENT

Group	Motor Vehicles RM'000	Office Equipment and Computers RM'000	Renovations, Furniture and Fittings RM'000	Machinery RM'000	Total RM'000
At 31 December 2010					
Cost					
At 1 January 2010	1,224	1,319	1,024	-	3,567
Additions	1,617	332	38	89	2,076
Disposals	(101)	-	-	-	(101)
Write off	-	(16)	(30)	-	(46)
Exchange differences	(97)	(12)	(3)	(4)	(116)
At 31 December 2010	2,643	1,623	1,029	85	5,380
Accumulated depreciation					
At 1 January 2010	508	915	357	-	1,780
Depreciation charge for the year:	362	231	193	18	804
Recognised in income statement (Note 7)	207	201	191	-	599
Capitalised in costs of construction contracts (Note 22)	155	30	2	18	205
Disposals	(101)	-	-	-	(101)
Write off	-	(13)	(27)	-	(40)
Exchange differences	(24)	(4)	(1)	(1)	(30)
At 31 December 2010	745	1,129	522	17	2,413
Net carrying amount					
At 31 December 2010	1,898	494	507	68	2,967

Notes to the Financial Statements

31 December 2010

(cont'd)

12. PLANT AND EQUIPMENT (cont'd)

Group	Motor Vehicles RM'000	Office Equipment and Computers RM'000	Renovations, Furniture and Fittings RM'000	Total RM'000
At 31 December 2009				
Cost				
At 1 January 2009	817	1,962	2,350	5,129
Additions	872	111	15	998
Arising from dilution of interest from a subsidiary to an associate	(465)	(163)	(198)	(826)
Write off	-	(591)	(1,143)	(1,734)
At 31 December 2009	1,224	1,319	1,024	3,567
Accumulated depreciation				
At 1 January 2009	390	1,272	800	2,462
Depreciation charge for the year:	162	212	279	653
Recognised in income statement (Note 7)	109	206	277	592
Capitalised in costs of construction contracts (Note 22)	53	6	2	61
Arising from dilution of interest from a subsidiary to an associate	(44)	(13)	(24)	(81)
Write off	-	(556)	(698)	(1,254)
At 31 December 2009	508	915	357	1,780
Net carrying amount				
At 31 December 2009	716	404	667	1,787

Notes to the Financial Statements

31 December 2010

(cont'd)

12. PLANT AND EQUIPMENT (cont'd)

Company	Office Equipment and Computers RM'000
At 31 December 2010	
Cost	
At 1 January 2010	53
Write off	(1)
At 31 December 2010	52
Accumulated depreciation	
At 1 January 2010	50
Depreciation charge for the year (Note 7)	2
Write off	(1)
At 31 December 2010	51
Net carrying amount	
At 31 December 2010	1
At 31 December 2009	
Cost	
At 1 January 2009/31 December 2009	53
Accumulated depreciation	
At 1 January 2009	48
Depreciation charge for the year (Note 7)	2
At 31 December 2009	50
Net carrying amount	
At 31 December 2009	3

Assets held under hire purchase arrangements

During the financial year, the Group acquired motor vehicles with an aggregate cost of RM971,000 (2009: RM872,000) by means of hire purchase arrangements. The cash outflow on acquisition of plant and equipment amounted to RM1,105,000 (2009: RM126,000).

The carrying amount of motor vehicles held under hire purchase arrangements at the reporting date was RM1,340,000 (2009: RM712,000).

Notes to the Financial Statements

31 December 2010
(cont'd)**13. PREPAID LAND LEASE PAYMENTS**

	Group and Company	
	2010	2009
	RM'000	RM'000
At 1 January (as previously stated)	1,485	1,507
Effects of adopting amendments to FRS 117	(1,485)	(1,507)
As restated/At 31 December	-	-

14. INVESTMENT PROPERTY

	Group and Company
	RM'000
At 1 January 2009:	
As previously stated	-
Effects of adopting amendments to FRS 117	4,500
As restated/At 31 December 2009 (restated)/At 1 January 2010/ At 31 December 2010	4,500

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation at the reporting date. Valuation is performed by accredited independent valuer with recent experience in the location and category of properties being valued. The valuation is based on the comparison method that makes reference to similar properties that were either transacted recently or listed for sale within the same location or comparable localities.

15. GOODWILL

	Group
	RM'000
Cost	
At 31 December 2009/31 December 2010	101,133
Accumulated impairment	
At 1 January 2009	79,817
Impairment loss (Note 7)	2,816
At 31 December 2009/31 December 2010	82,633
Net carrying amount	
At 31 December 2009/31 December 2010	18,500

Notes to the Financial Statements

31 December 2010
(cont'd)

15. GOODWILL (cont'd)

(a) Impairment loss recognised

The management of the Company has carried out impairment test review for goodwill based on the recoverable amount of each cash-generating unit ("CGU"). The recoverable amount of a CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the executive directors. The pre-tax discount rate applied to cash flow projections of the Group's CGUs is 13.6%.

In the previous financial year, the impairment test review had led to the recognition of impairment loss for goodwill of oil and gas support services unit amounting to RM2,816,000.

(b) Impairment test for goodwill

(i) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	2010 RM'000	2009 RM'000
Construction	18,500	18,500

(ii) Key assumptions used in value in use calculation

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

- *Budgeted gross margin*
Budgeted gross margin is estimated based on the gross margin of actual projects on hand.
- *Discount rate*
The discount rates used are pre-tax and reflect specific risks relating to the industry.

(iii) Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Group's CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially differ from their recoverable amounts.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares at cost	211,017	211,017
Less: Accumulated impairment losses	(148,766)	(136,552)
	62,251	74,465

Notes to the Financial Statements

31 December 2010
(cont'd)

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest	
		2010 %	2009 %
Held by the Company:			
Pembinaan SPK Sdn. Bhd.	Investment holding and provision of civil contract services	100	100
Nadaprise Sdn. Bhd.*	Investment holding	50	50
Kumpulan Kemajuan Raya Sdn. Bhd.	Dormant	100	100
Held by Pembinaan SPK Sdn. Bhd.:			
Aspirasi Sama Sdn. Bhd.	Investment holding	100	100
Golden Eastern Empire Sdn. Bhd.	Investment holding	100	100
IASB Construction Sdn. Bhd.	General contracting	100	100
Projek Hospital Temerloh Sdn. Bhd.	Design, construct, equip and commission Hospital Temerloh, Pahang	100	100
Komunikasi SPK Sdn. Bhd.	Design, supply, construct, test and commission the 275kV Transmission Project for Sabah East-West Grid Interconnection via a 50:50 joint venture with Transmission Technology Sdn. Bhd.	100	100
SPK Middle East Sdn. Bhd.**	Dormant	-	100
Held by Nadaprise Sdn. Bhd.:			
Rekayasa Industri Malaysia Sdn. Bhd.	Engineering and construction works	70	70
Simfoni Temasek Sdn. Bhd.	Design and supply of engineering equipment or systems and services to the oil and gas industry	100	100
Ombak Sepakat Sdn. Bhd.	Investment holding	87.5	87.5
SPK Oil & Gas Supplies and Services Sdn. Bhd. (formerly known as Acepoint Empire Sdn. Bhd.)	Design and supply of engineering equipment or systems and services to the oil and gas industry	100	100
SPK Oil & Gas Supplies and Services (L) Bhd	Dormant	100	100

* Shareholding held by the Company is 50% plus 1 share.

** The subsidiary has been struck off from the register of the Companies Commission of Malaysia in accordance with Section 308(2) of the Companies Act 1965.

Notes to the Financial Statements

31 December 2010

(cont'd)

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Acquisition of subsidiaries in the previous financial year

- (i) On 15 December 2009, the Group, through Nadaprise Sdn. Bhd. ("Nadaprise") acquired 2 ordinary shares of RM1 each, representing 100% equity interest in SPK Oil & Gas Supplies and Services Sdn. Bhd. ("SOGSS") (formerly known as Acepoint Empire Sdn. Bhd.) for a total cash consideration of RM2,800.

The excess of the cost of investment in SOGSS over the net fair value of the identifiable assets and liabilities of SOGSS as at the date of acquisition was RM2,798.

- (ii) On 22 December 2009, the Group, through Nadaprise subscribed for 1 new ordinary share of USD1 at par, representing 100% equity interest in SPK Oil & Gas Supplies and Services (L) Bhd.

(c) Disposal of subsidiary in the previous financial year

- (i) On 6 November 2008, the Group, via Nadaprise Sdn. Bhd., entered into an agreement with Deltric Sdn. Bhd. for the disposal of 51,000 ordinary shares of RM1 each in Marzy Niaga Sdn. Bhd. ("MNSB"), representing 51% equity interest of the issued and paid-up share capital of MNSB, for a total cash consideration of RM400,000. The disposal was completed on 17 April 2009. MNSB was reported as part of the oil and gas segment and its disposal was due to the inability of MNSB to secure significant orders because of its limited product representation in the industry.

- (ii) The revenue and results of the subsidiary were as follows:

	Financial Period Ended 17.4.2009 RM'000	Financial Year Ended 31.12.2008 RM'000
Revenue	5,439	3,833
Other income	-	27
Cost of goods sold	(4,216)	(3,086)
Operating expenses	(167)	(812)
Profit/(loss) before tax	1,056	(38)
Income tax expense	(264)	-
Profit/(loss) for the period/year	792	(38)
Minority interest	(388)	-
Profit/(loss) attributable to equity holders	404	(38)

Notes to the Financial Statements

31 December 2010
(cont'd)**16. INVESTMENTS IN SUBSIDIARIES** (cont'd)**(c) Disposal of subsidiary in the previous financial year** (cont'd)

(iii) The net assets of the subsidiary were as follows:

	17.4.2009	31.12.2008
	RM'000	RM'000
Plant and equipment	8	10
Deferred tax assets	1	1
Trade and other receivables	5,794	1,943
Cash and bank balances	16	83
Trade and other payables	(4,572)	(1,845)
Current tax payable	(278)	(14)
Minority interests	(475)	(87)
Net assets disposed	494	91
Total disposal proceeds settled by cash	(400)	
Loss on disposal at Group level	94	

The cash inflow on disposal is as follows:

	17.4.2009
	RM'000
Cash consideration	400
Cash and cash equivalents of subsidiary disposed	(16)
Net cash inflow of the Group	384

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	RM'000	RM'000
Unquoted shares at cost	3,011	3,011
Share of post-acquisition reserves	(687)	5
Effects of adopting FRS 139 (Note 2.2)	(570)	-
Foreign currency translation reserve	(102)	(16)
	1,652	3,000

Notes to the Financial Statements

31 December 2010

(cont'd)

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (cont'd)

Details of the jointly controlled entities, all of which are incorporated in Malaysia unless otherwise stated, are as follows:

Name of jointly controlled entities	Principal activities	Proportion of ownership interest	
		2010 %	2009 %
Held by Komunikasi SPK Sdn. Bhd.:			
TTSB - SPK Consortium*	Design, supply, construct, test and commission the 275kV Transmission Project for Sabah East-West Grid Interconnection	50	50
Held by Pembinaan SPK Sdn. Bhd.:			
SPK - Bina Puri JV*	Undertake the construction contract for the execution and implementation of Phase 1 Plot 1 Zone B Residential, Commercial and Recreational Development of Al Reem Island, Abu Dhabi, United Arab Emirates	70	70
Held by Nadaprise Sdn. Bhd.:			
Red Sea Ventures Sdn. Bhd.#@	Investment holding and management services	-	50
Wood Group Production Facilities (Malaysia) Sdn. Bhd.**#	Participate in the business of oil and gas, petrochemical, liquefied natural gas, power generation and refining industries	67.5	67.5
Held by Ombak Sepakat Sdn. Bhd.:			
ThyssenKrupp Xervon Corp Sdn. Bhd.#	Provision of support services to the oil and gas, petrochemical, industrial and power generation sectors, and in the main supplying services	51	51

* Unincorporated partnership.

** Profits and losses sharing is on a 49% basis.

Based on unaudited management financial statements.

@ The jointly controlled entity has been struck off from the register of the Companies Commission of Malaysia in accordance with Section 308(2) of the Companies Act 1965.

Notes to the Financial Statements

31 December 2010
(cont'd)**17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES** (cont'd)

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities is as follows:

	Group	
	2010	2009
	RM'000	RM'000
Assets and liabilities:		
Current assets	44,712	349,317
Non-current assets	2,693	26,923
Total assets	<u>47,405</u>	<u>376,240</u>
Current liabilities, representing total liabilities	<u>(53,400)</u>	<u>(380,722)</u>
Income and expenses:		
Revenue and other income	19,802	116,003
Expenses, including finance costs and taxation	<u>(20,659)</u>	<u>(121,232)</u>

18. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	RM'000	RM'000
Unquoted shares at cost	20,000	20,000
Share of post-acquisition reserves	4,409	2,715
Foreign currency translation reserve	(798)	(144)
	<u>23,611</u>	<u>22,571</u>

Details of the associates, all of which are incorporated in Malaysia, are as follows:

Name of associates	Principal activities	Proportion of ownership interest	
		2010	2009
		%	%
Held by Simfoni Temasek Sdn. Bhd.:			
Maces International Sdn. Bhd.	Exploration and development in the specialty oilfield chemicals industry in the United Arab Emirates	30	30

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18. INVESTMENTS IN ASSOCIATES (cont'd)

Details of the associates, all of which are incorporated in Malaysia, are as follows (cont'd):

Name of associates	Principal activities	Proportion of ownership interest	
		2010 %	2009 %
Held by Nadaprise Sdn. Bhd.:			
Awan Inspirasi Holdings Sdn. Bhd.	Investment holding	25	25
Held by Awan Inspirasi Holdings Sdn. Bhd.:			
Awan Inspirasi Global (L) Bhd	Provision of offshore leasing services	100	100
Awan Inspirasi Sdn. Bhd.	Provision of offshore aviation support services	100	100

The summarised financial information of the associates are as follows:

	Group	
	2010 RM'000	2009 RM'000
Assets and liabilities:		
Current assets	98,176	157,331
Non-current assets	82,663	423
Total assets	180,839	157,754
Current liabilities, representing total liabilities	(86,382)	(67,471)
Income and expenses:		
Revenue	188,386	192,445
Profit for the year	6,777	12,221

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(cont'd)**19. DEFERRED TAX LIABILITIES**

	Group RM'000
At 1 January 2009 (as previously stated)	18
Effects of adopting amendments to FRS 117 (Note 2.2)	630
At 1 January 2009 (restated)	648
Recognised in income statement (Note 10)	(18)
At 31 December 2009 (restated)/31 December 2010	630
	Company RM'000
At 1 January 2009 (as previously stated)	-
Effects of adopting amendments to FRS 117 (Note 2.2)	630
At 31 December 2009 (restated)/31 December 2010	630

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

Deferred tax liabilities of the Group:

	Plant and Equipment RM'000	Investment Property RM'000	Total RM'000
At 1 January 2010 (restated)/31 December 2010	-	630	630
At 1 January 2009 (restated)	18	630	648
Recognised in income statement	(18)	-	(18)
At 31 December 2009 (restated)	-	630	630

Deferred tax liabilities of the Company:

	Investment Property RM'000
At 1 January 2009 (restated)/31 December 2009 (restated)/31 December 2010	630

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unused tax losses	38,401	30,563	84	84
Unabsorbed capital allowances	707	467	5	5
Other temporary differences	22,900	12,662	3,595	3,595
	62,008	43,692	3,684	3,684

The unused tax losses and unabsorbed capital allowances are available for offsetting against future taxable profits of the Company and of the respective subsidiaries subject to agreement of Inland Revenue Board.

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20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Trade receivables				
Third parties	72,727	88,350	-	-
Holding company	17,062	-	-	-
Fellow subsidiaries	11,849	28,455	-	-
Jointly controlled entity of holding company	-	1,726	-	-
	101,638	118,531	-	-
Less: Allowance for impairment - third parties	(240)	(240)	-	-
Trade receivables, net	101,398	118,291	-	-
Other receivables				
Amount due from related parties:				
Subsidiaries	-	-	95,069	91,124
Associates	12,702	7,325	-	-
Jointly controlled entities	9,416	3,991	-	-
Corporate shareholder of a subsidiary	342	342	-	-
Sundry receivables	16,532	2,623	-	-
Interest receivable	66	131	-	-
Deposits	2,930	421	2	2
Tax recoverable	2,613	7,401	691	1,377
	44,601	22,234	95,762	92,503
Less: Allowance for impairment - related parties	(2,926)	(2,483)	(62,367)	(61,345)
Other receivables, net	41,675	19,751	33,395	31,158
	143,073	138,042	33,395	31,158
Non-current				
Trade receivables				
Third parties	3,122	-	-	-
Holding company	3,238	3,263	-	-
Fellow subsidiaries	1,925	1,414	-	-
Trade receivables, net	8,285	4,677	-	-
Total trade and other receivables (current and non-current)	151,358	142,719	33,395	31,158
Add: Cash and bank balances (Note 23)	68,522	31,137	2,206	163
Total loans and receivables	219,880	173,856	35,601	31,321

Notes to the Financial Statements

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(cont'd)

20. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and the credit period is generally for a period of 30 days (2009: 30 days), extending up to 90 days (2009: 90 days) for major customers. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2010 RM'000	2009 RM'000
Neither past due nor impaired	81,291	107,426
1 to 30 days past due not impaired	28,005	-
31 to 60 days past due not impaired	387	856
61 to 90 days past due not impaired	-	1,226
91 to 120 days past due not impaired	-	1,756
More than 121 days past due not impaired	-	11,704
	28,392	15,542
Impaired	240	240
	109,923	123,208

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of them have been renegotiated during the financial year.

Receivables that are past due but not impaired

The balance of RM28,392,000 (2009: RM15,542,000) receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired are individually determined to be impaired at the reporting date with nominal amount of RM240,000 (2009: RM240,000). These receivables relate to debtors that are in significant financial difficulties and have defaulted on payments. They are not secured by any collateral or credit enhancements.

There has been no movement in this allowance accounts for the financial year ended 31 December 2010 and 31 December 2009.

(b) Related party balances

Amount due from all related companies are unsecured, non-interest bearing and are repayable on demand.

Notes to the Financial Statements

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(cont'd)

20. TRADE AND OTHER RECEIVABLES (cont'd)

(c) Other receivables

Receivables that are impaired

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

	Group		Company	
	2010	Individually impaired 2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Other receivables				
- nominal amounts	4,527	2,773	95,069	91,124
Less: Allowance for impairment	(2,926)	(2,483)	(62,367)	(61,345)
	1,601	290	32,702	29,779

During the financial year, the Company has waived RM17,032,000 (2009: Nil) due from a subsidiary which has incurred significant financial losses.

Movement in allowance accounts:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,483	347	61,345	-
Charge for the year (Note 7)	782	2,145	10,974	61,345
Written off	(339)	-	-	-
Reversal of impairment losses (Note 5)	-	(9)	(9,952)	-
At 31 December	2,926	2,483	62,367	61,345

At the reporting date, the Group and the Company have provided allowances for impairment of amount due from related companies, which have incurred significant financial losses for the previous financial years.

21. OTHER CURRENT ASSETS

	Group	
	2010	2009
	RM'000	RM'000
Prepaid expenses	697	24
Gross amount due from customers on contracts (Note 22)	80,825	50,677
	81,522	50,701

Notes to the Financial Statements

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22. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2010	2009
	RM'000	RM'000
Construction contract costs incurred to date	1,184,417	915,468
Attributable losses	(12,791)	(11,651)
	1,171,626	903,817
Less: Progress billings	(1,095,271)	(858,019)
	76,355	45,798
Presented as:		
Gross amount due from customers on contracts (Note 21)	80,825	50,677
Gross amount due to customers on contracts (Note 28)	(4,470)	(4,879)
	76,355	45,798
Retention sums on contracts included in trade receivables	20,793	18,366

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2010	2009
	RM'000	RM'000
Interest expense (Note 6)	6,137	5,893
Depreciation (Note 12)	205	61
Employee benefits expense (Note 8)	2,142	6,080

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23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash on hand and at banks	10,934	11,179	2,206	163
Short term deposits with licensed banks	57,588	19,958	-	-
Cash and bank balances	68,522	31,137	2,206	163

Deposits with licensed banks of the Group amounting to RM49,066,000 (2009: RM19,958,000) are pledged to banks for credit facilities granted to the Group.

Included in cash at banks of the Group are amounts of RM5,275,000 (2009: RM2,193,000) held as sinking fund for borrowings disclosed in Note 25. In the previous financial year, RM100,000 was pledged to a bank for a bank guarantee facility granted to a subsidiary.

Short term deposits are made for varying periods of between 7 days and 1 year depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group was 2.3% (2009: 2.1%).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	68,522	31,137	2,206	163
Bank overdraft (Note 25)	(28,605)	(926)	-	-
Total cash and cash equivalents	39,917	30,211	2,206	163

24. PROVISIONS

Group	Legal Claims	Liquidated Ascertained Damages	Total
	RM'000	RM'000	RM'000
At 1 January 2010	224	8,000	8,224
Utilised	(224)	(6,750)	(6,974)
Unutilised amount reversed (Note 5)	-	(1,250)	(1,250)
At 31 December 2010	-	-	-
At 1 January 2009	-	-	-
Additional provision (Note 7)	224	8,000	8,224
At 31 December 2009	224	8,000	8,224

Notes to the Financial Statements

31 December 2010
(cont'd)**24. PROVISIONS** (cont'd)

	Legal Claims RM'000	Liquidated Ascertain Damages RM'000	Total RM'000
Company			
At 1 January 2010	224	-	224
Utilised	(224)	-	(224)
At 31 December 2010	-	-	-
At 1 January 2009	-	-	-
Additional provision (Note 7)	224	-	224
At 31 December 2009	224	-	224

25. BORROWINGS

		Group	
	Maturity	2010 RM'000	2009 RM'000
Current			
Secured:			
Bank overdraft (Note 23)	On demand	28,605	926
AED revolving credits at EBOR + 3%	2011	2,374	-
RM revolving credits at BLR + 1.5%	2011	10,183	32,656
RM revolving credits at COF + 1.25%	2010	-	70,820
Hire purchase liabilities (Note 33(c))	2011	312	165
		41,474	104,567
Non-current			
Secured:			
Hire purchase liabilities (Note 33(c))	2012 - 2015	849	381
Total borrowings			
Bank overdraft (Note 23)		28,605	926
Revolving credits		12,557	103,476
Hire purchase liabilities (Note 33(c))		1,161	546
		42,323	104,948

Notes to the Financial Statements

31 December 2010
(cont'd)

25. BORROWINGS (cont'd)

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

	Group	
	2010	2009
	RM'000	RM'000
On demand or within one year	41,474	104,567
More than 1 year and less than 2 years	262	138
More than 2 years and less than 5 years	587	243
	42,323	104,948

Revolving credit

The revolving credits are secured by assignment of contract proceeds of subsidiaries to the banks and corporate guarantees granted by the Company.

Hire purchase liabilities

The average discount rate implicit in the liabilities is 3.3% (2009: 3.8%) per annum. These liabilities are denominated in the respective functional currencies of the relevant entities in the Group.

26. DEFERRED REVENUE

	Group and Company	
	2010	2009
	RM'000	RM'000
Total lease rental received	1,700	1,700
Recognised in income statement	(1,366)	(1,309)
	334	391

Deferred revenue represents lease rental received in advance for the sub-lease of a petrol kiosk site for a period of 30 years. The lease rental is recognised on a straight-line basis over the period of the lease.

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27. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Trade payables				
Third parties	161,969	51,801	-	-
Related companies	2,781	1,029	-	-
	164,750	52,830	-	-
Other payables				
Amounts due to related parties:				
Holding company	4,225	6,141	2,848	6,141
Subsidiaries	-	-	35,433	23,706
Jointly controlled entities	7,647	8,067	-	-
Sundry payables	47,399	1,045	86	27
Accrued operating expenses	575	3,684	43	36
	59,846	18,937	38,410	29,910
	224,596	71,767	38,410	29,910
Non-current				
Trade payables				
Third parties	6,109	5,910	-	-
Total trade and other payables (current and non-current)	230,705	77,677	38,410	29,910
Add: Borrowings (Note 25)	42,323	104,948	-	-
Total financial liabilities carried at amortised cost	273,028	182,625	38,410	29,910

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2009: 30 to 90 days).

(b) Amount due to related companies

Trade amounts due to related companies comprise:

	Group	
	2010 RM'000	2009 RM'000
Amount due to a company in which a director of the Company has substantial financial interest	-	90
Corporate shareholder of a subsidiary	2,781	939
	2,781	1,029

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27. TRADE AND OTHER PAYABLES (cont'd)

(c) Related party balances

Amounts due to all related companies are unsecured, non-interest bearing and are repayable on demand.

28. OTHER CURRENT LIABILITY

	Group	
	2010 RM'000	2009 RM'000
Gross amount due to customers on contracts (Note 22)	4,470	4,879

29. SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary Shares of RM1 Each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised share capital				
At 1 January/31 December	200,000	200,000	200,000	200,000
	Number of Ordinary Shares of RM1 Each '000	Share Capital (Issued and Fully Paid) RM'000	Share Premium RM'000	Total Share Capital and Share Premium RM'000
At 1 January/31 December 2009/At 1 January/ 31 December 2010	133,944	133,944	51,380	185,324

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

30. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in the foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

	2010 RM'000	2009 RM'000
At 1 January	(88)	139
Other comprehensive income	(739)	(454)
Less: Minority interest	326	227
At 31 December	(501)	(88)

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31 December 2010
(cont'd)**31. CONTINGENT LIABILITIES**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured:				
Corporate guarantees given to banks for credit facilities granted to subsidiaries	-	-	204,778	24,109
Corporate guarantees given to banks in respect of credit facilities utilised by a jointly controlled entity	21,677	48,983	21,677	48,983
Penalty for delay in completion of project undertaken by a jointly controlled entity	-	650	-	-

32. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Note	2010 RM'000	2009 RM'000
Group			
Management fees received from an associate, Awan Inspirasi Sdn. Bhd.		-	32
Management fees paid to the holding company, Sharikat Permodalan Kebangsaan Berhad		1,253	360
Construction work performed for:	(i)		
- Fellow subsidiaries:			
Ambangan Heights Sdn. Bhd.		35,945	46,469
Ideal Appraisal Sdn. Bhd.		10,732	11,448
SJ Properties Sdn. Bhd.		35	10,757
- Jointly controlled entity of holding company, Sunway SPK Homes Sdn. Bhd.		741	1,130
Rental paid to a fellow subsidiary, Kestana Sdn. Bhd.	(ii)	29	24
Company			
Management fees received from subsidiary, Pembinaan SPK Sdn. Bhd.		-	360
Management fees paid to the holding company, Sharikat Permodalan Kebangsaan Berhad		192	360

- (i) The construction work performed for related companies were made based on the direct costs incurred plus margins ranging from 3% to 10% depending on the nature of the work performed. The charges are based on the terms agreed between the parties and a longer credit period of up to six months is normally granted.

- (ii) Rental paid to a fellow subsidiary is based on a negotiated rate.

Notes to the Financial Statements

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32. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the financial year were as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short term employee benefits	2,818	733	104	112
Post-employment benefits - defined contribution plan	80	66	-	-
	<u>2,898</u>	<u>799</u>	<u>104</u>	<u>112</u>

33. COMMITMENT

(a) Capital commitments

	Group	
	2010 RM'000	2009 RM'000
Capital expenditure		
Approved and contracted for:		
Procurement of services and materials	1,080	34,808

(b) Operating lease commitments - as lessee

The Group has entered into non-cancellable operating lease agreements for the use of premises and certain equipments. These leases have an average life of between 2 and 5 years with no purchase option nor escalation clauses included in the contracts. The leases for equipments and buildings have terms of renewal. These leases include fixed rentals over the lease periods. There are no restrictions placed upon the Group by entering into these leases and no arrangements have been entered into for contingent rental payments.

The Group also leases certain premises and equipments under cancellable operating lease agreements. The Group is required to give notice for the termination of those agreements and the period of notice is 3 months.

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33. COMMITMENT (cont'd)

(b) Operating lease commitments - as lessee (cont'd)

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

	Group	
	2010 RM'000	2009 RM'000
Future minimum lease payments:		
Not later than 1 year	466	602
Later than 1 year and not later than 5 years	2,018	346
	2,484	948

(c) Hire purchase liabilities

The Group has hire purchase for motor vehicles. Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

	Group	
	2010 RM'000	2009 RM'000
Minimum lease payments:		
Not later than 1 year	374	191
Later than 1 year and not later than 2 years	308	159
Later than 2 years and not later than 5 years	641	279
Total future minimum lease payments	1,323	629
Less: Future finance charges	(162)	(83)
Present value of hire purchase liabilities (Note 25)	1,161	546
Present value of payments:		
Not later than 1 year	312	165
Later than 1 year and not later than 2 years	262	138
Later than 2 years and not later than 5 years	587	243
Present value of minimum lease payments	1,161	546
Less: Amount due within 12 months (Note 25)	(312)	(165)
Amount due after 12 months (Note 25)	849	381

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34. FAIR VALUES

- (a) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value**

	Note	Group		Group	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liability:					
Hire purchase liabilities	33 (c)	1,161	1,223	546	564

- (b) **Determination of fair value**

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

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

	Note
Trade and other receivables (current)	20
Trade and other payables (current)	27
Borrowings (current)	25

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

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

Hire purchase liabilities

The fair value of hire purchase liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the reporting date.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

- (a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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(cont'd)**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)**(a) Credit risk** (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- An amount of RM204,778,000 (2009: RM24,109,000) relating to a corporate guarantee provided by the Company to banks on subsidiaries' bank loans.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20(a).

Credit risk concentration profile

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

	Group			
	2010		2009	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	45,880	42	122,968	100
United Arab Emirates	63,803	58	-	-
	109,683	100	122,968	100
By industry sectors:				
Construction	103,653	95	122,968	100
Oil and gas	6,030	5	-	-
	109,683	100	122,968	100

At the reporting date, approximately 37% (2009: 33%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions 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 20.

Notes to the Financial Statements

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk

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

At the reporting date, approximately 98% (2009: 99%) of the Group's loans and borrowings (Note 25) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

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

	2010		
	← RM'000 →		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	224,596	6,109	230,705
Borrowings	41,474	849	42,323
Total undiscounted financial liabilities	266,070	6,958	273,028
Company			
Financial liabilities:			
Trade and other payables, excluding financial guarantees*	38,410	-	38,410

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, loans at floating rates given to related parties. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM143,000 lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, and higher/lower interest income from floating rate loans to related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements

31 December 2010
(cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign currency risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Arab Emirates Dirham ("AED"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD") and Indonesian Rupiah ("IDR").

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, in United Arab Emirates (UAE). The Group's net investments in UAE is not hedged as currency positions in AED are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

		Group	
		Loss net of tax	Equity
		RM'000	RM'000
AED/RM	- strengthened 5%	-292	-34
	- weakened 5%	+292	+34
USD/RM	- strengthened 5%	+61	-247
	- weakened 5%	-61	+247
IDR/RM	- strengthened 5%	+7	-
	- weakened 5%	-7	-

36. CAPITAL MANAGEMENT

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

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

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. Total borrowings of the Group consists of bank overdraft, revolving credits and hire purchase liabilities.

	2010	2009
Total borrowings (RM'000)	42,323	104,948
Total equity (RM'000)	74,155	78,166
Gearing ratio (%)	57	134

Notes to the Financial Statements

31 December 2010

(cont'd)

37. SEGMENT INFORMATION

The Group is organised into two major business segments:

- (i) Construction - construction of buildings and infrastructure works.
- (ii) Oil and gas - provision of offshore and onshore support services to the oil and gas industry which include engineering, procurement, construction and commissioning ("EPCC") for petrochemicals and oil and gas facilities, operations and maintenance services, development and redevelopment and/or management of oil and gas brownfields and refineries and trading and supply of oil and gas materials, products and equipment.

Segment results and other information include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set based on terms agreed between the parties during the financial year. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

	Construction	Oil and Gas	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010					
Revenue					
External sales	321,572	39,027	-	-	360,599
Inter-segment sales	371	-	-	(371)	-
Total revenue	321,943	39,027	-	(371)	360,599
Results					
Operating profit/(loss)	5,459	(13,126)	(598)	-	(8,265)
Finance costs					(3,036)
Share of profit of associates	-	1,694	-	-	1,694
Share of loss of jointly controlled entities	(832)	(25)	-	-	(857)
Loss before tax					(10,464)
Income tax expense					7,583
Loss for the year					(2,881)
Other Information					
Interest income	1,097	21	47	-	1,165
Depreciation	310	286	3	-	599
Non-cash expenses other than depreciation and amortisation	76	788	-	-	864

Notes to the Financial Statements

31 December 2010
(cont'd)**37. SEGMENT INFORMATION** (cont'd)

	Construction	Oil and Gas	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2009					
Revenue					
External sales	185,498	24,563	-	-	210,061
Inter-segment sales	-	-	360	(360)	-
Total revenue	185,498	24,563	360	(360)	210,061
Results					
Operating loss	(7,060)	(1,052)	(4,370)	-	(12,482)
Finance costs					(13)
Share of profit of associates	-	3,055	-	-	3,055
Share of (loss)/profit of jointly controlled entities	(5,397)	168	-	-	(5,229)
Loss before tax					(14,669)
Income tax expense					1,639
Loss for the year					(13,030)
Other Information					
Interest income	540	-	5	-	545
Depreciation	270	317	7	-	594
Amortisation	-	-	22	-	22
Non-cash expenses other than depreciation and amortisation	8,610	4,843	241	-	13,694

38. SUBSEQUENT EVENT

On 31 March 2011, the Group, through Komunikasi SPK Sdn. Bhd. ("KSPK"), entered into a termination and settlement agreement with Transmission Technology Sdn. Bhd. ("TTSB") to mutually terminate the joint venture under TTSB-SPK Consortium between TTSB and KSPK for the design, supply, construction, testing and commissioning of the 275kV Transmission Project for Sabah East-West Grid Interconnection. The agreement was completed subsequent to the financial year end.

Notes to the Financial Statements

31 December 2010

(cont'd)

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

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

	Group	Company
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(215,191)	(124,745)
- Unrealised	1,524	2,385
Total share of retained profits from associates		
- Realised	2,390	-
- Unrealised	2,019	-
Total share of retained profits from jointly controlled entities		
- Realised	(2,755)	-
- Unrealised	88	-
Less: Consolidation adjustments	101,257	-
Accumulated losses as per financial statements	<u>(110,668)</u>	<u>(122,360)</u>

BURSA SECURITIES MAIN MARKET LISTING

Requirements Compliance Information

1. RECURRENT RELATED PARTY TRANSACTIONS (RRPT) OF REVENUE NATURE

The breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate for RRPT of revenue or trading nature during the financial year ended 31 December 2010 is set out in the financial statements on page 87.

The Company had, at the Annual General Meeting held on 9 June 2010, obtained the existing shareholders' mandate for RRPT and will be seeking a renewal of the mandate on RRPT at its forthcoming Annual General Meeting scheduled to be held on 7 June 2011.

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests which were still subsisting at the end of the financial year under review or if not then subsisting, entered into since the end of the previous financial year.

3. UTILISATION OF PROCEEDS

There were no utilised proceeds raised from any proposal.

4. SHARE BUY-BACK

There were no share buy-backs during the financial year ended 31 December 2010.

5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no options, warrants or convertible securities exercised during the financial year ended 31 December 2010 as the Company has not issued any options, warrants or convertible securities.

6. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year under review.

7. SANCTIONS AND/OR PENALTIES IMPOSED

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any relevant regulatory body during the financial year under review.

8. VARIATION IN RESULTS

There were no variations between the audited results for the financial year ended 31 December 2010 and the unaudited results for the fourth quarter ended 31 December 2010 of the Group. There were no profit estimate, forecast or projection announced during the financial year under review.

9. PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year under review.

10. NON-AUDIT FEES

The amount of non-audit fees paid to the External Auditors by the Group for the financial year ended 31 December 2010 amounted to RM61,000.

11. REVALUATION POLICY ON LANDED PROPERTIES

The Group has not adopted a policy of regular revaluation of its landed property as at the end of the financial year ended 31 December 2010.

PROPERTY OF THE GROUP

as at 31 December 2010

Location	Description	Date of Acquisition	Approximate Age of Buildings (Years)	Tenure	Land Area (sq. ft.)	Existing Use	Carrying Amount (RM'000)
Bandar Menjalara, Kepong Kuala Lumpur	H.S. (D) 51604 P.T. 44668, Mukim of Batu	20 January 1986	-	Leasehold expires in Year 2077	36,010	Petrol Kiosk	4,500

ANALYSIS OF SHAREHOLDINGS

as at 5 April 2011

STATEMENT OF SHAREHOLDINGS

Authorised Capital	:	RM200,000,000
Issued and Fully Paid-up Capital	:	RM133,944,468
Class of Shares	:	Ordinary Share of RM1.00 each
Voting Rights	:	One Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of holders	% of holders	No. of shares	% of shares issued
1,000 and below	887	31.62	687,810	0.51
1,001 - 10,000	1,488	53.05	6,363,483	4.75
10,001 - 100,000	369	13.16	11,143,419	8.32
100,001 to less than 5% of issued shares	59	2.10	24,330,387	18.17
5% and above of issued shares	2	0.07	91,419,369	68.25
	2,805	100	133,944,468	100

SUBSTANTIAL SHAREHOLDERS

Name of shareholders	No. of shares held	% of shareholdings
1. Sharikat Permodalan Kebangsaan Berhad	84,711,327	63.24
2. Perbadanan Kemajuan Negeri Kedah	8,425,542	6.29
	93,136,869	69.53

DIRECTORS' SHAREHOLDINGS

No directors hold any shares in the Company.

THIRTY (30) LARGEST SHAREHOLDERS

Name of shareholders	No. of shares held	% of Shareholdings
1. Sharikat Permodalan Kebangsaan Berhad	84,711,327	63.2436
2. Perbadanan Kemajuan Negeri Kedah	6,708,042	5.0081
3. SPK Securities Sdn Bhd	3,072,868	2.2941
4. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Hamid Bin Mohd Sidek</i>	2,680,000	2.0008
5. Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lai Poon Chong @ Lai Poong Chong</i>	1,858,900	1.3878

Analysis of Shareholdings

as at 5 April 2011

(cont'd)

Name of shareholders	No. of shares held	% of Shareholdings
6. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Perbadanan Kemajuan Negeri Kedah</i>	1,717,500	1.2822
7. Raslan Loong Executives & Managers Sdn Bhd <i>Exempted Trustee Account for SPK Scheme of Arrangement</i>	1,313,393	0.9806
8. Md Nahar Bin Noordin	1,040,000	0.7764
9. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Teh Swee Heng</i>	811,900	0.6061
10. BHLB Trustee Berhad <i>Exempt AN for Employees Provident Fund</i>	737,100	0.5503
11. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Seng Guan</i>	592,000	0.4420
12. HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Kum Seng</i>	556,300	0.4153
13. Cheang Yoke Chun	490,000	0.3658
14. Abdullah Bin Mohamad Noor	391,400	0.2922
15. Heng Kuan Song	352,200	0.2629
16. HDM Nominees (Asing) Sdn Bhd <i>Phillip Securities Pte Ltd for Tan Han Chuan</i>	335,200	0.2503
17. Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Quah Hoe Phang @ Stephen Quah</i>	331,307	0.2473
18. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank NA, Singapore (Julius Baer)</i>	323,000	0.2411
19. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Soh Aik Kwang</i>	307,000	0.2292
20. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for OCBC Securities Private Limited</i>	306,473	0.2288
21. AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lok Huey Ming</i>	300,000	0.2240
22. Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kesvaran A/L T P Murugasu</i>	300,000	0.2240
23. Tan Siew Yong	286,475	0.2139
24. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khong Sau Ping</i>	281,000	0.2098
25. Tajul Rahim Bin Mohd Tahir	279,000	0.2083
26. RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Bok Soon Boey</i>	250,000	0.1866
27. AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Dzaki @ Mohd Zaki Bin Jaafar</i>	228,700	0.1707
28. OSK Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh Teaw Kee</i>	227,400	0.1698
29. AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Siew Booy</i>	225,000	0.1680
30. Wai Chiew Yoong	211,300	0.1578
	111,224,785	83.0378

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty Eighth (48th) Annual General Meeting of SPK-SENTOSA CORPORATION BERHAD (“the Company”) will be held at the Anggerik Room, 4th Floor, Equatorial Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 7 June 2011 at 10.00 a.m. for the transaction of the following business:-

AGENDA

As Ordinary Business

- | | |
|---|---------------------|
| 1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2010 and the Directors’ and Auditors’ Reports thereon. | Resolution 1 |
| 2. To approve the payment of Directors’ Fees. | Resolution 2 |
| 3. To re-elect as Director Ir. Dr. Azman Bin Ahmad who retires pursuant to Article 105 of the Company’s Articles of Association. | Resolution 3 |
| 4. To re-elect as Director Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R) who retires pursuant to Article 110 of the Company’s Articles of Association. | Resolution 4 |
| 5. To re-elect as Director Meor Mohar Azhar Bin Abd Ghani who retires pursuant to Article 110 of the Company’s Articles of Association. | Resolution 5 |
| 6. To consider and if thought fit, pass the following Ordinary Resolution:

“THAT Gen. Tan Sri Yaacob Bin Mat Zain (R), retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed as a Director of the Company to hold office as a Director of the Company until the conclusion of the next annual general meeting (“AGM”) of the Company.” | Resolution 6 |
| 7. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

As Special Business

To consider and if thought fit, pass the following Ordinary and Special Resolutions:

Ordinary Resolution

- | | |
|--|---------------------|
| 8. Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965 | Resolution 8 |
| “THAT pursuant to Section 132D of the Companies Act, 1965, (“Act”) the Directors be and they are hereby authorised to issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum (10%) of the issued share capital of the Company for the time being, subject always to the approvals of all relevant regulatory authorities being obtained for such issue and allotment.” | |

Ordinary Resolution

- | | |
|--|---------------------|
| 9. Proposed Renewal Of The Shareholders’ Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature Entered Into And/Or To Be Entered Into With Sharikat Permodalan Kebangsaan Berhad (“SPK”) And/Or Its Subsidiaries (“SPK Group”) And Persons Connected With The SPK Group (Including Saiful Aznir Bin Shahabudin And Ir. Dr. Azman Bin Ahmad) | Resolution 9 |
|--|---------------------|

Notice of Annual General Meeting

(cont'd)

"THAT, subject to the Act, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), approval be and is hereby given to the Company and/or its subsidiary companies ("Group") to enter into all arrangements and/or transactions, involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiary companies ("Related Parties"), as detailed in section 2.1.3 of Part A of the Circular to Shareholders of the Company dated 16 May 2011, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations; and
- (iii) carried out in the ordinary course of business and made at arm's length on the Group's normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Mandate"),

AND THAT the authority conferred by this resolution will commence immediately upon passing of this Ordinary Resolution and will continue in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at a general meeting whereby the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier,

AND FURTHER THAT the Directors of the Company and/or any one of them be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions as contemplated and/or authorised by this Resolution."

Ordinary Resolution

10. Proposed Renewal of Share Buy-Back Mandate

Resolution 10

"THAT subject to the provisions under the Act, the Companies Regulations 1966, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant and/or regulatory authorities (if any), approval be and is hereby given to the Company to purchase and/or hold such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal of Share Buy-Back Mandate"), as detailed in Part B of the Circular to Shareholders of the Company dated 16 May 2011, as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of ordinary shares which may be purchased pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at the time of purchase;

AND THAT the maximum amount of funds to be allocated by the Company for the purpose of the Proposed Renewal of Share Buy-Back Mandate shall not exceed the Company's share premium account and retained profits account;

Notice of Annual General Meeting

(cont'd)

AND THAT authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or the rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force, to:

- (i) cancel the shares so purchased; or
- (ii) retain the shares in treasury ("treasury shares"); or
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder;

AND THAT in respect of the shares retained in treasury, authority be and is hereby given to the Directors of the Company to subsequently:

- (a) distribute the treasury shares as dividends to shareholders, such dividends to be known as share dividends; or
- (b) resell the treasury shares on the market of Bursa Securities, in accordance with the relevant rules of Bursa Securities.

AND THAT the authority conferred by this resolution will be effective immediately upon passing of this Resolution and will expire at:

- (a) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within the next AGM of the Company is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occur first and in any event, in accordance with the provisions of the Listing Requirements issued by Bursa Securities and/or other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be and are hereby authorised with full power to assent to any modifications and/or amendments as may be required by any relevant authorities as they may deem fit and to enter into all transactions, arrangements or agreements as may be necessary or expedient in order to give full effect to the Proposed Renewal of the Share Buy-Back Mandate."

Special Resolution

11. Proposed Amendment to the Articles of Association of the Company

Resolution 11

"THAT the amendment to the existing Articles of Association of the Company as proposed and detailed in Part C of the Circular to Shareholders of the Company dated 16 May 2011 be and is approved and adopted by the Company, and that the Directors of the Company be and are authorised to do all acts and things and take all such steps as they may consider necessary to give effect to the amendment to the Articles of Association of the Company."

12. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting

(cont'd)

By Order of the Board

FATEH HANUM BTE KHAIRUDDIN (LS 0009093)
Company Secretary

Kuala Lumpur
16 May 2011

NOTES:

1. A member of the Company entitled to attend this meeting may appoint a proxy or proxies instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal, or the hand of its attorney.
3. This instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Menara Perak, No. 24, Jalan Perak, 50450 Kuala Lumpur at least forty eight (48) hours, i.e. on or before 5 June 2011, at 10.00 a.m. before the time appointed for holding the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. The proposed Ordinary Resolution under item 8 if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company without having to convene a general meeting. The proceeds raised from the general mandate will provide flexibility to the Company for purposes of funding any future investment projects, working capital, acquisitions, expansion and/or diversification proposals. This authority will expire at the next AGM of the Company. The Company had been granted a general mandate by its shareholders at the Forty Seventh (47th) AGM held on 9 June 2010 ("Previous Mandate"). The Previous Mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.
2. The proposed adoption of the Ordinary Resolution under item 9 is to renew the shareholders' mandate granted by the shareholders of the Company at the Forty Seventh (47th) AGM held on 9 June 2010. The proposed renewal of the shareholders' mandate will enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.
3. The proposed Ordinary Resolution under item 10 if passed, will empower the Directors of the Company to purchase its own shares on Bursa Securities up to ten per cent (10%) of the issued and paid up share capital of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.
4. The proposed Special Resolution under item 11 if passed, will streamline the Company's Articles of Association with the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further information is set out in the Circular to Shareholders dated 16 May 2011, dispatched together with the Company's 2010 Annual Report.

STATEMENT ACCOMPANYING NOTICE

of Annual General Meeting

Pursuant to paragraph 8.28(2) of the Listing Requirements

DIRECTORS WHO ARE STANDING FOR RE-ELECTION OR RE-APPOINTMENT AT THE 48TH ANNUAL GENERAL MEETING

Pursuant to Article 105 of the Company's Articles of Association

- Ir. Dr. Azman Bin Ahmad

Pursuant to Article 110 of the Company's Articles of Association

- Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R)
- Meor Mohar Azhar Bin Abd Ghani

Pursuant to Section 129(6) of the Companies Act, 1965

- Gen. Tan Sri Yaacob Bin Mat Zain (R)

DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION OR RE-APPOINTMENT

Details of the above Directors who are standing for re-election or re-appointment are set out in Profile of the Board of Directors appearing on pages 9 to 10 and their shareholding information, if any, are listed on page 99 of this Annual Report.

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SPK-SENTOSA CORPORATION BERHAD
(Company No: 5347-X)
(Incorporated in Malaysia)

No. of Shares Held

PROXY FORM

I/We.....of.....

.....being a member of **SPK-SENTOSA CORPORATION**

BERHAD, hereby appoint.....of.....

.....or failing him/her.....

.....of.....or failing him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Forty Eighth (48th) Annual General Meeting of the Company to be held at the Anggerik Room, 4th Floor, Equatorial Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 7 June 2011 at 10:00 a.m. and at any adjournment thereof.

No.	Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2010 and the Directors' and Auditors' Reports thereon. Resolution 1		
2.	To approve the payment of Directors' Fees. Resolution 2		
3.	To re-elect as Director Ir. Dr. Azman Bin Ahmad who retires pursuant to Article 105 of the Company's Articles of Association. Resolution 3		
4.	To re-elect as Director Lt. Gen. Datuk Md Hanif Bin Hj Darimi, RMAF (R) who retires pursuant to Article 110 of the Company's Articles of Association. Resolution 4		
5.	To re-elect as Director Meor Mohar Azhar Bin Abd Ghani who retires pursuant to Article 110 of the Company's Articles of Association. Resolution 5		
6.	To re-appoint Gen. Tan Sri Yaacob Bin Mat Zain (R) who retires pursuant to Section 129(6) of the Companies Act, 1965, to hold office as a Director of the Company until the conclusion of the next annual general meeting of the Company. Resolution 6		
7.	To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 7		
8.	As Special Business Ordinary Resolution Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares. Resolution 8		
9.	As Special Business Ordinary Resolution Proposed renewal of the shareholders' mandate for recurrent related party transactions of a revenue or trading nature entered into and/or to be entered into with Sharikat Permodalan Kebangsaan Berhad ("SPK") and/or its subsidiaries ("SPK Group") and persons connected with the SPK Group (including Saiful Azmir Bin Shahabudin and Ir. Dr. Azman Bin Ahmad). Resolution 9		
10.	As Special Business Ordinary Resolution Proposed renewal of share buy-back mandate. Resolution 10		
11.	As Special Business Special Resolution Proposed Amendment to the Company's Articles of Association. Resolution 11		

* Strike out whichever not applicable.

(Please indicate with an "X" in the space provided on how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

Dated this.....day of 2011

.....
Signature(s) of member(s)

Notes:-

- A member of the Company entitled to attend the meeting may appoint a proxy or proxies to vote instead of him. A proxy need not be a member of the Company.
- The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, under its common seal or the hand of its attorney.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Menara Perak, No. 24, Jalan Perak, 50450 Kuala Lumpur at least forty eight (48) hours, i.e. on or before 5 June 2011 at 10:00 a.m., before the time appointed for holding the meeting or adjourned meeting.

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AFFIX
STAMP
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THE SECRETARY
SPK-SENTOSA CORPORATION BERHAD (5347-X)

12th Floor, Menara Perak
No. 24, Jalan Perak
50450 Kuala Lumpur

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