Ernst & Young

# ALAM MARITIM RESOURCES BERHAD

(700849 - K)

(Incorporated in Malaysia)

## Directors' Report and Audited Financial Statements
## 31 December 2010

Ernst & Young
AF : 0039

**700849-K**

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

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**Alam Maritim Resources Berhad**
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## 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 activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

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

## Results

| | Group RM | Company RM |
|---|---|---|
| Loss for the year | (12,948,905) | (100,192) |
| Attributable to: | | |
| Equity holders of the Company | (13,917,996) | (100,192) |
| Minority interests | 969,091 | - |
| | (12,948,905) | (100,192) |

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

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.

**Dividends**

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

| | RM |
|---|---|
| In respect of the financial year ended 31 December 2009, as reported in the directors' report of that year: | |
| First and final dividend of 0.75 sen per share less 25% taxation on 506,987,098 shares, paid on 8 July 2010 | 2,860,186 |

The directors do not propose the payment of any dividend in respect of the current financial year.

**Directors**

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

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid
Dato' Haji Ab Wahab bin Haji Ibrahim
Azmi bin Ahmad
Shaharuddin bin Warno @ Rahmad
Mohd Abd Rahman bin Mohd Hashim
Ab Razak bin Hashim
Ahmad Hassanudin bin Ahmad Kamaluddin
Dato' Mohamad Idris bin Mansor (resigned on 28 April 2010)
Fina Norhizah binti Hj Baharu Zaman (appointed on 22 October 2010)

**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 acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Company's Employee Share Options Scheme.

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 or the fixed salary of a full-time employee of the Company, as shown in Note 6 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 the director is a member, or with a company in which the director has a substantial financial interest.

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## Directors' interests

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

| | Number of ordinary shares of RM0.25 each | | | | |
|---|---|---|---|---|---|
| | **At 1.1.2010** | **Bonus** | **Acquired** | **Sold** | **At 31.12.2010** |
| **The Company** | | | | | |
| **Direct interest:** | | | | | |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | 200,000 | 100,000 | 100,000 | (100,000) | 300,000 |
| Dato' Haji Ab Wahab bin Haji Ibrahim | 1,000 | 500 | 577,500 | (577,500) | 1,500 |
| Azmi bin Ahmad | 179,474 | 11,087 | - | (157,300) | 33,261 |
| Shaharuddin bin Warno @ Rahmad | 3,676,999 | 338,499 | - | (3,000,000) | 1,015,498 |
| Mohd Abd Rahman bin Mohd Hashim | - | - | 2,837,176 | (2,137,176) | 700,000 |
| Ab Razak bin Hashim | 75 | 37 | 3,357,500 | - | 3,357,612 |
| Ahmad Hassanudin bin Ahmad Kamaluddin | 1,250 | 625 | 1,732,500 | (1,732,500) | 1,875 |
| **Indirect interest:** | | | | | |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | - | - | 20,000 | - | 20,000 |
| Azmi bin Ahmad | 255,171,640 | 127,465,920 | - | (239,800) | 382,397,760 |
| Shaharuddin bin Warno @ Rahmad | 254,778,090 | 127,389,045 | - | - | 382,167,135 |
| Mohd Abd Rahman bin Mohd Hashim | 254,778,090 | 127,389,045 | - | - | 382,167,135 |
| Ab Razak bin Hashim | 254,778,090 | 127,389,045 | - | - | 382,167,135 |
| Ahmad Hassanudin bin Ahmad Kamaluddin | 82,500 | 41,250 | - | - | 123,750 |

| | Number of options over ordinary shares of RM0.25 each | | | | |
|---|---|---|---|---|---|
| | **At 1.1.2010** | **Bonus** | **Granted** | **Exercised** | **At 31.12.2010** |
| **The Company** | | | | | |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | 481,250 | 240,625 | - | - | 721,875 |
| Dato' Haji Ab Wahab bin Haji Ibrahim | 385,000 | 192,500 | - | (577,500) | - |
| Azmi bin Ahmad | 5,358,925 | 2,679,462 | - | - | 8,038,387 |
| Shaharuddin bin Warno @ Rahmad | 2,206,600 | 1,103,300 | - | - | 3,309,900 |
| Mohd Abd Rahman bin Mohd Hashim | 4,098,051 | 2,049,025 | - | (2,837,176) | 3,309,900 |
| Ab Razak bin Hashim | 2,206,601 | 1,103,300 | - | (3,309,901) | - |
| Ahmad Hassanudin bin Ahmad Kamaluddin | 1,155,000 | 577,500 | - | (1,732,500) | - |

**Issue of shares**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM126,746,775 to RM195,287,594 by way of:

(a) Ordinary shares issued pursuant to bonus issue

During the financial year, the Company issued 254,237,816 ordinary shares of RM0.25 each pursuant to bonus issue, by way of capitalisation of the share premium on the basis of 1 new ordinary shares of RM0.25 each for every 2 existing ordinary shares of RM0.25 each.

(b) Ordinary shares issued pursuant to the Company's Employee Share Options Scheme

During the financial year, the Company issued 19,925,463 (2009: 14,141,112) ordinary shares of RM0.25 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price ranging from RM0.44 to RM1.40 (2009: RM0.60 to RM1.59) per ordinary share.

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

**Employee share options scheme**

The Alam Maritim Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 32 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders, who have been granted options to subscribe for less than 5,000,000 ordinary shares of RM0.25 each. Other than the interests of the directors as disclosed above, there are no other holders of 5,000,000 or more options as at 31 December 2010.

**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 there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any 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 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 and 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.

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**Alam Maritim Resources Berhad**
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**Significant events**

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 15, Note 16 and Note 17 to the financial statements.

**Subsequent event**

Details of subsequent event are disclosed in Note 40 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 29 APR 2011

Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid

Azmi bin Ahmad

**Alam Maritim Resources Berhad**
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**Statement by directors**
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid and Azmi bin Ahmad, being two of the directors of Alam Maritim Resources Berhad, do hereby state that, in our opinion, the accompanying financial statements set out on pages 11 to 110 are drawn up in accordance with the applicable Financial Reporting Standards and provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 42 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 APR 2011

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid

Azmi bin Ahmad

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

I, Md Nasir bin Noh, being the officer primarily responsible for the financial management of Alam Maritim Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 110 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, Md Nasir bin Noh at Kuala Lumpur in the Federal Territory on 29 APR 2011

Md Nasir bin Noh

Before me,

PESURUHJAYA SUMPAH
No: W 432
RAMALINGAM S. PILLAY, PPN.
MALAYSIA

Lot. 1, Bazaar 4,
Level 1, Block-G (Selatan),
Pusat Bandar Damansara,
50490 - KUALA LUMPUR

ERNST & YOUNG

Ernst & Young
AF : 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Mail address: P.O. Box 11040
50734 Kuala Lumpur, Malaysia
Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
www.ey.com

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**Independent auditors' report to the members of Alam Maritim Resources Berhad (Incorporated in Malaysia)**

## Report on the financial statements

We have audited the financial statements of Alam Maritim Resources 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 11 to 110.

### *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.

Ernst & Young

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**Independent auditors' report to the members of**
**Alam Maritim Resources Berhad (cont'd.)**
**(Incorporated in Malaysia)**

*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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

(d) The auditors' reports on the accounts 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.

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**Independent auditors' report to the members of Alam Maritim Resources Berhad (cont'd.) (Incorporated in Malaysia)**

**Other matters**

The supplementary information set out in Note 42 on page 111 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Mohd. Sukarno bin Tun Sardon
No. 1697/03/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2011

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of comprehensive income**
**For the financial year ended 31 December 2010**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2010** | **2009** | **2010** | **2009** |
| | | **RM** | **RM** | **RM** | **RM** |
| Revenue | 4 | 242,191,823 | 348,917,132 | - | 1,713,250 |
| Cost of sales | | (158,145,033) | (194,929,687) | - | - |
| Gross profit | | 84,046,790 | 153,987,445 | - | 1,713,250 |
| Other income | | 5,318,479 | 7,631,583 | 995,220 | 988,642 |
| Employee benefits expense | 5 | (22,318,241) | (24,646,486) | (168,804) | (242,828) |
| Other expenses | | (65,985,339) | (25,068,072) | (751,320) | (520,073) |
| Operating (loss)/profit | | 1,061,689 | 111,904,470 | 75,096 | 1,938,991 |
| Finance costs | 7 | (31,228,729) | (25,874,837) | (7,942) | (9,466) |
| Share of results of jointly controlled entities | | 12,347,733 | 23,211,091 | - | - |
| Share of results of associates | | (296,299) | 3,283,674 | - | - |
| (Loss)/profit before tax | 8 | (18,115,606) | 112,524,398 | 67,154 | 1,929,525 |
| Income tax benefit/ (expense) | 9 | 5,166,701 | (17,157,646) | (167,346) | (292,478) |
| (Loss)/profit for the year | | (12,948,905) | 95,366,752 | (100,192) | 1,637,047 |

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**Statements of comprehensive income**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Note | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|---|
| **Other comprehensive income:** | | | | | |
| Foreign currency translation, representing other comprehensive (loss)/income for the year, net of tax | | (155,775) | 144,791 | - | - |
| Total comprehensive (loss)/ income for the year | | (13,104,680) | 95,511,543 | (100,192) | 1,637,047 |
| **(Loss)/profit attributable to:** | | | | | |
| Owners of the parent | | (13,917,996) | 91,279,940 | (100,192) | 1,637,047 |
| Minority interest | | 969,091 | 4,086,812 | - | - |
| | | (12,948,905) | 95,366,752 | (100,192) | 1,637,047 |
| **Total comprehensive (loss)/ income attributable to:** | | | | | |
| Owners of the parent | | (14,061,240) | 91,381,490 | (100,192) | 1,637,047 |
| Minority interest | | 956,560 | 4,130,053 | - | - |
| | | (13,104,680) | 95,511,543 | (100,192) | 1,637,047 |
| Earnings per share attributable to owners of the parent: | | | | | |
| Basic (Sen) | 10 | (2.2) | 18.3 | | |
| Diluted (Sen) | 10 | (2.1) | 17.6 | | |

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

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**Alam Maritim Resources Berhad**
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**Statements of financial position**
**As at 31 December 2010**

| Group | Note | 2010 RM | 2009 (restated) RM | As at 1.1.2009 (restated) RM |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, vessels and equipment | 12 | 680,229,793 | 788,815,762 | 817,699,175 |
| Land use rights | 13 | - | - | - |
| Intangible assets | 14 | 1,691,092 | 1,850,173 | 1,949,538 |
| Investment in associates | 16 | 54,907,200 | 22,225,947 | 21,667,949 |
| Investments in jointly controlled entities | 17 | 80,680,904 | 45,600,714 | 25,547,737 |
| Deposits with a licensed bank | 23 | 11,567,361 | 10,094,886 | 8,797,351 |
| | | 829,076,350 | 868,587,482 | 875,661,750 |
| **Current assets** | | | | |
| Inventories | 19 | 8,507,084 | 23,362,915 | 19,985,209 |
| Trade receivables | 20 | 117,434,537 | 150,689,419 | 199,584,982 |
| Other receivables | 22 | 169,307,894 | 115,547,226 | 46,568,165 |
| Tax recoverable | | 4,454,598 | 3,183,093 | 2,688,782 |
| Cash and bank balances | 23 | 167,010,472 | 193,045,345 | 112,791,305 |
| | | 466,714,585 | 485,827,998 | 381,618,443 |
| **Total assets** | | 1,295,790,935 | 1,354,415,480 | 1,257,280,193 |

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**Statements of financial position**
**As at 31 December 2010 (cont'd.)**

| Group (cont'd.) | Note | 2010 RM | 2009 (restated) RM | As at 1.1.2009 (restated) RM |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| **Current liabilities** | | | | |
| Borrowings | 27 | 233,849,190 | 157,129,155 | 147,091,902 |
| Trade payables | 30 | 28,624,547 | 28,925,886 | 39,045,143 |
| Other payables | 31 | 51,756,326 | 117,047,107 | 134,880,729 |
| Tax payable | | 2,945,324 | 3,723,530 | 1,687,866 |
| | | 317,175,387 | 306,825,678 | 322,705,640 |
| **Net current assets** | | 149,539,198 | 179,002,320 | 58,912,803 |
| **Non-current liabilities** | | | | |
| Borrowings | 27 | 435,164,780 | 486,316,442 | 487,982,161 |
| Deferred tax liabilities | 29 | 70,945,539 | 77,511,121 | 66,396,703 |
| | | 506,110,319 | 563,827,563 | 554,378,864 |
| **Total liabilities** | | 823,285,706 | 870,653,241 | 877,084,504 |
| **Net assets** | | 472,505,229 | 483,762,239 | 380,195,689 |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 24 | 195,287,595 | 126,746,775 | 123,211,497 |
| Share premium | 24 | 22,629,064 | 78,470,938 | 68,689,027 |
| Other reserves | 25 | (1,033,358) | 6,785,533 | 7,968,503 |
| Retained earnings | 26 | 248,141,190 | 264,469,513 | 174,996,808 |
| | | 465,024,491 | 476,472,759 | 374,865,835 |
| **Minority interests** | | 7,480,738 | 7,289,480 | 5,329,854 |
| **Total equity** | | 472,505,229 | 483,762,239 | 380,195,689 |
| **Total equity and liabilities** | | 1,295,790,935 | 1,354,415,480 | 1,257,280,193 |

**Alam Maritim Resources Berhad**
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**Statements of financial position**
**As at 31 December 2010**

| **Company** | **Note** | **2010 RM** | **2009 RM** |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Motor vehicle | 12 | 37,057 | 92,642 |
| Investment in subsidiaries | 15 | 100,302,070 | 100,302,070 |
| | | 100,339,127 | 100,394,712 |
| **Current assets** | | | |
| Due from subsidiaries | 18 | 616,067,346 | 623,912,236 |
| Due from related corporations | 22 | 3,120 | - |
| Tax recoverable | | 1,392,178 | 2,468,139 |
| Cash and bank balances | 23 | 88,319,606 | 77,001,774 |
| | | 705,782,250 | 703,382,149 |
| **Total assets** | | 806,121,377 | 803,776,861 |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 27 | 176,948,917 | 126,789,886 |
| Other payables | 31 | 11,357,527 | 11,718,192 |
| | | 188,306,444 | 138,508,078 |
| **Net current assets** | | 517,475,806 | 564,874,071 |

**Alam Maritim Resources Berhad**
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**Statements of financial position**
**As at 31 December 2010 (cont'd.)**

| **Company** | **Note** | **2010 RM** | **2009 RM** |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 27 | 390,116,754 | 445,145,042 |
| **Total liabilities** | | 578,423,198 | 583,653,120 |
| **Net assets** | | 227,698,179 | 220,123,741 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 24 | 195,287,595 | 126,746,775 |
| Share premium | 24 | 22,629,064 | 78,470,938 |
| Other reserves | 25 | 4,448,996 | 6,613,126 |
| Retained earnings | 26 | 5,332,524 | 8,292,902 |
| **Total equity** | | 227,698,179 | 220,123,741 |
| **Total equity and liabilities** | | 806,121,377 | 803,776,861 |

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

**Alam Maritim Resources Berhad**
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**Statements of changes in equity**
**For the financial year ended 31 December 2010**

| | ← Attributable to owners of the parent | | | | → | | |
|---|---|---|---|---|---|---|---|
| | ← Non-distributable | | → | Distributable | | | |
| | Share capital (Note 24) | Share premium (Note 24) | Other reserves (Note 25) | Retained earnings (Note 26) | Total | Minority interests | Total equity |
| **Group** | RM | RM | RM | RM | RM | RM | RM |
| **At 1 January 2010** | 126,746,775 | 78,470,938 | 6,785,533 | 264,469,513 | 476,472,759 | 7,289,480 | 483,762,239 |
| Total comprehensive (loss)/income for the year | - | - | (143,244) | (13,917,996) | (14,061,240) | 956,560 | (13,104,680) |
| **Transactions with owners:** | | | | | | | |
| Issue of ordinary shares: | | | | | | | |
| - pursuant to ESOS | 4,981,366 | 5,033,983 | - | - | 10,015,349 | - | 10,015,349 |
| - pursuant to bonus issue | 63,559,454 | (63,559,454) | - | - | - | - | - |
| Share options granted under ESOS: | | | | | | | |
| - recognised in income statement | - | - | 519,467 | - | 519,467 | - | 519,467 |
| - exercised during the year | - | 2,683,597 | (2,683,597) | - | - | - | - |
| Dividends (Note 11) | - | - | - | (2,860,186) | (2,860,186) | - | (2,860,186) |
| Acquisition of minority interests (Note 15(a)(i)) | - | - | - | - | - | (315,443) | (315,443) |
| Premium paid on acquisition of minority interests (Note 15(a)(i)) | - | - | (5,511,517) | - | (5,511,517) | - | (5,511,517) |
| Accretion in a subsidiary (Note 15(a)(ii)) | - | - | - | 449,859 | 449,859 | (449,859) | - |
| Total transactions with owners | 68,540,820 | (55,841,874) | (7,675,647) | (2,410,327) | 2,612,972 | (765,302) | 1,847,670 |
| **At 31 December 2010** | 195,287,595 | 22,629,064 | (1,033,358) | 248,141,190 | 465,024,491 | 7,480,738 | 472,505,229 |

**Alam Maritim Resources Berhad**
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**Statements of changes in equity**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-distributable | | | Distributable | | | |
| | Share capital (Note 24) | Share premium (Note 24) | Other reserves (Note 25) | Retained earnings (Note 26) | Total | Minority interests | Total equity |
| **Group (cont'd.)** | RM | RM | RM | RM | RM | RM | RM |
| **At 1 January 2009** | 123,211,497 | 68,689,027 | 7,968,503 | 174,996,808 | 374,865,835 | 5,329,854 | 380,195,689 |
| Total comprehensive income | - | - | 101,550 | 91,279,940 | 91,381,490 | 4,130,053 | 95,511,543 |
| **Transactions with owners:** | | | | | | | |
| Issue of ordinary shares: | | | | | | | |
| - pursuant to ESOS | 3,535,278 | 6,195,243 | - | - | 9,730,521 | - | 9,730,521 |
| Share options granted under ESOS: | | | | | | | |
| - recognised in income statement | - | - | 2,302,148 | - | 2,302,148 | - | 2,302,148 |
| - exercised during the year | - | 3,586,668 | (3,586,668) | - | - | - | - |
| Dividends (Note 11) | - | - | - | (1,875,480) | (1,875,480) | (2,102,182) | (3,977,662) |
| Accretion in a subsidiary (Note 15(c)) | - | - | - | 68,245 | 68,245 | (68,245) | - |
| Total transactions with owners | 3,535,278 | 9,781,911 | (1,284,520) | (1,807,235) | 10,225,434 | (2,170,427) | 8,055,007 |
| **At 31 December 2009** | 126,746,775 | 78,470,938 | 6,785,533 | 264,469,513 | 476,472,759 | 7,289,480 | 483,762,239 |

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of changes in equity**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Non-Distributable | | | Distributable | |
|---|---|---|---|---|---|
| **Company** | **Share capital (Note 24) RM** | **Share premium (Note 24) RM** | **Other reserves (Note 25) RM** | **Retained earnings (Note 26) RM** | **Total equity RM** |
| **At 1 January 2010** | 126,746,775 | 78,470,938 | 6,613,126 | 8,292,902 | 220,123,741 |
| Total comprehensive loss for the year | - | - | - | (100,192) | (100,192) |
| **Transactions with owners:** | | | | | |
| Issue of ordinary shares: | | | | | |
| - pursuant to ESOS | 4,981,366 | 5,033,983 | - | - | 10,015,349 |
| - pursuant to bonus issue | 63,559,454 | (63,559,454) | - | - | - |
| Share options granted under ESOS: | | | | | |
| - recognised in income statement | - | - | 519,467 | - | 519,467 |
| - exercised during the year | - | 2,683,597 | (2,683,597) | - | - |
| Dividends (Note 11) | - | - | - | (2,860,186) | (2,860,186) |
| Total transactions with owners | 68,540,820 | (55,841,874) | (2,164,130) | (2,860,186) | 7,674,630 |
| **At 31 December 2010** | 195,287,595 | 22,629,064 | 4,448,996 | 5,332,524 | 227,698,179 |

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of changes in equity**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Non-Distributable | | | Distributable | |
|---|---|---|---|---|---|
| **Company (cont'd.)** | **Share capital (Note 24) RM** | **Share premium (Note 24) RM** | **Other reserves (Note 25) RM** | **Retained earnings (Note 26) RM** | **Total equity RM** |
| **At 1 January 2009** | 123,211,497 | 68,689,027 | 7,897,646 | 8,531,335 | 208,329,505 |
| Total comprehensive income for the year | - | - | - | 1,637,047 | 1,637,047 |
| **Transactions with owners:** | | | | | |
| Issue of ordinary shares: | | | | | |
| - pursuant to ESOS | 3,535,278 | 6,195,243 | - | - | 9,730,521 |
| Share options granted under ESOS: | | | | | |
| - recognised in income statement | - | - | 2,302,148 | - | 2,302,148 |
| - exercised during the year | - | 3,586,668 | (3,586,668) | - | - |
| Dividends (Note 11) | - | - | - | (1,875,480) | (1,875,480) |
| Total transactions with owners | 3,535,278 | 9,781,911 | (1,284,520) | (1,875,480) | 10,157,189 |
| **At 31 December 2009** | 126,746,775 | 78,470,938 | 6,613,126 | 8,292,902 | 220,123,741 |

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

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of cash flows**
**For the financial year ended 31 December 2010**

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| **Operating activities** | | | | |
| (Loss)/profit before tax | (18,115,606) | 112,524,398 | 67,154 | 1,929,525 |
| Adjustments for: | | | | |
| Interest income | (2,233,050) | (2,976,348) | (995,220) | (988,642) |
| Dividend income | - | - | - | (1,713,250) |
| Depreciation of property, vessels and equipment (Note 12) | 34,069,546 | 31,890,538 | 55,585 | 55,586 |
| Loss/(gain) on disposal of property, vessels and equipment | 1,074,360 | (5,409,340) | - | - |
| Unrealised (loss)/profit on vessels disposed to associates | (960,903) | 2,572,411 | - | - |
| Property, vessels and equipment written off | - | 429,696 | - | - |
| Finance costs | 31,228,729 | 25,874,837 | 7,942 | 9,466 |
| Share options granted under ESOS (Note 5) | 519,467 | 2,302,148 | - | 91,928 |
| Bad debts written off | 1,005,763 | - | - | - |
| Impairment loss on trade receivables | 28,020,284 | 9,035,533 | - | - |
| Impairment loss on trade receivables written off | (121,692) | - | - | - |
| Net foreign exchange losses | 4,405,058 | 4,576,266 | - | - |
| Amortisation of intangible assets | 119,335 | 122,260 | - | - |
| Share of loss/(profit) of associates | 296,299 | (3,283,674) | - | - |
| Share of profit of jointly controlled entities | (12,347,733) | (23,211,091) | - | - |
| Operating cash flows before working capital changes | 66,959,857 | 154,447,634 | (864,539) | (615,387) |

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of cash flows**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Changes in working capital: | | | | |
| Decrease/(increase) in inventories | 14,855,831 | (3,377,706) | - | - |
| Increase in receivables | (53,310,707) | (30,533,684) | - | - |
| (Decrease)/increase in payables | (65,592,120) | (27,952,879) | (360,665) | 85,752 |
| Cash (used in)/generated from operations | (37,087,139) | 92,583,365 | (1,225,204) | (529,635) |
| Tax refund | 1,340,920 | - | 1,340,920 | - |
| Taxes paid | (4,635,426) | (4,543,897) | (432,305) | (1,594,170) |
| Interest paid | (30,037,119) | (27,370,446) | (28,019,000) | (24,334,071) |
| Net cash (used in)/ generated from operating activities | (70,418,764) | 60,669,022 | (28,335,589) | (26,457,876) |
| **Investing activities** | | | | |
| Purchase of property, vessels and equipment (Note 12) | (171,570,033) | (95,042,684) | - | - |
| Prepayment of land lease | - | (10,062,360) | - | - |
| Acquisition of minority interests (Note 15(a)(i)) | (5,826,960) | - | - | - |
| Investment in jointly controlled entities | (22,732,457) | (352) | - | - |
| Investment in associates | (32,016,649) | - | - | - |
| Decrease in amount due from subsidiaries | - | - | 40,667,089 | 60,404,157 |
| Interest received | 2,233,050 | 2,976,348 | 995,220 | 988,642 |
| Net cash (used in)/ generated from investing activities | (229,913,049) | (102,129,048) | 41,662,309 | 61,392,799 |

**Alam Maritim Resources Berhad**
**(Incorporated in Malaysia)**

**Statements of cash flows**
**For the financial year ended 31 December 2010 (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| **Financing activities** | | | | |
| Proceeds from disposal of vessels to associates | 254,150,360 | 124,646,000 | - | - |
| Proceeds from disposal of diving equipment | 7,513,556 | - | - | - |
| Proceeds from issuance of ordinary shares (Note 24) | 10,015,349 | 9,730,521 | 10,015,349 | 11,940,741 |
| Proceeds from MCP/MMTN | 95,862,712 | 95,661,918 | 95,862,712 | 95,661,918 |
| Repayment of MCP/MMTN | (100,000,000) | (100,000,000) | (100,000,000) | (100,000,000) |
| Proceeds from Sukuk Ijarah MTN | 25,000,000 | - | 25,000,000 | - |
| Redemption of Sukuk Ijarah MTN | (30,000,000) | (20,000,000) | (30,000,000) | (20,000,000) |
| Proceeds from drawdown of term loans | 6,296,624 | 22,203,376 | - | - |
| Repayment of term loans | (8,045,078) | (2,030,554) | - | - |
| Proceeds from drawdown of revolving credits | 20,000,000 | - | - | - |
| Repayment of hire purchase and lease financing (Note 28) | (4,873,887) | (749,063) | (26,763) | (25,237) |
| Net cash set aside for collateral and sinking fund | (1,613,321) | (2,642,263) | - | - |
| Dividends paid | (2,860,186) | (3,977,662) | (2,860,186) | (1,875,480) |
| Net cash generated from/ (used in) financing activities | 271,446,129 | 122,842,273 | (2,008,888) | (14,298,058) |
| **Net (decrease)/increase in cash and cash equivalents** | (28,885,684) | 81,382,247 | 11,317,832 | 20,636,865 |
| **Cash and cash equivalents at beginning of year** | 187,207,104 | 105,824,857 | 77,001,774 | 56,364,909 |
| **Cash and cash equivalents at end of year (Note 23)** | 158,321,420 | 187,207,104 | 88,319,606 | 77,001,774 |

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

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at 38F, Level 3, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The immediate and ultimate holding company of the Company is SAR Venture Holdings (M) Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries 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 29 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 ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis and are presented in Ringgit Malaysia (RM).

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies

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

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

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement,* FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

*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 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 one single statement.

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 39).

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

*Amendments to FRS 117 Leases*

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, the leasehold land held for own use was classified by the Group as operating lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial positions as at 31 December 2010 arising from the above change in accounting policy:

| | **Group 2010 RM** |
|---|---|
| Increase/(decrease): | |
| Property, vessels and equipment | 10,052,363 |
| Land use rights | (10,052,363) |

The following comparatives have been restated:

| | **As previously stated RM** | **Adjustments RM** | **As restated RM** |
|---|---|---|---|
| **Consolidated statement of financial position** | | | |
| 31 December 2009 | | | |
| Property, vessels and equipment | 778,763,399 | 10,052,363 | 788,815,762 |
| Land use rights | 10,052,363 | (10,052,363) | - |

## 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 and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Impairment of trade receivables

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

- Financial guarantee contracts

  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| FRS 1 *First-time Adoption of Financial Reporting Standards* | 1 July 2010 |
| FRS 3 *Business Combinations (revised)* | 1 July 2010 |
| Amendments to FRS 2 *Share-based Payment* | 1 July 2010 |
| Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | 1 July 2010 |
| Amendments to FRS 127 *Consolidated and Separate Financial Statements* | 1 July 2010 |
| Amendments to FRS 138 *Intangible Assets* | 1 July 2010 |
| Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 July 2010 |
| IC Interpretation 12 *Service Concession Arrangements* | 1 July 2010 |
| IC Interpretation 15 *Agreements for the Construction of Real Estate* | 1 July 2010 |
| IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* | 1 July 2010 |
| IC Interpretation 17 *Distributions of Non-cash Assets to Owners* | 1 July 2010 |
| Amendments to FRS 132 *Classification of Rights Issues* | 1 March 2010 |
| Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 7 *Improving Disclosures about Financial Instruments* | 1 January 2011 |

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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective (cont'd.)

*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.

### 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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.4 Basis of consolidation (cont'd.)

The accounting policy for goodwill is set out in Note 2.8(a). 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 Transactions with minority interests

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

### 2.6 Foreign currencies

#### (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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.6 Foreign currencies (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. Summary of significant accounting policies (cont'd.)**

**2.7 Property, vessels and equipment, and depreciation**

All items of property, vessels and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, vessels and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Vessels are depreciated in equal annual instalments calculated to reduce to residual value the cost of vessels over their estimated useful lives of 25 years.

Drydocking costs are capitalised and amortised over the period of the vessel's next drydocking cycle which is approximately over 2.5 years.

Assets under construction are not depreciated as the assets are not available for use.

Depreciation of property and other equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| Leasehold buildings | 2 - 3% |
| Diving equipment | 10% |
| Equipment on vessel | 10% |
| Computers | 33.3% |
| Office equipment | 10% |
| Furniture and fittings | 10% |
| Renovations | 10% |
| Motor vehicles | 20% |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, vessels and equipment.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd.)

### 2.8 Intangible assets

#### (a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (b) Other intangible assets

Costs directly attributable to the development of design for deep sea remotely operated subsea vehicles and peripherals are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group's intention to complete, its ability to use or sell the asset, how the asset will generate future economic benefits, and the costs can be measured reliably. Such costs include payroll-related costs of employees directly involved in the project and other costs directly related to the project. Research costs are expensed as incurred.

Deferred development costs are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to the profit and loss account using the straight-line method over their estimated useful lives of five years.

### 2.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

### 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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.10 Impairment of non-financial assets (cont'd.)

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 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. Summary of significant accounting policies (cont'd.)

### 2.12 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.

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. Summary of significant accounting policies (cont'd.)

### 2.13 Joint venture

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, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. 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 2.12.

In the Company's separate financial statements, its investment in joint venture is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

### 2.14 Financial assets

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

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

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

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

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

**2. Summary of significant accounting policies (cont'd.)**

**2.14 Financial assets (cont'd.)**

**(a) Financial assets at fair value through profit or loss (cont'd.)**

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 fair value through profit or loss during the year ended 31 December 2010.

**(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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.14 Financial assets (cont'd.)

#### (c) Held-to-maturity investments (cont'd.)

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 do not have any held-to-maturity investments during the year ended 31 December 2010.

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

Available-for-sale 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 asset 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 during the year ended 31 December 2010.

## 2. Summary of significant accounting policies (cont'd.)

### 2.14 Financial assets (cont'd.)

A financial asset is derecognised where 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.

### 2.15 Impairment of financial assets

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

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

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

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.15 Impairment of financial assets (cont'd.)

#### (a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.16 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.

### 2.17 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 reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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.

### 2.18 Inventories

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

Cost is determined using the first in, first out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.19 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 resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are reviewed at each balance sheet 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.

### 2.20 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.

**2. Summary of significant accounting policies (cont'd.)**

**2.20 Financial liabilities (cont'd.)**

**(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.

**2.21 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. Summary of significant accounting policies (cont'd.)

### 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 Employee benefits

#### (a) Short term benefits

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

#### (b) 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.

#### (c) Employee Share Options Scheme (“ESOS”)

The Company's Employee Share Options Scheme (“ESOS”), an equity-settled, share-based compensation plan, allows the Group’s employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest.

## 2. Summary of significant accounting policies (cont'd.)

### 2.23 Employee benefits (cont'd.)

#### (c) Employee Share Options Scheme ("ESOS") (cont'd.)

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

### 2.24 Leases

#### (a) As lessee

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

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

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.24 Leases (cont'd.)

#### (b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(a).

### 2.25 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. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Charter hire of vessels

Charter hire of vessels are recognised when the services are rendered and is computed at the contracted daily rate. In the event invoices are yet to be issued at year end, the revenue is accrued to the extent of the services rendered at the balance sheet date.

#### (b) Revenue from offshore installation and construction

Revenue relating to offshore installation and construction are recognised in accordance with the policy set out in Note 2.17 above.

#### (c) Diving, underwater services and other shipping related income

The above revenue are recognised on an accrual basis when the services are rendered.

#### (d) Sales of diving equipment

Revenue from the sales of diving equipment is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

## 2. Summary of significant accounting policies (cont'd.)

### 2.25 Revenue recognition (cont'd.)

#### (e) Management fees

Management fees are recognised on an accrual basis based on a predetermined rate.

#### (f) Interest income

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

#### (g) Dividend income

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

### 2.26 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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.26 Income taxes (cont'd.)

#### (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.

## 2. Summary of significant accounting policies (cont'd.)

### 2.26 Income taxes (cont'd.)

#### (b) Deferred tax (cont'd.)

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.

#### (c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

## 2. Summary of significant accounting policies (cont'd.)

### 2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.28 Share capital and share issuance expenses

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

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

### 2.29 Contingencies

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

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

## 3 Significant accounting judgements and estimates

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

### 3.1 Judgements made in applying accounting policies

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

#### (a) Development costs

Development costs are capitalised in accordance with the accounting policy in note 2.8(b). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. The carrying amount of development costs capitalised at the balance sheet date is RM298,337.

### 3.2 Key sources of estimation uncertainty

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

#### (a) Depreciation of vessels and equipment on vessel

The cost of vessels and equipment on vessel are depreciated on a straight-line basis over the assets' useful life. Management estimates the useful lives of the Group's vessels to be between 8 to 25 years and equipment on vessel to be 10 years. These are common life expectancies applied in the shipping industry. Changes in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Charter hire | 181,572,851 | 202,002,407 | - | - |
| Offshore installation and construction | 27,324,592 | 84,778,312 | - | - |
| Ship catering | 1,614,852 | 3,301,945 | - | - |
| Rental of equipment | 5,683,509 | 26,076,057 | - | - |
| Diving and underwater services | 1,807,427 | 291,444 | - | - |
| Other shipping related income | 12,276,457 | 6,165,390 | - | - |
| Sales of diving | | | - | - |
| equipment | 5,691,220 | 20,036,136 | - | - |
| Dividend income from subsidiaries | - | - | - | 1,713,250 |
| Vessel's management fees | 6,220,915 | 6,265,441 | - | - |
| | 242,191,823 | 348,917,132 | - | 1,713,250 |

## 5. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Salaries, bonuses and allowances | 16,625,581 | 17,329,408 | 129,540 | 142,000 |
| Contributions to defined contribution plan - EPF | 1,905,353 | 1,552,957 | - | - |
| Social security contributions | 150,237 | 97,632 | - | - |
| Share options granted under ESOS (Note 25) | 519,467 | 2,302,148 | - | 91,928 |
| Other staff related expenses | 3,117,603 | 3,364,341 | 39,264 | 8,900 |
| | 22,318,241 | 24,646,486 | 168,804 | 242,828 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM4,023,457 (2009: RM3,569,950) and RM Nil (2009: RM Nil) as further disclosed in Note 6.

## 6. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| **Executive directors' remuneration (Note 5):** | | | | |
| Fees | 71,602 | 73,356 | - | - |
| Other emoluments | 3,951,855 | 3,496,594 | - | - |
| | 4,023,457 | 3,569,950 | - | - |
| **Non-executive directors remuneration (Note 8):** | | | | |
| Fees | 170,965 | 102,000 | 170,965 | 102,000 |
| Other emoluments | 61,000 | 131,928 | 61,000 | 131,928 |
| | 231,965 | 233,928 | 231,965 | 233,928 |
| Total directors' remuneration (Note 36(b)) | 4,255,422 | 3,803,878 | 231,965 | 233,928 |
| Estimated money value of benefits-in-kind | 113,500 | 133,500 | 15,000 | 15,000 |
| Total directors' remuneration including benefits-in-kind | 4,368,922 | 3,937,378 | 246,965 | 248,928 |

## 6. Directors' remuneration (cont'd.)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| **Executive:** | | | | |
| Salaries and other emoluments | 2,547,000 | 2,125,836 | - | - |
| Bonus | 730,200 | 518,400 | - | - |
| Defined contribution plan - EPF | 295,830 | 193,116 | - | - |
| Share options granted under ESOS | 450,427 | 732,598 | - | - |
| Estimated money value of benefits-in-kind | 98,500 | 118,500 | - | - |
| Total executive directors' remuneration | 4,121,957 | 3,688,450 | - | - |
| **Non-executive:** | | | | |
| Fees and other emoluments | 231,965 | 142,000 | 231,965 | 142,000 |
| Share options granted under ESOS | - | 91,928 | - | 91,928 |
| Estimated money value of benefits-in-kind | 15,000 | 15,000 | 15,000 | 15,000 |
| Total non-executive directors' remuneration | 246,965 | 248,928 | 246,965 | 248,928 |
| Total directors' remuneration | 4,368,922 | 3,937,378 | 246,965 | 248,928 |

## 6. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of Directors | |
|---|---|---|
| | **2010** | **2009** |
| Executive directors: | | |
| RM500,001 - RM600,000 | 1 | 2 |
| RM700,001 - RM800,000 | 1 | - |
| RM800,001 - RM900,000 | - | 2 |
| RM1,100,001 - RM1,200,00 | 1 | - |
| RM1,201,001 - RM1,300,00 | 1 | - |
| Non-executive directors: | | |
| RM10,001 - RM20,000 | 1 | - |
| RM20,001 - RM30,000 | 1 | - |
| RM40,001 - RM50,000 | - | 1 |
| RM50,001 - RM60,000 | - | 2 |
| RM80,001 - RM90,000 | 1 | - |
| RM110,001 - RM120,000 | 1 | - |

## 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RM** | **RM** | **RM** | **RM** |
| Interest expense on: | | | | |
| Term loans | 3,023,667 | 896,308 | - | - |
| Hire purchase and finance lease liabilities | 1,477,280 | 931,955 | 7,942 | 9,466 |
| MCP/MMTN | 3,568,258 | 4,630,986 | - | - |
| Sukuk Ijarah MTN | 24,442,800 | 24,324,605 | - | - |
| Other borrowings | 1,819,908 | 1,217,578 | - | - |
| | 34,331,913 | 32,001,432 | 7,942 | 9,466 |
| Less: Interest expense capitalised in qualifying assets-vessels under construction (Note 12) | (3,103,184) | (6,126,595) | - | - |
| Net finance expense | 31,228,729 | 25,874,837 | 7,942 | 9,466 |

## 8. (Loss)/profit before tax

The following amounts have been charged/(credited) in arriving at (loss)/profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Non-executive directors' remuneration (Note 6) | 231,965 | 233,928 | 231,965 | 233,928 |
| Auditors' remuneration: | | | | |
| Auditors of the Company: | | | | |
| - statutory audits | 167,300 | 162,300 | 45,000 | 45,000 |
| Other auditors | 35,872 | 55,017 | - | - |
| Operating leases: | | | | |
| - lease payments for premises | 141,024 | 560,784 | - | - |
| - lease payments for survey equipment | 1,866,075 | 8,536,970 | - | - |
| - lease payments for tugs/barges | - | 686,684 | - | - |
| - lease payments for third party vessels | 43,831,324 | 26,917,084 | - | - |
| Depreciation of property, vessels and equipment (Note 12) | 34,069,546 | 31,880,541 | 55,585 | 55,586 |
| Bad debts written off | 1,005,763 | - | - | - |
| Impairment loss on trade receivables | 28,020,284 | 9,035,533 | - | - |
| Impairment loss on trade receivables written off | (121,692) | - | - | - |
| Amortisation of intangible assets | 119,335 | 122,260 | - | - |
| Amortisation of land use rights | 10,652 | 9,997 | - | - |
| Net foreign exchange losses | 4,405,058 | 4,576,266 | - | - |
| Property, vessels and equipment written off | - | 429,696 | - | - |
| Interest income | (2,233,050) | (2,976,348) | (995,220) | (988,642) |
| Loss/(gain) on disposal of property, vessels and equipment | 113,457 | (2,836,929) | - | - |

## 9. Income tax (benefit)/expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Current income tax: | | | | |
| Malaysian income tax | 212,009 | 4,314,522 | 165,784 | 192,124 |
| Foreign tax | - | 1,300,846 | - | - |
| Under/(over) provision in prior years: | | | | |
| Malaysian income tax | 1,653,727 | 455,971 | 1,562 | 100,354 |
| Foreign tax | (620,941) | 13,911 | - | - |
| | 1,244,795 | 6,085,250 | 167,346 | 292,478 |
| Deferred tax (Note 29): | | | | |
| Relating to origination and reversal of temporary differences | (7,213,022) | 10,126,285 | - | - |
| Relating to change in tax rates | - | (21,437) | - | - |
| Underprovision in prior year | 801,526 | 967,548 | - | - |
| | (6,411,496) | 11,072,396 | - | - |
| | (5,166,701) | 17,157,646 | 167,346 | 292,478 |

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

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

## 9. Income tax (benefit)/expense (cont'd.)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| (Loss)/profit before tax | (18,115,606) | 112,524,398 | 67,154 | 1,929,525 |
| Taxation at Malaysian statutory tax rate of 25% (2009: 25%) | (4,528,902) | 28,131,100 | 16,789 | 482,381 |
| Effect of income subject to tax rate of 20% | - | (25,000) | - | - |
| Different tax rates in other countries | 10,605 | (777,231) | - | - |
| Different tax rates in other jurisdiction | (207,225) | (7,097,109) | - | - |
| Effect of income not subject to tax | (112,082) | (11,793) | - | (428,312) |
| Effect of share of results of jointly controlled entities and associates | (3,012,859) | (6,623,691) | - | - |
| Effect of expenses not deductible for tax purposes | 838,687 | 2,145,377 | 148,995 | 138,055 |
| Effect of change in tax rates on opening balance of deferred tax | - | (21,437) | - | - |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 10,763 | - | - | - |
| Underprovision of income tax in prior years | 1,032,786 | 469,882 | 1,562 | 100,354 |
| Underprovision of deferred tax in prior year | 801,526 | 967,548 | - | - |
| Income tax (benefit)/ expense for the year | (5,166,701) | 17,157,646 | 167,346 | 292,478 |

## 10. Earnings per share

### (a) Basic

Basic earnings per share amounts are calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| (Loss)/profit attributable to ordinary equity holders of the Company | (13,917,996) | 91,279,940 |
| Weighted average number of ordinary shares in issue | 633,890,370 | 497,446,671 |
| Basic earnings per share (Sen) | (2.2) | 18.3 |

### (b) Diluted

For the purpose of calculating diluted earnings per share, the (loss)/profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| (Loss)/profit attributable to ordinary equity holders of the Company | (13,917,996) | 91,279,940 |
| Weighted average number of ordinary shares in issue | 633,890,370 | 497,446,671 |
| Effects of dilution from share options granted to employees | 18,191,816 | 21,584,549 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 652,082,186 | 519,031,220 |
| Diluted earnings per share (Sen) | (2.1) | 17.6 |

## 11. Dividends

| | Dividends in respect of year | | Dividends recognised in year | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| **Recognised during the year:** | | | | |
| First and final dividend of 0.75 sen less 25% taxation, on 506,987,098 ordinary shares | - | 2,860,186 | 2,860,186 | - |
| First and final dividend of 0.50 sen less 25% taxation, on 500,127,273 ordinary shares | - | - | - | 1,875,480 |

## 12. Property, vessels and equipment

| Group | Long term leasehold land RM | Leasehold building RM | Vessels RM | Drydocking RM | Diving equipment, equipment on vessel RM | Motor vehicles RM | Computers, office equipment, furniture and fittings RM | Renovations RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **At 1 January 2009** | | | | | | | | | | |
| As previously stated | - | 3,538,600 | 592,131,642 | 18,177,509 | 35,164,258 | 4,251,950 | 4,040,600 | 3,085,382 | 242,090,144 | 902,480,085 |
| Effects of adopting the amendments to FRS 117 | 10,062,360 | - | - | - | - | - | - | - | - | 10,062,360 |
| As restated | 10,062,360 | 3,538,600 | 592,131,642 | 18,177,509 | 35,164,258 | 4,251,950 | 4,040,600 | 3,085,382 | 242,090,144 | 912,542,445 |
| Additions | - | 10,512,937 | - | 2,913,752 | 6,924,840 | 151,497 | 1,587,318 | 812,234 | 89,394,507 | 112,297,085 |
| Reclassification | - | 471,310 | 119,083,394 | - | - | - | - | - | (119,554,704) | - |
| Disposals | - | - | - | - | - | (275,899) | - | (139,039) | - | (414,938) |
| Transfer to associates | - | - | (119,083,394) | - | - | - | - | - | - | (119,083,394) |
| Written off | - | - | - | (5,759,644) | - | (86,644) | - | - | - | (5,846,288) |
| Exchange differences | - | 41,646 | - | - | 76,530 | - | 46,669 | 9,236 | 131 | 174,212 |
| At 31 December 2009 (restated) | 10,062,360 | 14,564,493 | 592,131,642 | 15,331,617 | 42,165,628 | 4,040,904 | 5,674,587 | 3,767,813 | 211,930,078 | 899,669,122 |

**12. Property, vessels and equipment (cont'd.)**

| Group (cont'd.) | Long term leasehold land RM | Leasehold building RM | Vessels RM | Drydocking RM | Diving equipment, equipment on vessel RM | Motor vehicles RM | Computers, office equipment, furniture and fittings RM | Renovations RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost (cont'd.)** | | | | | | | | | | |
| **At 1 January 2010** | | | | | | | | | | |
| As previously stated | - | 14,564,493 | 592,131,642 | 15,736,242 | 42,165,628 | 4,040,904 | 5,753,278 | 3,773,829 | 211,930,078 | 890,096,094 |
| Effects of adopting the amendments to FRS 117 | 10,062,360 | - | - | - | - | - | - | - | - | 10,062,360 |
| As restated | 10,062,360 | 14,564,493 | 592,131,642 | 15,736,242 | 42,165,628 | 4,040,904 | 5,753,278 | 3,773,829 | 211,930,078 | 900,158,454 |
| Additions | 1,977,150 | 1,712,000 | - | 5,856,113 | 25,551,570 | 588,081 | 571,434 | 120,514 | 152,619,598 | 188,996,460 |
| Reclassification | - | - | 256,124,464 | - | 27,883,872 | - | - | - | (284,008,336) | - |
| Disposals | - | - | - | - | (7,483,017) | - | - | - | - | (7,483,017) |
| Transfer to associates | - | - | (256,124,464) | - | - | - | - | - | - | (256,124,464) |
| Exchange differences | - | (288,669) | - | - | 962,839 | - | (1,463,595) | (28,308) | (907) | (818,640) |
| At 31 December 2010 | 12,039,510 | 15,987,824 | 592,131,642 | 21,592,355 | 89,080,892 | 4,628,985 | 4,861,117 | 3,866,035 | 80,540,433 | 824,728,793 |

**12. Property, vessels and equipment (cont'd.)**

| Group (cont'd.) | Long term leasehold land RM | Leasehold building RM | Vessels RM | Drydocking RM | Diving equipment, equipment on vessel RM | Motor vehicles RM | Computers, office equipment, furniture and fittings RM | Renovations RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | | | |
| **At 1 January 2009** | | | | | | | | | | |
| As previously stated | - | 242,221 | 63,970,052 | 9,613,282 | 6,825,038 | 2,303,349 | 1,236,260 | 590,708 | - | 84,780,910 |
| Effects of adopting the amendments to FRS 117 | 9,997 | - | - | - | - | - | - | - | - | 9,997 |
| As restated | 9,997 | 242,221 | 63,970,052 | 9,613,282 | 6,825,038 | 2,303,349 | 1,236,260 | 590,708 | - | 84,790,907 |
| Charge for the year | - | 245,301 | 21,342,416 | 392,800 | 8,167,443 | 765,187 | 667,972 | 299,422 | - | 31,880,541 |
| Disposals | - | - | - | - | - | (275,899) | - | (139,039) | - | (414,938) |
| Written off | - | - | - | (5,396,381) | - | (20,211) | - | - | - | (5,416,592) |
| Exchange differences | - | 651 | - | - | 13,861 | - | 95 | (1,165) | - | 13,442 |
| At 31 December 2009 (restated) | 9,997 | 488,173 | 85,312,468 | 4,609,701 | 15,006,342 | 2,772,426 | 1,904,327 | 749,926 | - | 110,853,360 |

**12. Property, vessels and equipment (cont'd.)**

| Group (cont'd.) | Long term leasehold land RM | Leasehold building RM | Vessels RM | Drydocking RM | Diving equipment, equipment on vessel RM | Motor vehicles RM | Computers, office equipment, furniture and fittings RM | Renovations RM | Assets under construction RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | | | |
| **At 1 January 2010** | | | | | | | | | | |
| As previously stated | - | 488,173 | 85,312,468 | 9,059,537 | 10,961,130 | 2,846,181 | 1,927,046 | 740,600 | - | 111,335,135 |
| Effects of adopting the amendments to FRS 117 | 9,997 | - | - | - | - | - | - | - | - | 9,997 |
| As restated | 9,997 | 488,173 | 85,312,468 | 9,059,537 | 10,961,130 | 2,846,181 | 1,927,046 | 740,600 | - | 111,345,132 |
| Charge for the year | 10,652 | 406,679 | 21,342,413 | 3,974,164 | 6,645,765 | 678,082 | 599,466 | 412,325 | - | 34,069,546 |
| Disposals | - | - | - | - | (869,205) | - | - | - | - | (869,205) |
| Exchange differences | - | (3,102) | - | - | 269,050 | - | (334,475) | 22,054 | - | (46,473) |
| At 31 December 2010 | 20,649 | 891,750 | 106,654,881 | 13,033,701 | 17,006,740 | 3,524,263 | 2,192,037 | 1,174,979 | - | 144,499,000 |
| **Net carrying amount** | | | | | | | | | | |
| At 31 December 2009 | 10,052,363 | 14,076,320 | 506,819,174 | 10,721,916 | 27,159,286 | 1,268,478 | 3,770,260 | 3,017,887 | 211,930,078 | 788,815,762 |
| At 31 December 2010 | 12,018,861 | 15,096,074 | 485,476,761 | 8,558,654 | 72,074,152 | 1,104,722 | 2,669,080 | 2,691,056 | 80,540,433 | 680,229,793 |

## 12. Property, vessels and equipment (cont'd.)

| | Motor vehicle | |
|---|---|---|
| | 2010 | 2009 |
| **Company** | RM | RM |
| **Cost** | | |
| At 1 January/31 December | 277,926 | 277,926 |
| **Accumulated depreciation** | | |
| At 1 January | 185,284 | 129,698 |
| Depreciation charge for the year | 55,585 | 55,586 |
| At 31 December | 240,869 | 185,284 |
| **Net carrying amount** | | |
| At 31 December | 37,057 | 92,642 |

(a) Included in the Group's additions for the year are property, vessels and equipment of RM12,485,877 (2009: RM11,127,806) which were acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, vessels and equipment held under hire purchase and finance lease arrangements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Motor vehicles | 1,104,722 | 1,268,478 | 37,057 | 92,642 |
| Diving equipment | 26,459,583 | - | - | - |
| Assets under construction | - | 9,793,519 | - | - |

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 28.

## 12. Property, vessels and equipment (cont'd.)

(b) The net carrying amounts of property, vessels and equipment of the Group which are pledged as securities for borrowings as disclosed in Note 27 are as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM** | **RM** |
| Leasehold buildings | 15,096,074 | 14,076,320 |
| Vessels | 485,476,761 | 506,819,174 |
| | 500,572,835 | 520,895,494 |

(c) The strata titles for the leasehold buildings with a net carrying amount of RM2,624,735 (2009:RM2,097,260) have not been issued by the relevant authorities.

(d) As disclosed in Note 7, interest expense capitalised in relation to vessels under construction during the financial year, for the Group amounted to RM3,103,184 (2009: RM6,126,595).

## 13. Land use rights

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| **Cost** | | |
| At 1 January: | | |
| As previously stated | 10,062,360 | - |
| Additions | - | 10,062,360 |
| Effects of adopting the amendments to FRS 117 | (10,062,360) | (10,062,360) |
| At 31 December (restated) | - | - |
| **Accumulated amortisation** | | |
| At 1 January: | | |
| As previously stated | 9,997 | - |
| Amortisation for the year | - | 9,997 |
| Effects of adopting the amendments to FRS 117 | (9,997) | (9,997) |
| At 31 December (restated) | - | - |
| **Net carrying amount** | - | - |

The title for the leasehold land has not been issued by the relevant authorities.

## 14. Intangible assets

| | Goodwill on consolidation RM | Development costs RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1 January 2010 | 1,422,263 | 611,300 | 2,033,563 |
| Exchange differences | (29,508) | (14,625) | (44,133) |
| At 31 December 2010 | 1,392,755 | 596,675 | 1,989,430 |
| At 1 January 2009 | 1,406,411 | 603,475 | 2,009,886 |
| Exchange differences | 15,852 | 7,825 | 23,677 |
| At 31 December 2009 | 1,422,263 | 611,300 | 2,033,563 |
| **Accumulated amortisation and impairment** | | | |
| At 1 January 2010 | - | 183,390 | 183,390 |
| Charge for the year | - | 119,335 | 119,335 |
| Exchange differences | - | (4,387) | (4,387) |
| At 31 December 2010 | - | 298,338 | 298,338 |
| At 1 January 2009 | - | 60,348 | 60,348 |
| Charge for the year | - | 122,260 | 122,260 |
| Exchange differences | - | 782 | 782 |
| At 31 December 2009 | - | 183,390 | 183,390 |
| **Net carrying amount** | | | |
| At 31 December 2010 | 1,392,755 | 298,337 | 1,691,092 |
| At 31 December 2009 | 1,422,263 | 427,910 | 1,850,173 |

## 14. Intangible assets (cont'd.)

### (a) Impairment tests for goodwill

**Allocation of goodwill**

Goodwill has been allocated to the Group's Cash-Generating Unit ("CGU") identified according to business segment as follows:

| | Underwater services RM | Offshore support vessels and services RM | Total RM |
|---|---|---|---|
| At 31 December 2010 | 1,208,877 | 183,878 | 1,392,755 |
| At 31 December 2009 | 1,238,385 | 183,878 | 1,422,263 |

**Key assumptions used in value-in-use calculations**

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period.

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

**(i) Budgeted gross margin**

The basis used to determine the value assigned to the budgeted gross margin is the average margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

**(ii) Discount rate**

The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

**(iii) Bond rate**

The bond rates used are the yield on 5-year Singaporean government bond rates at the beginning of the budgeted year.

## 15. Investments in subsidiaries

| | Company 2010 RM | Company 2009 RM |
|---|---|---|
| Unquoted shares, at cost | 100,302,070 | 100,302,070 |

Details of subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Group's effective interest 2010 % | Group's effective interest 2009 % |
|---|---|---|---|---|
| **(i) Held by the Company:** | | | | |
| Alam Maritim (M) Sdn. Bhd. ("AMSB") | Malaysia | Ship owning, chartering and managing and other shipping related activities | 100 | 100 |
| Alam Maritim (L) Inc. ("AMLI") | Federal Territory of Labuan, Malaysia | Investment holding and ship owning | 100 | 100 |
| **(ii) Held through AMSB:** | | | | |
| Alam Hidro (M) Sdn. Bhd. ("AHSB") | Malaysia | Offshore facilities construction and installation and underwater services | 70 | 70 |
| Alam Offshore Services & Logistics Sdn. Bhd. ("AOLSB") | Malaysia | Transportation, ship forwarding and agent, ship chandeling and other related activities | 100 | 100 |
| Alam Food Industries (M) Sdn. Bhd. ("AFI") | Malaysia | Catering & messing services | 100 | 100 |

**15. Investments in subsidiaries (cont'd.)**

| Name of subsidiaries | Country of incorporation | Principal activities | Group's effective interest 2010 % | 2009 % |
|---|---|---|---|---|
| **(ii) Held through AMSB (cont'd.):** | | | | |
| KJ Waja Engineering Sdn. Bhd. ("KJWE") | Malaysia | Ship repair & maintenance, ship spare supply and other related services | 84 | 84 |
| **(iii) Held through KJWE:** | | | | |
| KJ Waja Services Sdn. Bhd. ("KJWS") | Malaysia | Ship spare supply and other related services | 84 | 84 |
| **(iv) Held through AMLI:** | | | | |
| Eastar Offshore Pte. Ltd. ("EASTAR") * | Singapore | Designing, manufacturing and operating of remotely operated vehicles ("ROVs") | 75 | 60 |
| Alam Subsea Pte. Ltd. ("ASPL") * | Singapore | Rental of ROV and providing ROV Services | - | 100 |
| **(v) Held through EASTAR:** | | | | |
| Alam Subsea Pte. Ltd. ("ASPL") * | Singapore | Rental of ROV and providing ROV Services | 75 | - |

* Audited by firms other than Ernst & Young

## 15. Investments in subsidiaries (cont'd.)

### (a) Increase investment in a subsidiary - 31 December 2010

(i) On 1 January 2010, the Company through its wholly-owned subsidiary, Alam Maritim (L) Inc. ("AMLI") acquired 15,950 ordinary shares of SGD1.00 each in EASTAR Offshore Pte Ltd ("EASTAR") from other shareholders for a total cash consideration of SGD2,400,000. The Company's equity interest in EASTAR increased from 60% to 64% thereof.

The additional investment has resulted in the following:

| | RM |
|---|---|
| Purchase consideration satisfied by cash | 5,826,960 |
| Less: Minority interests acquired | (315,443) |
| Premium paid on acquisition of minority interests | 5,511,517 |

(ii) On 1 January 2010, EASTAR increased its issued and paid-up share capital from 432,502 to 628,203 ordinary shares of SGD1.00 each. Pursuant to the increase in share capital, the Company via AMLI subscribed for an additional 195,701 ordinary shares of SGD1.00 each in EASTAR. AMLI's equity interest in EASTAR increased from 64% to 75% thereof.

### (b) Internal restructuring - 31 December 2010

On 1 January 2010, the Company via EASTAR acquired 500,000 ordinary shares of SGD1.00 each at par representing 100% of the total issued and paid up capital of Alam Subsea Pte Ltd ("ASPL") from AMLI for a total shares consideration of SGD4,332,245. ASPL is a wholly owned subsidiary of AMLI, a wholly owned subsidiary of the Company.

### (c) Increase investment in a subsidiary - 31 December 2009

On 20 March 2009, KJWE increased its issued and paid-up share capital from RM500,000 to RM1,500,000. Pursuant to the increase in share capital, the Company through its wholly owned subsidiary, AMSB subscribed for an additional 1,000,000 ordinary shares of RM1.00 each in KJWE, resulting in an increase of AMSB's equity interest from 51 to 84 percent.

## 16. Investments in associates

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Unquoted shares, at cost | 56,911,582 | 24,894,933 |
| Share of post-acquisition reserves | 2,411,273 | 2,707,572 |
| Share of unrealised profits on vessels disposed to associates | (4,415,655) | (5,376,558) |
| | 54,907,200 | 22,225,947 |

Details of the associates are as follows:

| Name of associate | Country of incorporation | Principal activities | Group's effective interest 2010 % | Group's effective interest 2009 % |
|---|---|---|---|---|
| **(i) Held through AMLI** | | | | |
| Alam-PE Holdings (L) Inc. ("ALAM-PE(H)") | Federal Territory of Labuan, Malaysia | Ship management and operation, ship owning, ship maintenance and marine consultancy | 49 | 49 |
| TH-Alam Holdings (L) Inc ("THAH") ^ | Federal Territory of Labuan, Malaysia | Investment holding | 49 | - |
| **(ii) Held through ALAM-PE(H):** | | | | |
| Alam-PE I (L) Inc ("ALAM-PE I") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 49 | 49 |
| Alam-PE II (L) Inc ("ALAM-PE II") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 49 | 49 |

## 16. Investments in associates (cont'd.)

| Name of associate | Country of incorporation | Principal activities | Group's effective interest 2010 % | 2009 % |
|---|---|---|---|---|
| **(ii) Held through ALAM-PE(H) (cont'd.):** | | | | |
| Alam-PE III (L) Inc ("ALAM-PE III") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 49 | 49 |
| Alam-PE IV (L) Inc ("ALAM-PE IV") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 49 | 49 |
| Alam-PE V (L) Inc ("ALAM-PE V") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 49 | 49 |
| Alam-PE Services Incorporated ("ALAM-PE SVS") | British Virgin Island | Ship management | - | 49 |
| Alam-PE Holdings Sdn Bhd ("ALAM-PE(H)SB") | Malaysia | Ship management | 49 | - |
| **(iii) Held through THAH:** | | | | |
| Alam-JV DP 1 (L) Inc ("AJVDP1") | Federal Territory of Labuan, Malaysia | Ship owning | 49 | - |
| Alam-JV DP 2 (L) Inc ("AJVDP2") | Federal Territory of Labuan, Malaysia | Ship owning | 49 | - |

^ On 30 November 2009, AMLI entered into a Shareholders' Agreement with Lembaga Tabung Haji ("LTH") to jointly invest and own six Anchor Handling Tug Supply ("AHTS") vessels via a newly incorporated entity, TH-Alam Holdings (L) Inc. ("THAH").

## 16. Investments in associates (cont'd.)

The summarised financial information of the associates, adjusted for the proportion of ownership interest held by the Group, is as follows:

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 37,334,682 | 53,458,237 |
| Non-current assets | 215,762,167 | 88,738,576 |
| Total assets | 253,096,849 | 142,196,813 |
| | | |
| Current liabilities | 53,582,179 | 33,123,896 |
| Non-current liabilities | 140,407,565 | 83,733,192 |
| Total liabilities | 193,989,744 | 116,857,088 |
| | | |
| **Results** | | |
| Revenue | 25,892,100 | 10,975,906 |
| Profit for the year | 1,688,119 | 3,130,409 |

## 17. Investment in jointly controlled entities

| | Group<br>2010<br>RM | <br>2009<br>RM |
|---|---|---|
| Unquoted shares, at cost | 36,798,709 | 14,066,252 |
| Share of post-acquisition reserves | 43,882,195 | 31,534,462 |
| | 80,680,904 | 45,600,714 |

Details of the jointly controlled entities are as follows:

| Name of jointly controlled entities | Country of incorporation | Principal activities | Proportion of ownership interest<br>2010<br>% | <br>2009<br>% |
|---|---|---|---|---|
| **(i) Held through AMSB:** | | | | |
| Alam Eksplorasi (M) Sdn. Bhd. ("AESB") | Malaysia | Ship owning, operating and chartering | 60 | 60 |

**17. Investment in jointly controlled entities (cont'd.)**

| Name of jointly controlled entities | Country of incorporation | Principal activities | Proportion of ownership Interest 2010 % | 2009 % |
|---|---|---|---|---|
| **(i) Held through AMSB (cont'd.):** | | | | |
| Alam Synergy I (L) Inc. ("AS I") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 60 | 60 |
| Alam Synergy II (L) Inc. ("AS II") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 60 | 60 |
| Alam Synergy III (L) Inc. ("AS III") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 60 | 60 |
| Alam Swiber Offshore (M) Sdn Bhd ("ASOSB") ^^ | Malaysia | Ship operator | 50 | 50 |
| Alam Radiance (M) Sdn Bhd ("ARMSB") *** | Malaysia | Ship owning, ship management ship operation, maintenance and consultancy | 50 | - |
| **(ii) Held through AMLI:** | | | | |
| Workboat International FZCO ("WBI") | United Arab Emirates | Ship management and operation, ship owning, ship maintenance and marine consultancy | 60 | 60 |
| Alam Brompton (L) Inc. ("ABLI") | Federal Territory of Labuan, Malaysia | Ship management and operation, ship owning, ship maintenance and marine consultancy | 51 | 51 |

**17. Investment in jointly controlled entities (cont'd.)**

| Name of jointly controlled entities | Country of incorporation | Principal activities | Proportion of ownership Interest 2010 % | 2009 % |
|---|---|---|---|---|
| **(ii) Held through AMLI (cont'd.):** | | | | |
| Alam Fast Boats (L) Inc. ("AFBLI") | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 50 | 50 |
| Alam Swiber DLB 1 (L) Inc. ("ASDLB1") ^ | Federal Territory of Labuan, Malaysia | Ship owning and chartering | 50 | 50 |
| Alam Radiance (L) Inc. ("ARLI") ** | Federal Territory of Labuan, Malaysia | Ship owning, operating and chartering | 50 | - |
| TH-Alam Management (M) Sdn Bhd ("THAM") * | Malaysia | Ship management and consultancy | 50 | - |

^ On 17 September 2009, AMLI entered into a Shareholders' Agreement with Swiber Engineering Limited (“SEL”) to jointly own and charter an accommodation pipelay work barge, via a newly incorporated entity, Alam Swiber DLB 1 (L) Inc (“ASDLB1”).

^^ On 17 September 2009, AMSB entered into a Shareholders' Agreement with Swiber Offshore Construction Pte Ltd (“SOC”) to jointly undertake offshore installation and construction projects, via a newly incorporated entity, Alam Swiber Offshore (M) Sdn Bhd (“ASOSB").

* On 1 June 2010, AMLI entered into a Shareholders' Agreement with LTH to jointly manage vessels under THAH via a newly incorporated entity, TH-Alam Management (M) Sdn. Bhd. ("THAM").

** On 2 August 2010, AMLI signed a Joint Venture Agreement with Pacific Crest Pte Ltd (“PCPL”) to jointly invest and own an accommodation work barge via a newly incorporated entity, Alam Radiance (L) Inc. ("ARLI").

*** On 2 August 2010, AMLI signed a Joint Venture Agreement with PCPL to jointly manage barge under ARLI via a newly incorporated entity, Alam Radiance (M) Sdn Bhd ("ARMSB").

## 17. Investment in jointly controlled entities (cont'd.)

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

| | 2010 RM | 2009 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 78,838,818 | 54,396,561 |
| Non-current assets | 225,681,283 | 124,559,709 |
| Total assets | 304,520,101 | 178,956,270 |
| Current liabilities | 95,032,261 | 68,923,596 |
| Non-current liabilities | 128,962,891 | 64,326,459 |
| Total liabilities | 223,995,152 | 133,250,055 |
| **Results** | | |
| Revenue | 97,171,558 | 111,221,819 |
| Expenses, including finance costs and taxation | (88,544,312) | (93,941,021) |

## 18. Amount due from subsidiaries

Amount due from subsidiaries are non-trade in nature, unsecured and repayable on demand except for an amount of RM570,000,000 (2009: RM575,000,000) which bears interest rate between 4.58% per annum and 5.63% per annum (2009: between 4.58% per annum and 5.63% per annum).

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

## 19. Inventories

| | Group 2010 RM | 2009 RM |
|---|---|---|
| **Cost** | | |
| Raw materials | 2,290,783 | 1,474,658 |
| Work-in-progress | 5,996,510 | 21,639,822 |
| Spare parts | 219,791 | 248,435 |
| | 8,507,084 | 23,362,915 |

## 20. Trade receivables

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Third parties | 127,518,450 | 121,853,110 |
| Accrued charter hire income | 24,487,474 | 22,522,558 |
| Construction contracts: | | |
| Due from customers on contract (Note 21) | 3,467,500 | 16,454,046 |
| | 155,473,424 | 160,829,714 |
| Less: Allowance for impairment | (38,038,887) | (10,140,295) |
| Trade receivables, net | 117,434,537 | 150,689,419 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2009: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other information on financial risks of trade receivables are disclosed in Note 38(a).

**Ageing analysis of trade receivables**

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

| | Group 2010 RM |
|---|---|
| Neither past due nor impaired | 50,315,916 |
| 1 to 30 days past due not impaired | 17,378,469 |
| 31 to 60 days past due not impaired | 1,339,467 |
| 61 to 90 days past due not impaired | 1,761,488 |
| 91to 120 days past due not impaired | 661,405 |
| More than 121 days past due not impaired | 16,720,722 |
| | 37,861,551 |
| Impaired | 67,295,957 |
| | 155,473,424 |

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

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

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

## 20. Trade receivables (cont'd.)

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

The Group has trade receivables amounting to RM37,861,551 that are past due at the reporting date but not impaired.

At the reporting date, 19.4% of trade receivables that are not impaired are amounts due from established creditworthy oil majors with minimum collection risk. The balance of receivables that are past due but not impaired are unsecured in nature. The Management is confident that the remaining receivables are recoverable as these accounts are still active.

**Receivables that are impaired**

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

| | Group 2010 RM |
|---|---|
| **Individually impaired** | |
| Trade receivables - nominal amounts | 67,295,957 |
| Less: allowance for impairment | (38,038,887) |
| | 29,257,070 |

Movement in allowance accounts:

| | Group 2010 RM |
|---|---|
| At 1 January | 10,140,295 |
| Charge for the year (Note 9) | 28,020,284 |
| Written off | (121,692) |
| At 31 December | 38,038,887 |

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

## 21. Due from customers on contract

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Construction contract costs incurred to date | 26,685,028 | 99,080,213 |
| Less: Foreseeable losses | (11,340,698) | (7,749,337) |
| | 15,344,330 | 91,330,876 |
| Less: Progress billings | (11,876,830) | (74,876,830) |
| | 3,467,500 | 16,454,046 |

## 22. Other receivables

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Amount due from related parties: | | | | |
| - Jointly controlled entities | 73,018,084 | 84,301,702 | 1,248 | - |
| - Associates | 76,711,991 | 10,057,659 | 1,872 | - |
| | 149,730,075 | 94,359,361 | 3,120 | - |
| Deposits | 10,130,429 | 12,825,013 | - | - |
| Prepayments | 5,632,074 | 4,115,102 | - | - |
| Sundry receivables | 4,046,683 | 4,479,117 | - | - |
| | 169,539,261 | 115,778,593 | 3,120 | - |
| Less: Provision for doubtful debts | (231,367) | (231,367) | - | - |
| Receivables, net | 169,307,894 | 115,547,226 | 3,120 | - |

Other details on financial risks of other receivables are disclosed in Note 38.

## 23. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| **Non-current assets** | | | | |
| Deposits with a licensed bank | 11,567,361 | 10,094,886 | - | - |
| **Current assets** | | | | |
| Cash on hand and at banks | 142,806,877 | 183,517,730 | 78,319,606 | 70,501,774 |
| Deposits with licensed banks | 24,203,595 | 9,527,615 | 10,000,000 | 6,500,000 |
| | 167,010,472 | 193,045,345 | 88,319,606 | 77,001,774 |
| Total cash and bank balances | 178,577,833 | 203,140,231 | 88,319,606 | 77,001,774 |
| Bank overdrafts (Note 27) | (4,586,157) | (1,876,192) | - | - |
| Amounts set aside as sinking fund | (7,508,926) | (6,000,000) | - | - |
| Amounts set aside as margin deposits for bank guarantee facilities | (8,161,330) | (8,056,935) | - | - |
| Total cash and cash equivalents | 158,321,420 | 187,207,104 | 88,319,606 | 77,001,774 |

The weighted average effective interest rate per annum and the remaining maturity of deposits of the Group as at 31 December 2010 are 1.90% (2009: 1.90%) and 1,280 days (2009: 1,280 days) respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

## 24. Share capital and share premium

| | Number of ordinary shares of RM0.25 each Share capital (issued and fully paid) | Amount Share capital (issued and fully paid) RM | Share premium RM | Total RM |
|---|---|---|---|---|
| At 1 January 2009 | 492,845,986 | 123,211,497 | 68,689,027 | 191,900,524 |
| Pursuant to ESOS (Note 32) | 14,141,112 | 3,535,278 | 9,781,911 | 13,317,189 |
| At 31 December 2009 and 1 January 2010 | 506,987,098 | 126,746,775 | 78,470,938 | 205,217,713 |
| Pursuant to ESOS (Note 32) | 19,925,463 | 4,981,366 | 7,717,580 | 12,698,946 |
| Pursuant to bonus issue | 254,237,816 | 63,559,454 | (63,559,454) | - |
| At 31 December 2010 | 781,150,377 | 195,287,595 | 22,629,064 | 217,916,659 |

| | Number of ordinary shares of RM0.25 each 2010 | 2009 | Amount 2010 RM | 2009 RM |
|---|---|---|---|---|
| **Authorised share capital** | | | | |
| At 1 January/ 31 December | 1,000,000,000 | 1,000,000,000 | 250,000,000 | 250,000,000 |

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.

### (a) Ordinary shares issued pursuant to bonus issue

During the financial year, the Company issued 254,237,816 ordinary shares of RM0.25 each pursuant to bonus issue, by way of capitalisation of the share premium on the basis of 1 new ordinary shares of RM0.25 each for every 2 existing ordinary shares of RM0.25 each.

### (b) Ordinary shares issued pursuant to the Company's Employee Share Options Scheme

During the financial year, the Company issued 19,925,463 (2009: 14,141,112) ordinary shares of RM0.25 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price ranging from RM0.44 to RM1.40 (2009: RM0.60 to RM1.59) per ordinary share.

## 25. Other reserves

| | Employee share option reserve RM | Premium paid on acquisition of minority interest RM | Foreign currency translation reserve RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 1 January 2009** | 7,897,646 | - | 70,857 | 7,968,503 |
| Foreign currency translation, representing other comprehensive income | - | - | 101,550 | 101,550 |
| **Transaction with owners:** | | | | |
| Share options granted under ESOS: | | | | |
| Recognised in income statement | 2,302,148 | - | - | 2,302,148 |
| Exercised during the year | (3,586,668) | - | - | (3,586,668) |
| | (1,284,520) | - | - | (1,284,520) |
| **At 31 December 2009** | 6,613,126 | - | 172,407 | 6,785,533 |
| **At 1 January 2010** | 6,613,126 | - | 172,407 | 6,785,533 |
| Foreign currency translation, representing other comprehensive income | - | - | (143,244) | (143,244) |
| **Transaction with owners:** | | | | |
| Premium paid on acquisition of minority interests (Note 15(a)(i)) | - | (5,511,517) | - | (5,511,517) |
| Share options granted under ESOS: | | | | |
| Recognised in income statement | 519,467 | - | - | 519,467 |
| Exercised during the year | (2,683,597) | - | - | (2,683,597) |
| | (2,164,130) | (5,511,517) | - | (7,675,647) |
| **At 31 December 2010** | 4,448,996 | (5,511,517) | 29,163 | (1,033,358) |

## 25. Other reserves (cont'd.)

| | Employee share option reserve RM | Premium paid on acquisition of minority interest RM | Foreign currency translation reserve RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2009** | 7,897,646 | - | - | 7,897,646 |
| **Transaction with owners:** | | | | |
| Share options granted under ESOS: | | | | |
| Recognised in income statement | 2,302,148 | - | - | 2,302,148 |
| Exercised during the year | (3,586,668) | - | - | (3,586,668) |
| **At 31 December 2009** | 6,613,126 | - | - | 6,613,126 |
| **At 1 January 2010** | 6,613,126 | - | - | 6,613,126 |
| **Transaction with owners:** | | | | |
| Share options granted under ESOS: | | | | |
| Recognised in income statement | 519,467 | - | - | 519,467 |
| Exercised during the year | (2,683,597) | - | - | (2,683,597) |
| **At 31 December 2010** | 4,448,996 | - | - | 4,448,996 |

The nature and purpose of each category are as follows:

**(a) Employee share option reserve**

Employee share option reserve represents the equity-settled share options granted to employees (Note 32). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

**(b) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 26. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2010 and 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 December 2010, the 108 balance of the Company is nil (2009: RM540,168). Hence, the Company may distribute dividends out of its entire retained earnings as at 31 December 2010 under the single tier system.

## 27. Borrowings

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| **Short term borrowings** | | | | |
| **Secured:** | | | | |
| Bank overdrafts (Note 23) | 4,586,157 | 1,876,192 | - | - |
| Term loans | 2,042,327 | 2,717,547 | - | - |
| MCP/MMTN | 96,920,629 | 96,763,123 | 96,920,629 | 96,763,123 |
| Sukuk Ijarah MTN | 80,000,000 | 30,000,000 | 80,000,000 | 30,000,000 |
| Hire purchase and finance lease liabilities (Note 28) | 5,300,077 | 772,293 | 28,288 | 26,763 |
| | 188,849,190 | 132,129,155 | 176,948,917 | 126,789,886 |
| **Unsecured:** | | | | |
| Revolving credits | 45,000,000 | 25,000,000 | - | - |
| | 233,849,190 | 157,129,155 | 176,948,917 | 126,789,886 |
| **Long term borrowings** | | | | |
| **Secured:** | | | | |
| Term loans | 28,016,153 | 29,089,387 | - | - |
| Sukuk Ijarah MTN | 390,000,000 | 445,000,000 | 390,000,000 | 445,000,000 |
| Hire purchase and finance lease liabilities (Note 28) | 17,148,627 | 12,227,055 | 116,754 | 145,042 |
| | 435,164,780 | 486,316,442 | 390,116,754 | 445,145,042 |
| **Total borrowings** | | | | |
| Bank overdrafts (Note 23) | 4,586,157 | 1,876,192 | - | - |
| Revolving credits | 45,000,000 | 25,000,000 | - | - |
| Term loans | 30,058,480 | 31,806,934 | - | - |
| MCP/MMTN | 96,920,629 | 96,763,123 | 96,920,629 | 96,763,123 |
| Sukuk Ijarah MTN | 470,000,000 | 475,000,000 | 470,000,000 | 475,000,000 |
| Hire purchase and finance lease liabilities (Note 28) | 22,448,704 | 12,999,348 | 145,042 | 171,805 |
| | 669,013,970 | 643,445,597 | 567,065,671 | 571,934,928 |

## 27. Borrowings (cont'd.)

Maturity of borrowings (excluding hire purchase and finance lease liabilities):

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Not later than 1 year | 228,549,157 | 156,356,862 |
| Later than 1 year not later than 2 years | 32,164,718 | 82,018,199 |
| Later than 2 years not later than 5 years | 269,896,926 | 162,475,819 |
| Later than 5 years | 115,954,465 | 229,595,369 |
| | 646,565,266 | 630,446,249 |

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase and finance lease liabilities of the Group, are as follows:

| | Group 2010 % | Group 2009 % |
|---|---|---|
| Bank overdrafts | 6.65 | 7.05 |
| Revolving credits | 4.68 | 4.34 |
| Term loans | 6.50 | 6.50 |
| MCP/MMTN | 4.15 | 5.02 |
| Sukuk Ijarah MTN | 4.96 | 4.34 |

**Bank overdrafts:**

The secured bank overdrafts of the Group are secured by deposits with licensed banks of the Group as disclosed in Note 23.

**Term loans:**

The term loans of the Group are secured by the following:

(a) First legal charge over the vessels and leasehold building of certain subsidiaries as disclosed in Note 12;

(b) 1st preferred statutory mortgage on vessels of certain subsidiaries;

(c) Legal assignments of charter proceeds of certain subsidiaries;

(d) Debentures incorporating fixed and floating asset of certain subsidiaries;

(e) Corporate guarantees by the Company;

(f) Assignment of the insurance policy for vessels of certain subsidiaries.

## 27. Borrowings (cont'd.)

### MCP/MMTN and Sukuk Ijarah MTN Facility

The MCP/MMTN and Sukuk Ijarah MTN are secured by:

(i) a first legal charge over the designated accounts as defined in the Trust Deed;

(ii) third party second fixed legal charge over each of the Ijarah Assets/MCP/MMTN and Sukuk Ijarah MTN assets and assignment of all insurance thereon and charter contracts.

The features of the MCP/MMTN and Sukuk Ijarah MTN issued are as follows:

(i) The MCP/MMTN and Sukuk Ijarah MTN have a maximum principal limit of RM600,000,000.

The MCP/MMTN and Sukuk Ijarah MTN were constituted by a Trust Deed Program Agreement dated 6 July 2007 between the Company and the financial institutions concerned in relation to finance the purchase of beneficial interest in the Ijarah Assets (Syariah Compliant) from subsidiaries.

(ii) The MCP/MMTN are issued at a discount with yield to maturity ranging from 3.78% to 3.85% per annum. The Sukuk Ijarah MTN are issued with yield to maturity ranging from 4.58% to 5.63% per annum (2009: 4.58% to 5.63% per annum).

The amounts recognised in respect of the MCP/MMTN is analysed as follows:

| | Group and Company | |
|---|---|---|
| | 2010 | 2009 |
| | RM | RM |
| **MCP/MMTN** | | |
| Nominal value | 100,000,000 | 100,000,000 |
| Less: Discount | (7,368,802) | (4,714,547) |
| Net proceeds from issuance of MCP/MMTN | 92,631,198 | 95,285,453 |
| Amortisation of discount | 4,289,431 | 1,477,670 |
| Total amount included within borrowings | 96,920,629 | 96,763,123 |

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

## 28. Hire purchase and finance lease liabilities

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| **Future minimum lease payments:** | | | | |
| Not later than 1 year | 6,385,067 | 854,915 | 34,704 | 34,704 |
| Later than 1 year and not later than 2 years | 6,230,505 | 1,162,453 | 34,704 | 34,704 |
| Later than 2 years and not later than 5 years | 11,782,276 | 1,129,390 | 92,546 | 104,112 |
| Later than 5 years | 607,963 | 10,318,998 | - | 23,138 |
| Total future minimum lease payments | 25,005,811 | 13,465,756 | 161,954 | 196,658 |
| Less: Future finance charges | (2,557,107) | (466,408) | (16,912) | (24,853) |
| Present value of finance lease liabilities (Note 27) | 22,448,704 | 12,999,348 | 145,042 | 171,805 |
| **Analysis of present value of finance lease liabilities:** | | | | |
| Not later than 1 year | 5,300,077 | 772,293 | 28,288 | 26,763 |
| Later than 1 year and not later than 2 years | 5,177,401 | 1,008,220 | 29,812 | 28,287 |
| Later than 2 years and not later than 5 years | 11,490,363 | 989,922 | 86,942 | 94,010 |
| Later than 5 years | 480,863 | 10,228,913 | - | 22,745 |
| | 22,448,704 | 12,999,348 | 145,042 | 171,805 |
| Less: Amount due within 12 months (Note 27) | (5,300,077) | (772,293) | (28,288) | (26,763) |
| Amount due after 12 months (Note 27) | 17,148,627 | 12,227,055 | 116,754 | 145,042 |

The Group's and the Company's hire purchase and finance lease liabilities bears weighted average effective interest rates of 9.38% (2009: 8.45%) per annum and 7.44% (2009: 7.44%) respectively .

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 38.

## 29. Deferred taxation

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| At 1 January | 77,511,121 | 66,396,703 |
| Recognised in income statement (Note 9) | (6,411,496) | 11,072,396 |
| Exchange differences | (154,086) | 42,022 |
| At 31 December | 70,945,539 | 77,511,121 |

Presented after appropriate offsetting as follows:

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Deferred tax liabilities | 70,945,539 | 77,511,121 |

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

**Deferred tax liabilities of the Group:**

| | Accelerated capital allowances RM |
|---|---|
| At 1 January 2010 | 80,519,978 |
| Recognised in income statement | 10,829,845 |
| Exchange differences | (344,709) |
| At 31 December 2010 | 91,005,114 |
| | |
| At 1 January 2009 | 71,610,177 |
| Recognised in income statement | 8,891,269 |
| Exchange differences | 18,532 |
| At 31 December 2009 | 80,519,978 |

## 29. Deferred taxation (cont'd.)

**Deferred tax assets of the Group:**

| | Provision for doubtful debts RM | Unutilised tax losses and unabsorbed capital allowances RM | Total RM |
|---|---|---|---|
| At 1 January 2010 | (1,611,568) | (1,423,582) | (3,035,150) |
| Recognised in income statement | (25,416) | (17,215,925) | (17,241,341) |
| Exchange differences | 23,035 | 193,881 | 216,916 |
| At 31 December 2010 | (1,613,949) | (18,445,626) | (20,059,575) |
| At 1 January 2009 | (126,042) | (5,087,432) | (5,213,474) |
| Recognised in income statement | (1,485,414) | 3,666,541 | 2,181,127 |
| Exchange differences | (112) | (2,691) | (2,803) |
| At 31 December 2009 | (1,611,568) | (1,423,582) | (3,035,150) |

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

| | Group 2010 RM | 2009 RM |
|---|---|---|
| Unutilised tax losses | 89,041 | 78,278 |

The unutilised tax losses of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets is not recognised in respect of these losses as they arise in Group companies with a history of losses.

## 30. Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 60 days (2009: 30 to 60 days).

## 31. Other payables

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Amount due to related parties: | | | | |
| - Jointly controlled entities | 16,571,492 | 18,929,903 | - | - |
| - Associates | 17,831,431 | 54,883,579 | - | - |
| | 34,402,923 | 73,813,482 | - | - |
| Due to vendors of vessels | - | 24,133,830 | - | - |
| Accrued expenses | 13,422,399 | 16,233,538 | 10,948,267 | 11,713,192 |
| Deposits from customers | 85,055 | 1,445,145 | - | - |
| Sundry payables | 3,845,949 | 1,421,112 | 409,260 | 5,000 |
| | 51,756,326 | 117,047,107 | 11,357,527 | 11,718,192 |

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

## 32. Employee benefits

### Employee share options scheme ("ESOS")

The AMRB Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from the date of implementation.

(a) The number of shares comprised in the options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time. Upon completion of the Initial Public Offering ("IPO") on 20 July 2006, the total number of new shares to be issued pursuant to the ESOS is 24,350,412.

(b) When options are granted before the Company is listed on Bursa Malaysia Securities ("Initial Grant"), the exercise price shall be on a step-up basis starting with a price equivalent to the IPO price of RM1.65 and shall increase on the third year and fifth year commencing from the date of acceptance of the options as follows:

| | ← | Exercise period | | | → |
|---|---|---|---|---|---|
| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| Exercise price | RM1.65 | RM1.65 | RM1.82 | RM1.82 | RM2.00 |

(c) Where the options are granted on or after the Company is listed on Bursa Malaysia Securities ("Subsequent Grant"), the exercise price shall be at the higher of the following:

(i) the weighted average market price of the shares for the five market days immediately preceding the date at which options are granted subject to a discount of up to 10%; or

(ii) the par value of the shares.

(d) All eligible directors and employees will only be allowed to exercise the options subject to the following limits:

| | ← | Exercise period | | | → |
|---|---|---|---|---|---|
| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| Maximum percentage of options exercisable | 5% | 10% | 20% | 30% | 35% |

## 32. Employee benefits (cont'd.)

### Employee share options scheme ("ESOS") (cont'd.)

(e) The new shares to be allotted upon any exercise of any option granted shall rank pari passu in all respects with the existing shares provided always that the new shares so allotted will not be entitled to any dividends, rights, allotments and/or any distributions declared, made or paid to shareholders which record date thereof precedes the date of allotment of the new shares and shall be subject to all provisions of the Articles of the Company.

(f) In the event of any alteration in the capital structure of the Company, whether by way of issue of new shares credited as fully paid up from capitalisation of profit or reserve, capitalisation issues, rights issues, reduction, subdivision or consolidation of capital or any other variation of capital:

(i) the Exercise Price; and/or

(ii) the number of new shares comprised in the Option so far as unexercised;

shall be adjusted accordingly.

The following table illustrates the number and movements in share option during the year:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| | Outstanding at 1 January | Movement during the year Granted | Exercised | Bonus issue | Exercised | Outstanding at 31 December | Exercisable at 31 December |
| **2010** | | | | | | | |
| 2009 Options | 1,238,000 | - | (3,000) | 617,500 | (121,500) | 1,731,000 | 1,731,000 |
| 2008 Options | 2,296,000 | - | - | 1,148,000 | - | 3,444,000 | 3,444,000 |
| 2007 Options | 2,354,251 | - | (6,500) | 1,173,875 | (227,375) | 3,294,251 | 3,294,251 |
| 2006 Options | 32,082,001 | - | (1,479,100) | 15,301,451 | (18,088,038) | 27,816,314 | 27,816,314 |
| **2009** | | | | | | | |
| 2009 Options | - | 1,250,000 | (12,000) | - | - | 1,238,000 | 363,000 |
| 2008 Options | 2,296,000 | - | - | - | - | 2,296,000 | 1,470,000 |
| 2007 Options | 2,828,388 | - | (474,137) | - | - | 2,354,251 | 1,107,813 |
| 2006 Options | 45,736,976 | - | (13,654,975) | - | - | 32,082,001 | 10,596,595 |

**32. Employee benefits (cont'd.)**

**Employee share options scheme ("ESOS") (cont'd.)**

**(i) Details of share options outstanding at the end of the year:**

| | Weighted average exercise price RM | Exercise period |
|---|---|---|
| **2010** | | |
| 2006 Options | 0.66 | 20.07.2006 - 19.07.2011 |
| 2007 Options | 1.47 | 20.07.2007 - 19.07.2011 |
| 2009 Options | 1.79 | 20.07.2009 - 19.07.2011 |
| 2010 Options | 1.27 | 20.07.2010 - 19.07.2011 |
| **2009** | | |
| 2006 Options | 0.66 | 20.07.2006 - 19.07.2011 |
| 2007 Options | 1.47 | 20.07.2007 - 19.07.2011 |
| 2009 Options | 1.79 | 20.07.2009 - 19.07.2011 |
| 2010 Options | 1.27 | 20.07.2010 - 19.07.2011 |

**(ii) Share options exercised during the financial year**

As disclosed in Note 24, options exercised during the financial year resulted in the issuance of 19,925,463 (2009: 14,141,112) ordinary shares at the exercise price between RM0.44 and RM1.40 (2009: RM0.60 and RM1.59) each. The related weighted average share price at the date of exercise was RM1.16 (2009: RM1.37).

**(iii) Fair value of share options granted during the previous financial year**

The fair value of the share options granted is estimated at the grant date internally using a Black Scholes Option Valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions are as follows:

| | Options granted on 19.7.2009 |
|---|---|
| Fair value of share options at the grant date | 0.19 |
| Weighted average share price (RM) | 1.37 |
| Exercise price (RM) | 1.27 |
| Expected volatility (%) | 23.53 |
| Expected life (years) | 1.50 |
| Risk free interest rate (%) | 2.85 |
| Expected dividend yield (%) | 0.37 |

The expected life of the options is based on historical data and not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of the fair value.

## 33. Operating lease arrangements

### (a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of office premise. Leases of the premise have an average life of between 1 and 5 years. These leases have renewal but no purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

| | 2010 RM | 2009 RM |
|---|---|---|
| Future rental payments: | | |
| Not later than 1 year | 1,275,661 | 1,939,047 |
| Later than 1 year and not later than 5 years | 1,411,236 | 470,845 |
| | 2,686,897 | 2,409,892 |

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

### (b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its vessels. These leases have remaining non-cancellable lease terms of between 0.5 to 13 years. All leases include a clause to enable upward revision of the charter hire charge on an annual basis based on prevailing market conditions.

The future lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

| | 2010 RM | 2009 RM |
|---|---|---|
| Not later than 1 year | 93,131,053 | 96,243,398 |
| Later than 1 year and not later than 5 years | 117,524,453 | 155,055,965 |
| Later than 5 years | 59,662,647 | 68,593,138 |
| | 270,318,153 | 319,892,501 |

Charter hire revenue earned from chartering the Group's vessels are recognised as revenue during the financial year is disclosed in Note 4.

## 34. Capital commitments

| | Group 2010 RM | Group 2009 RM |
|---|---|---|
| Capital expenditure | | |
| Approved and contracted for | | |
| Purchase of vessels | 101,821,500 | 271,104,680 |
| Purchase of diving equipment | - | 26,898,025 |

## 35. Contingent liabilities

| | Company 2010 RM | Company 2009 RM |
|---|---|---|
| **Unsecured:** | | |
| Corporate guarantees given to banks for credit facilities granted to subsidiaries | 159,148,500 | 159,148,500 |

## 36. 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 | 2009 RM |
|---|---|---|---|
| **Group** | | | |
| **Jointly controlled entities:** | | | |
| Charter hire of vessels | (i) | 15,463,635 | - |
| Vessel management fees | (ii) | 2,624,546 | 7,467,320 |
| **Associates:** | | | |
| Vessel management fees from associates | | 3,515,144 | 6,265,441 |
| Transfer of vessels to associates | | 254,150,360 | 124,646,000 |
| **Company** | | | |
| **Subsidiaries:** | | | |
| Dividend income from subsidiaries | | - | 1,713,250 |
| ESOS costs charged to subsidiaries | | 519,467 | 2,210,220 |

## 36. Related party disclosures (cont'd.)

(i) The charter hire expense and mobilisation fees paid to jointly controlled entities were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

(ii) The vessel management fees received from jointly controlled entities were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

Information regarding outstanding balances arising from related party transactions as at 31 December 2010 are disclosed in Note 18.

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

### (b) Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Short term employee benefits | 6,554,947 | 5,395,365 | 246,965 | 242,828 |
| Contributions to defined contribution plan - EPF | 469,190 | 684,496 | - | - |

### (b) Compensation of key management personnel

Included in the total key management personnel compensation are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Directors' remuneration (Note 6) | 4,255,422 | 3,803,878 | 231,965 | 233,928 |

## 36. Related party disclosures (cont'd.)

### (b) Compensation of key management personnel (cont'd.)

In aggregate, executive directors of the Group and the Company and other members of key management have been granted a number of options under the ESOS as follows:

| | Group and Company 2010 RM | Group and Company 2009 RM |
|---|---|---|
| At 1 January | 28,362,313 | 38,627,275 |
| Granted | - | 450,000 |
| Exercised | (195,000) | - |
| Bonus issue | 41,003,307 | - |
| Exercised | (14,188,011) | (10,714,962) |
| At 31 December | 54,982,609 | 28,362,313 |

## 37. Fair value of financial instruments

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

| | Group 2010 Carrying amount RM | Group 2010 Fair value RM | Company 2010 Carrying amount RM | Company 2010 Fair value RM |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Due from subsidiaries | - | - | 390,000,000 | 389,446,810 |
| **Financial liabilities:** | | | | |
| Loans and borrowings (non-current) | | | | |
| - Obligations under finance leases | (17,148,627) | (17,239,654) | (116,754) | (136,476) |
| - Sukuk Ijarah MTN | (390,000,000) | (389,446,810) | (390,000,000) | (389,446,810) |
| - Fixed rate term loans | (28,016,153) | (23,899,543) | - | - |

## 37. Fair value of financial instruments (cont'd.)

| | Group 2009 | | Company 2009 | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| **Financial assets:** | | | | |
| Due from subsidiaries | - | - | 445,000,000 | 440,271,726 |
| **Financial liabilities:** | | | | |
| Loans and borrowings (non-current) | | | | |
| - Obligations under finance leases | (12,227,055) | (11,763,334) | (145,042) | (136,476) |
| - Sukuk Ijarah MTN | (445,000,000) | (440,271,726) | (445,000,000) | (440,271,726) |
| - Fixed rate term loans | (29,089,387) | (25,858,550) | - | - |

It is not practical to estimate the fair values of the investment in subsidiaries due principally to the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs.

The carrying amounts of receivables, cash and bank balances and payables for the Group and the Company approximate their fair values due to their short term maturity.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair value are as follows:

(i) Borrowings and finance lease payable

The fair value of borrowings is determined by discounting the expected future cash flows based on current rates for similar types of borrowings and leasing arrangements.

## 38. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the various process owners. The Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

### (a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification and evaluation procedures. In addition, trade receivable balances are monitored on an ongoing basis in view of reducing the Group's exposure to bad debts.

<u>Exposure to credit risk</u>

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; and

- A nominal amount of RM45,000,000 relating to corporate guarantee provided by the Company to banks on a subsidiary's bank loans.

## 38. Financial risk management objectives and policies (cont'd.)

### (a) Credit risk (cont'd.)

At the reporting date, approximately:

- 26% of the Group's trade receivables were due from 5 major customers who are located in Malaysia;

- 52% of the Group's trade and other receivables were due from 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 or impaired are placed with reputable financial institutions with high credit ratings.

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.

### (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 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.

The Group's and the Company's liquidity risk management policy is that not more than 40% of loans and borrowings (including overdrafts) should mature in the next one year period, and to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the reporting date, approximately 31% of the Group's loans and borrowings (Note 27) will mature in less than one year based on the carrying amount reflected in the financial statements. About 27% of the Company's loans and borrowings will mature in less than one year at the reporting date.

## 38. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd.)

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 | | | |
|---|---|---|---|---|
| | On demand or within 1 year RM | One to five years RM | Over five years RM | Total RM |
| **Financial liabilities:** | | | | |
| **Group** | | | | |
| Trade and other payables | 80,380,873 | - | - | 80,380,873 |
| Loans and borrowings | 241,212,580 | 418,198,003 | 46,767,317 | 706,177,900 |
| Total undiscounted financial liabilities | 321,593,453 | 418,198,003 | 46,767,317 | 786,558,773 |
| **Company** | | | | |
| Trade and other payables | 11,357,527 | - | - | 11,357,527 |
| Loans and borrowings | 178,056,917 | 374,284,750 | 45,276,667 | 597,618,334 |
| Total undiscounted financial liabilities | 189,414,444 | 374,284,750 | 45,276,667 | 608,975,861 |

## 38. Financial risk management objectives and policies (cont'd.)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Goup'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. The Group does not hedge its interest rate but ensures that it has obtained borrowings at competitive interest rates under the most favourable terms and conditions.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date, approximately 89% of the Group's borrowings are at fixed rates of interest.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM61,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

<u>Sources of interest rate risk</u>

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position on the loans and borrowings.

### (d) Foreign currency risk

Interest rate risk is the risk that the fair value or future cash flows of the 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 currencies of Group's entities, primarily RM, United States Dollar ("USD") , Singapore Dollar ("SGD") and Rupiah ("IDR"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

Approximately 3% of the Group's sales are denominated in foreign currencies whilst almost 20% of cost are denominated in the respective functional currencies of the Group's entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposure.

## 38. Financial risk management objectives and policies (cont'd.)

### (d) Foreign currency risk (cont'd.)

Sensitivity analysis for foreign currency risk

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

| | | Group 2010 RM'000 |
|---|---|---|
| **Financial assets** | | |
| USD/RM | - strengthened 3% | (277) |
| | - weakened 3% | 277 |
| SGD/RM | - strengthened 3% | (319) |
| | - weakened 3% | 319 |
| **Financial liabilities** | | |
| USD/RM | - strengthened 3% | (325) |
| | - weakened 3% | 325 |
| SGD/RM | - strengthened 3% | (658) |
| | - weakened 3% | 658 |
| IDR/RM | - strengthened 3% | 11 |
| | - weakened 3% | (11) |

## 39. 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.

## 39. Capital management (cont'd.)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 50% to 75%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve, if any.

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Loans and borrowings | 669,013,970 | 643,445,597 | 567,065,671 | 571,934,928 |
| Trade and other payables | 80,380,873 | 145,972,993 | 11,357,527 | 11,718,192 |
| Less: Cash and bank balances | (167,010,472) | (193,045,345) | (88,319,606) | (77,001,774) |
| Net debt | 582,384,371 | 596,373,245 | 490,103,592 | 506,651,346 |
| Equity attributable to the owners of the parent, representing total capital | 465,024,491 | 476,472,759 | 227,698,179 | 220,123,741 |
| Capital and net debt | 1,047,408,862 | 1,072,846,004 | 717,801,771 | 726,775,087 |
| Gearing ratio | 55.6% | 55.6% | 68.3% | 69.7% |

## 40. Subsequent event

On 15 April 2011, the Group entered into a joint venture agreement with Yayasan Sabah Shipping Sdn. Bhd. ("YSS") to venture and participate in the economic and commercial activities in Sabah, particularly in the oil and gas industry.

## 41. Segmental information

### (a) Reporting format

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

## 41. Segmental information (cont'd.)

### (b) Business segments

The Group comprises the following two main business segments:

- **Offshore supply vessels and services**

  Provision of vessels for charter hire, assisting seismic operators in seismic survey related activities, transportation of crew and supplies, towing and mooring of rigs offshore, anchor-handling services and other support, repair and maintenance services for the oil and gas industry.

- **Underwater services**

  Provision of offshore facilities construction and installation services such as marine construction related services, sub-sea engineering services and offshore pipeline construction related services and designing, manufacturing and operating of remotely operated vehicles ("ROVs").

Other business segments include investment holding and provision of transportation, ship forwarding and agent and ship chandelling to the subsidiaries, none of which are of a sufficient size to be reported separately.

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

### (c) Geographical segments

Segmental reporting by geographical segments has not been prepared as the Group's operations are carried out predominantly in Malaysia.

### (d) Allocation basis and transfer pricing

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

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

## 41. Segmental information (cont'd.)

| | Offshore support vessel and services RM | Underwater services RM | Others RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **31 December 2010** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 198,766,412 | 42,888,963 | 536,448 | - | 242,191,823 |
| Inter segment sales | 1,071,941 | 4,913,048 | 4,283,045 | (10,268,034) | - |
| **Total revenue** | 199,838,353 | 47,802,011 | 4,819,493 | (10,268,034) | 242,191,823 |
| **Results** | | | | | |
| Segment results | (1,880,518) | 4,960,375 | 31,748 | (2,049,916) | 1,061,689 |
| Finance costs | (30,530,262) | (680,969) | (17,498) | - | (31,228,729) |
| Share of results of associates | - | - | - | (296,298) | (296,298) |
| Share of results of jointly controlled entities | - | - | - | 12,347,732 | 12,347,732 |
| Loss before tax | (32,410,780) | 4,279,406 | 14,250 | 10,001,518 | (18,115,606) |
| Income tax benefit | | | | | 5,166,701 |
| **Loss for the year** | | | | | (12,948,905) |
| **31 December 2010** | | | | | |
| **Assets** | | | | | |
| Segment assets | 589,968,819 | 80,555,024 | 1,743,358 | 7,962,590 | 680,229,791 |
| Investment in associates | 56,911,582 | - | - | (2,004,381) | 54,907,201 |
| Investment in jointly controlled entities | 36,798,709 | - | - | 43,882,196 | 80,680,905 |
| Intangible assets | - | 313,584 | - | 1,377,508 | 1,691,092 |
| Unallocated assets | 518,762,433 | 44,759,852 | 707,347,097 | (792,587,436) | 478,281,946 |
| **Total assets** | 1,202,441,543 | 125,628,460 | 709,090,455 | (741,369,523) | 1,295,790,935 |
| **Liabilities** | | | | | |
| Segment liabilities | 94,376,931 | 18,361,915 | 390,264,697 | 3,106,775 | 506,110,318 |
| Unallocated liabilities | 845,526,709 | 71,756,470 | 191,092,592 | (791,200,383) | 317,175,388 |
| **Total liabilities** | 939,903,640 | 90,118,385 | 581,357,289 | (788,093,608) | 823,285,706 |
| **Other segment information:** | | | | | |
| Capital expenditure | 617,432,100 | 85,358,642 | 1,909,752 | 8,642,115 | 713,342,609 |
| Depreciation | 27,504,334 | 5,738,308 | 147,380 | 679,524 | 34,069,546 |
| Other significant non-cash expenses: | | | | | |
| Provision for doubtful debts | 28,020,284 | - | - | - | 28,020,284 |
| Share options granted under ESOS | 450,427 | 51,252 | 17,788 | - | 519,467 |

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## 41. Segmental information (cont'd.)

| | Offshore support vessel and services RM | Underwater services RM | Others RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **31 December 2009** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 215,256,189 | 131,795,575 | 1,865,368 | - | 348,917,132 |
| Inter segment sales | 7,935,358 | 15,157,071 | 1,713,250 | (24,805,679) | - |
| **Total revenue** | 223,191,547 | 146,952,646 | 3,578,618 | (24,805,679) | 348,917,132 |
| **Results** | | | | | |
| Segment results | 103,410,476 | 22,937,778 | (11,578) | (14,432,206) | 111,904,470 |
| Finance costs | (24,425,576) | (1,427,464) | (21,797) | - | (25,874,837) |
| Share of results of associates | 3,283,674 | - | - | - | 3,283,674 |
| Share of results of jointly controlled entities | 23,211,091 | - | - | - | 23,211,091 |
| Profit before tax | | | | | 112,524,398 |
| Income tax expense | | | | | (17,157,646) |
| **Profit for the year** | | | | | 95,366,752 |
| **31 December 2009** | | | | | |
| **Assets** | | | | | |
| Segment assets | 721,338,964 | 58,426,440 | 407,842 | 8,642,516 | 788,815,762 |
| Investment in an associate | 24,894,933 | - | - | (2,668,986) | 22,225,947 |
| Investment in jointly controlled entities | 14,066,252 | - | - | 31,534,462 | 45,600,714 |
| Intangible assets | - | 427,910 | - | 1,422,263 | 1,850,173 |
| Unallocated assets | 520,104,321 | 93,342,864 | 703,227,408 | (820,741,709) | 495,932,884 |
| **Total assets** | 1,280,404,470 | 152,197,214 | 703,635,250 | (781,811,454) | 1,354,425,480 |
| **Liabilities** | | | | | |
| Segment liabilities | 103,371,960 | 11,823,233 | 445,355,714 | 3,276,656 | 563,827,563 |
| Unallocated liabilities | 876,929,990 | 109,192,416 | 140,057,929 | (819,354,657) | 306,825,678 |
| **Total liabilities** | 980,301,950 | 121,015,649 | 585,413,643 | (816,078,001) | 870,653,241 |
| **Other segment information:** | | | | | |
| Capital expenditure | 732,770,823 | 62,094,711 | 513,856 | 10,026,285 | 805,405,674 |
| Depreciation | 27,206,527 | 3,938,904 | 55,586 | 679,524 | 31,880,541 |
| Other significant non-cash expenses: | | | | | |
| Provision for doubtful debts | 5,955,676 | 3,079,857 | - | - | 9,035,533 |
| Share options granted under ESOS | 1,830,053 | 273,969 | 198,126 | - | 2,302,148 |

## 42. 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 RM | Company RM |
|---|---|---|
| Total retained profits of the Company and its subsidiaries | | |
| - realised | 298,161,393 | 5,332,524 |
| - unrealised | (41,248,325) | - |
| | 256,913,068 | 5,332,524 |
| Total share of retained profits from associates: | | |
| - realised | 2,278,317 | - |
| - unrealised | 132,956 | - |
| Total share of retained profits from jointly controlled entities: | | |
| - realised | 40,911,716 | - |
| - unrealised | 2,970,479 | - |
| | 303,206,536 | 5,332,524 |
| Less: consolidation adjustments | (55,065,346) | - |
| Retained profits as per financial statements | 248,141,190 | 5,332,524 |