

10. FINANCIAL INFORMATION (cont'd)

10.4 Reporting Accountant's Letter on the proforma consolidated balance sheets



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**Reporting Accountants' Report on Pro forma Consolidated Balance Sheets
 (prepared for inclusion in the Prospectus)**

6 October 2008

The Board of Directors
 UEM Land Holdings Berhad
 Bangunan MCOBA
 42 Jalan Syed Putra
 50460 Kuala Lumpur

Dear Sirs

**UEM LAND HOLDINGS BERHAD ("ULHB")
 PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2008**

We report on the pro forma consolidated balance sheets set out in the accompanying appendix (which we have stamped for the purpose of identification), which have been prepared for illustrative purposes only, to provide information on how the consolidated balance sheets of ULHB as at 30 June 2008 might have been affected by the following proposals had the proposals been completed on that date.

UEM Land Berhad, a wholly owned subsidiary of ULHB, proposes to acquire the following:

- (a) 20 parcels of freehold land located in Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim, from UEM Construction Sdn Bhd ("UEMC"), for a purchase consideration of RM46,146,000 to be satisfied via the issuance of 46,146,000 mandatory convertible redeemable preference shares of RM0.01 each in ULHB ("MCRPS") at an issue price of RM1.00 per MCRPS;
- (b) 2 ordinary shares of RM1.00 each in Finwares Sdn Bhd ("Finwares"), representing the entire issued and paid up share capital of Finwares, who owns 73.36% of a freehold land parcel identified as H.S.(D) 297739, Lot 2987 located in Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim ("Lot PTD 2987") from UEMC for a purchase consideration of RM79,796,162 to be satisfied via the issuance of 79,796,162 MCRPS at an issue price of RM1.00 per MCRPS; and
- (c) The remaining 26.64% of the above Lot PTD 2987 from Hartanah Lintasan Kedua Sdn Bhd for a purchase consideration of RM28,971,840 to be satisfied via the issuance of 28,971,840 MCRPS at an issue price of RM1.00 per MCRPS.

(Collectively referred to as "Proposed Acquisitions").

10. FINANCIAL INFORMATION (cont'd)

It is the sole responsibility of the Directors of ULHB to prepare the pro forma consolidated balance sheets in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission ("Prospectus Guidelines").

It is our responsibility to form an opinion, as required by the Prospectus Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented in its original form, considering the adjustments and discussing the pro forma consolidated balance sheets with the responsible officers of ULHB. Our work involved no independent examination of any of the underlying financial information.

As the pro forma consolidated balance sheets have been prepared for illustrative purposes only, such information may not, because of its nature, give a true picture of the actual financial position of the Group. Further such information does not purport to predict the future financial position and results of the Group.

In our opinion:

- (a) the pro forma consolidated balance sheets of ULHB have been properly prepared on the basis stated and such basis is consistent with the accounting policies normally adopted by UEM Land Berhad, a wholly owned subsidiary of ULHB, which policies are those to be adopted by ULHB;
- (b) the financial statements used in the preparation of the pro forma consolidated balance sheets of ULHB have been properly prepared in accordance with applicable Financial Reporting Standards in Malaysia; and
- (c) each material adjustment made to the information used in the preparation of the pro forma consolidated balance sheets is appropriate for the purposes of preparing the pro forma consolidated balance sheets of ULHB.

This letter has been prepared solely for inclusion in the Prospectus. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young'.

Ernst & Young
AF:0039
Chartered Accountants

Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to be 'Ahmad Zahirudin bin Abdul Rahman'.

Ahmad Zahirudin bin Abdul Rahman
No. 2607/12/08(J)
Partner

10. FINANCIAL INFORMATION (cont'd)

APPENDIX A

UEM LAND HOLDINGS BERHAD
PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2008

	Pro forma I		Pro forma II		Pro forma III(a)		Pro forma III(b)		Pro forma III(c)	
	At date of incorporation RM'000	Adjustments RM'000	30 June 2008 RM'000	Adjustments RM'000	Upon Full Conversion of MCRPS		Option 2 RM'000	Adjustments RM'000	Redemption RM'000	
					Proposed Acquisitions RM'000	Option 1 Adjustments RM'000				
ASSETS										
Non-current assets										
Property, plant and equipment	-	10,976	10,976	-	10,976	-	10,976	-	10,976	10,976
Prepaid land lease payments	-	396	396	-	396	-	396	-	396	396
Land held for property development	-	1,425,569	1,425,569	154,914	1,580,483	-	1,580,483	-	1,580,483	1,580,483
Goodwill	-	39,223	39,223	-	39,223	-	39,223	-	39,223	39,223
Investment in associates	-	12,189	12,189	-	12,189	-	12,189	-	12,189	12,189
Investment in joint ventures	-	25,224	25,224	-	25,224	-	25,224	-	25,224	25,224
Long term investments	-	158	158	-	158	-	158	-	158	158
Long term receivables	-	64,223	64,223	-	64,223	-	64,223	-	64,223	64,223
Non-current cash, bank balances and deposits	-	1,418	1,418	-	1,418	-	1,418	-	1,418	1,418
	-		<u>1,579,376</u>		<u>1,734,290</u>		<u>1,734,290</u>		<u>1,734,290</u>	<u>1,734,290</u>
Current assets										
Property development costs	-	671,298	671,298	-	671,298	-	671,298	-	671,298	671,298
Inventories and work-in-progress	-	30,861	30,861	-	30,861	-	30,861	-	30,861	30,861
Receivables	-	361,114	361,114	-	361,114	-	361,114	-	361,114	361,114
Amount due from joint ventures	-	74,452	74,452	-	74,452	-	74,452	-	74,452	74,452
Amount due from related parties	-	157	157	-	157	-	157	-	157	157
Amount due from associates	-	27,294	27,294	-	27,294	-	27,294	-	27,294	27,294
Short term investments	-	7	7	-	7	-	7	-	7	7
Short term deposits	-	69,477	69,477	-	69,477	-	69,477	-	69,477	69,477
Cash and bank balances	*	12,605	12,605	187,446	200,051	-	12,605	-	12,605	12,605
	-		<u>1,247,265</u>		<u>1,434,711</u>		<u>1,247,265</u>		<u>1,247,265</u>	<u>1,247,265</u>
Assets of disposal group classified as held for sale	-	-	38,705	-	38,705	-	38,705	-	38,705	38,705
TOTAL ASSETS	-		<u>2,865,346</u>		<u>3,020,260</u>		<u>3,020,260</u>		<u>3,020,260</u>	<u>3,020,260</u>

10. FINANCIAL INFORMATION (cont'd)

EQUITY AND LIABILITIES		Company		2015		2014	
Equity attributable to equity holders of the							
Share capital - Ordinary shares	*	1,214,088	1,214,088	1,214,088	77,457	1,291,545	35,048
- MCRPS	-	-	1,549	1,549	(1,549)	-	(1,549)
Merger relief reserve	-	40,065	40,065	40,065	-	40,065	40,065
Share premium - Ordinary shares	-	-	-	-	264,903	264,903	119,866
- MCRPS	-	-	153,365	153,365	(153,365)	-	(153,365)
Merger reserve	-	32,112	32,112	32,112	32,112	32,112	32,112
Non distributable reserves	-	31,016	31,016	31,016	31,016	31,016	1,549
Accumulated losses	-	(62,471)	(62,471)	(62,471)	(62,471)	(62,471)	(74,255)
Minority interests	-	1,254,810	1,409,724	1,409,724	1,597,170	1,409,724	1,182,104
Total equity	-	451,500	1,706,310	451,500	2,048,670	451,500	451,500
	-		1,861,224	1,861,224	1,861,224	1,861,224	1,633,604
Non-current liabilities							
Long term borrowings	-	569,921	569,921	569,921	569,921	569,921	797,541
Deferred tax liabilities	-	152,718	152,718	152,718	152,718	152,718	152,718
	-		722,639	722,639	722,639	722,639	950,259
Current liabilities							
Provisions	-	24,933	24,933	24,933	24,933	24,933	24,933
Payables	-	221,349	221,349	221,349	221,349	221,349	221,349
Amount due to immediate holding company	-	772	772	772	772	772	772
Amount due to intermediate holding company	-	178,638	178,638	178,638	178,638	178,638	178,638
Short term borrowings	-	8,752	8,752	8,752	8,752	8,752	8,752
Tax payable	-	1,006	1,006	1,006	1,006	1,006	1,006
	-		435,450	435,450	435,450	435,450	435,450
Liabilities of disposal group classified as held for sale	-	947	947	947	947	947	947
Total liabilities	-	1,159,036	1,159,036	1,159,036	1,159,036	1,159,036	1,386,656
TOTAL EQUITY AND LIABILITIES	-	2,865,346	3,020,260	3,020,260	3,207,706	3,020,260	3,020,260
Net assets (attributable to ordinary shareholders) per share - RM	0.50	0.52	0.58	0.58	0.62	0.56	0.49
Gearing ratio	-	0.44	0.41	0.41	0.37	0.41	0.60

Gearing ratio is computed by dividing total interest bearing debts over total equity.

* Representing RM2

ERNST & YOUNG (M) SDN BHD
Chartered Accountants, Kuala Lumpur.
For identification purposes only

10. FINANCIAL INFORMATION (cont'd)

Appendix B

**UEM LAND HOLDINGS BERHAD ("ULHB")
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008**

The Pro forma Consolidated Balance Sheets have been prepared for illustrative purposes, based on the balance sheet of ULHB at date of incorporation on a basis consistent with the accounting policies adopted by UEM Land Berhad ("UEM Land"), a wholly owned subsidiary, in the preparation of the audited financial statements of UEM Land for the financial period ended 30 June 2008 to show the effects of the following proposals as if the proposals have been completed on 30 June 2008.

Pro forma I

ULHB was incorporated on 20 August 2008 with an authorised share capital of 5,000,000,000 ordinary shares of RM0.50 each and 200,000,000 mandatory convertible redeemable preference shares ("MCRPS") of RM0.01 each and paid up share capital of 4 ordinary shares of RM0.50 each and hence there were no historical financial statements as at 30 June 2008. ULHB acquires UEM Land through the allotment of its shares as follows:

- a) the acquisition of 623,867,734 ordinary shares of RM0.50 each representing 28.54% in UEM Land from UEM Group Berhad for the sum of RM357,969,543 to be settled via the issuance of 693,068,053 new ordinary shares of RM0.50 each in UEM Land Holdings Berhad at the issue price of approximately RM0.52 per share in accordance with the terms of the Reorganisation Agreement dated 15 February 2008; and
- b) the acquisition of 1,561,864,562 ordinary shares of RM0.50 each representing 71.46% in UEM Land from UEM World Berhad for the sum of RM896,183,457 to be settled via the issuance of 1,735,108,854 new ordinary shares of RM0.50 each in UEM Land Holdings Berhad at the issue price of approximately RM0.52 per share in accordance with the terms of the Reorganisation Agreement dated 15 February 2008.

The acquisition of UEM Land meets the criteria of business combination involving entities under common control and accordingly merger accounting principles have been applied. Because merger accounting have been applied, the consolidated financial statements of ULHB Group as at 30 June 2008 reflected that of the audited consolidated financial statements of UEM Land as at 30 June 2008. Pro forma I incorporates the ULHB Group consolidated financial statements as if the merger was completed as at 30 June 2008.

10. FINANCIAL INFORMATION (cont'd)

Appendix B

**UEM LAND HOLDINGS BERHAD ("ULHB")
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008 (CONTD.)**

Pro forma II

Pro forma II incorporates Pro forma I and the proposed acquisitions by UEM Land of the following:

- (a) 20 parcels of freehold land located in Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim, from UEM Construction Sdn Bhd ("UEMC"), for a purchase consideration of RM46,146,000 to be satisfied via the issuance of 46,146,000 mandatory MCRPS at an issue price of RM1.00 per MCRPS ("Proposed UEMC Land Acquisition");
- (b) 2 ordinary shares of RM1.00 each in Finwares Sdn Bhd ("Finwares"), representing the entire issued and paid up share capital of Finwares, who owns 73.36% of a freehold land parcel identified as H.S.(D) 297739, Lot 2987 located in Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim ("Lot PTD 2987") from UEMC for a purchase consideration of RM79,796,162 to be satisfied via the issuance of 79,796,162 MCRPS at an issue price of RM1.00 per MCRPS ("Proposed Finwares Acquisition"); and
- (d) The remaining 26.64% of the above Lot PTD 2987 from Hartanah Lintasan Kedua Sdn Bhd for a purchase consideration of RM28,971,840 to be satisfied via the issuance of 28,971,840 MCRPS at an issue price of RM1.00 per MCRPS ("Proposed Hartanah Land Acquisition")

(Collectively referred to as "Proposed Acquisitions").

The purchase consideration is as follows:

	RM'000
Proposed UEMC Land Acquisition	46,146
Proposed Finwares Acquisition	79,796
Proposed Hartanah Land Acquisition	28,972
	<u>154,914</u>

The purchase consideration will be satisfied via the issuance of 154,914,002 MCRPS of par value of RM0.01 at an issue price of RM1.00 per MCRPS. The share premium arising from the issuance of the MCRPS amounts to approximately RM153,364,862.

10. FINANCIAL INFORMATION (cont'd)

Appendix B

**UEM LAND HOLDINGS BERHAD ("ULHB")
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008 (CONTD.)**

Pro forma III

Pro forma III incorporates Pro forma II and

- (i) the mandatory conversion of all the 154,914,002 MCRPS into new ordinary shares of RM0.50 each in ULHB; or
- (ii) the redemption of the MCRPS in total at the end of year 5 on the maturity date which is the market day immediately before the 5th anniversary of the date of issue of MCRPS.

Conversion

The conversion price of the MCRPS is RM2.21 per ordinary share in ULHB with the following two (2) options/modes of conversion:-

Option (a)

By tendering 1 MCRPS together with a cash subscription of RM1.21 for every one (1) new ordinary share of RM0.50 each in ULHB.

	RM'000
Share capital [154,914,002 x RM0.50 par value]	77,457
Share premium [154,914,002 x (RM2.21 - RM0.50)]	264,903

The above will result in cash inflow of RM1.21 x 154,914,002 ≈ RM187,445,942.

Option (b)

By tendering such amount of MCRPS for every one (1) new ordinary share in ULHB.

The number of new ordinary share, computed using the conversion formulae is as follows:

$$\begin{aligned} \text{No. of new ordinary shares} &= \frac{\text{Issue price (RM1.00)}}{\text{Conversion price (RM2.21)}} \times \text{No of MCRPS (154,914,002)} \\ \text{in ULHB} &= \underline{\underline{70,096,833}} \end{aligned}$$

	RM'000
Share capital [70,096,833 x RM0.50 par value]	35,048
Share premium [70,096,833 x (RM2.21 - RM0.50)]	119,866

10. FINANCIAL INFORMATION (cont'd)

Appendix B

**UEM LAND HOLDINGS BERHAD ("ULHB")
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008 (CONTD.)**

Redemption***Option (c)***

The redemption value shall be equivalent to 8% yield to maturity at the end of year 5, compounded on a yearly basis, assuming no dividends are paid up to the redemption date.

$$\begin{aligned} \text{Redemption value} &= \text{Issue Price} \times \text{No. of MCRPS} \times (1+8\%)^5 \\ &= \text{RM } 227,619,493 \end{aligned}$$

The redemption premium payable of RM72,705,491 being the difference between the redemption value and the proceeds from issuance of the MCRPS (RM227,619,493 – RM154,914,002) is taken to equity in the year MCRPS is redeemed.

Besides, the sum equivalent to the nominal amount of the MCRPS redeemed of RM1,549,140 shall be redeemed out of profits, and transferred to capital redemption reserve.

The redemption is assumed to be funded via long term borrowings by ULHB.

10. FINANCIAL INFORMATION (cont'd)**10.5 Proforma consolidated cash flow statements**

We have prepared our proforma consolidated cash flow statements for the financial year ended 31 December 2007 and the 6-month period ended 30 June 2008 for illustrative purposes only, based on the audited consolidated financial statements of UEM Land, assuming that our Group has been in existence throughout the financial years and periods under review under the principles of merger accounting.

You are advised to read our proforma consolidated cash flow statements together with the accompanying notes and assumptions included in the Accountants' Report disclosed in Section 10.17 of this Prospectus.

	Financial year ended 31 December 2007	6-month period ended 30 June 2008
	RM 000	RM 000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	198,123	83,937
Repayment from immediate holding company	114,452	-
Receipts from other related parties	1,452,168	391
Receipts from joint ventures	-	125,198
Cash payments to suppliers	(6,116)	(1,928)
Cash payments to contractors	(236,085)	(103,111)
Cash payments for land and development related costs	(112,048)	(72,895)
Cash payments to related parties	(7,468)	(5,047)
Cash payments to employees and for expenses	(45,875)	(33,112)
Tax refund and others	13,258	4,308
Cash generated from/(used in) operating activities	1,370,409	(2,259)
Net taxes paid	(26,168)	(10,844)
Interest received	3,760	488
Net cash generated from/(used in) operating activities	1,348,001	(12,615)
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received from associate	2,250	900
Proceeds from disposal of:		
- property, plant and equipment	4	-
- long term investments	57	450
Purchase of property, plant and equipment	(2,468)	(1,250)
Advance given to joint venture	-	(50,000)
Investment in land held for property development	(13,061)	(10,297)
Investment in joint venture entities	(5,500)	(11,539)
Net cash used in investing activities	(18,718)	(71,736)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	505,333	-
Drawdown of bridging loan	1,841	-
Advance given from intermediate holding company	63,000	112,000
Redemption of SPV Bond	(1,935,710)	-
Net cash (used in)/generated from financing activities	(1,365,536)	112,000

10. FINANCIAL INFORMATION (cont'd)

	Financial year ended 31 December 2007	6-month period ended 30 June 2008
	RM 000	RM 000
Net (decrease)/increase in cash and cash equivalents	(36,253)	27,649
Cash and cash equivalents at the beginning of the year/period	84,310	48,057
Cash and cash equivalents at the end of the year/period	<u>48,057</u>	<u>75,706</u>
Cash and cash equivalents comprise:		
Deposits in licensed banks	30,535	70,895
Cash and bank balances	27,274	12,605
Cash and bank balances included in assets of disposal group.....	958	958
Bank overdrafts	(10,710)	(8,752)
	<u>48,057</u>	<u>75,706</u>

10.6 Liquidity and capital resources

Our business has been financed primarily through internal funds, including cashflow from operations and shareholders' loans and equity. Our proforma consolidated cash flow for the past 3 financial years ended 31 December 2007 and the 6-month period ended 30 June 2008, prepared based on the audited consolidated cash flow statements of UEM Land is set forth below:

	2005	Financial year ended		6-month period ended 30 June 2008
	RM 000	2006	2007	RM 000
Net cash generated from/(used in) operating activities.....	182,663	(87,057)	1,348,001	(12,615)
Net cash used in investing activities	(139,163)	(24,268)	(18,718)	(71,736)
Net cash (used in)/generated from financing activities	-	(8,598)	(1,365,536)	112,000
Net increase/(decrease) in cash and cash equivalents	43,500	(119,923)	(36,253)	27,649
Effect of foreign exchange rate changes.....	7	(169)	-	-
Cash and cash equivalents at the beginning of the year/period	160,895	204,402	84,310	48,057
Cash and cash equivalents at the end of the year/period.....	<u>204,402</u>	<u>84,310</u>	<u>48,057</u>	<u>75,706</u>

(i) 6-month period ended 30 June 2008

As at 30 June 2008, we had cash and cash equivalents of RM75.7 million, an increase of RM27.6 million as compared to cash and cash equivalents of RM48.1 million as at 31 December 2007.

We had negative cash flow from operating activities for the 6-month period ended 30 June 2008, amounting to RM12.6 million, primarily attributable to development expenditures for Puteri Harbour.

During the 6-month period ended 30 June 2008, net cash used in investing activities amounted to RM71.7 million. This amount was attributable mainly to additional investment in HHDSB and primary infrastructure development and other land related costs incurred for development of properties and advance of RM50.0 million to a jointly controlled entity, Haute Property.

Net cash generated from financing activities amounted to RM112.0 million for the 6-month period ended 30 June 2008. This was mainly due to receipts of advance from UEMG, the shareholder of UEM Land.

10. FINANCIAL INFORMATION (cont'd)

(ii) FYE 2007

As at 31 December 2007, we had cash and cash equivalents of RM48.1 million, a decrease of RM36.2 million as compared to cash and cash equivalents of RM84.3 million as at 31 December 2006.

Net cash generated from operating activities for FYE 2007, amounted to RM1,348.0 million. Cash generated from operations amounted to RM1,370.4 million, partially offset by net taxes paid amounting to RM26.1 million. Cash generated from operations consisted of RM1,452.2 million from Khazanah Land Sales, cash receipts from customers of RM198.1 million in respect of land sales and progress payments received from customers for property development, repayment from immediate holding company of RM114.5 million in respect of advance, and others of RM13.3 million mainly from harvesting income and deposits received from customers for land sales in respect of SiLC project. These amounts were partially offset by cash payments to contractors of RM236.1 million, cash payments for development-related costs of RM112.1 million, payments to employees and related expenses of RM45.9 million, cash payments to subsidiaries of RM7.5 million, and cash payments to suppliers of RM6.1 million.

During FYE 2007, net cash used in investing activities amounted to RM18.7 million, which consisted of investment in land held for property development of RM13.0 million, purchase of property, plant and equipment of RM2.5 million and investment in joint venture entities of RM5.5 million, partially offset by dividend received from associate of RM2.3 million. The investment in land held for property development comprised of primary infrastructure development and other land related costs.

Net cash used in financing activities amounted to RM1,365.5 million for FYE 2007. This was primarily due to the redemption of the SPV Bond of RM1,935.7 million, partially offset by proceeds of RM505.3 million from the issuance of ordinary shares and advance of RM63.0 million from UEMG for working capital.

(iii) FYE 2006

As at 31 December 2006, we had cash and cash equivalents of RM84.3 million, a decrease of RM120.1 million as compared to cash and cash equivalents of RM204.4 million as at 31 December 2005.

Net cash used in operating activities for FYE 2006, amounted to RM87.1 million primarily due to cash used in operations of RM66.6 million. Cash used in operations consisted of cash payments to contractors of RM91.6 million, cash payments for land and development-related costs of RM41.7 million, cash payments to employees and expenses of RM25.9 million, and cash payment to suppliers of RM11.3 million. These amounts were partially offset by cash receipts from customers of RM91.3 million in respect of land sales and receipts from non-trade receivables and others of RM12.6 million mainly from tax refund and harvesting income. The cash payments for land and development related costs were made primarily in connection with the development of the Nusa Idaman, SiLC and Puteri Harbour projects.

During FYE 2006, net cash used in investing activities amounted to RM24.3 million, which consisted of investment in land held for property development of RM8.3 million, purchase of property, plant and equipment of RM5.3 million, advances given to HHDSB of RM4.5 million (to be later converted into redeemable preference shares) and advances to immediate holding company, UEM World, of RM10.7 million, partially offset by proceeds from disposal of property, plant and equipment of RM1.9 million and dividend received from associate of RM2.2 million.

Net cash used in financing activities amounted to RM8.6 million for FYE 2006. This was primarily due to the payment of interim dividends for FYE 2006 to UEM World.

10. FINANCIAL INFORMATION (cont'd)

(iv) FYE 2005

As at 31 December 2005, we had cash and cash equivalents of RM204.4 million, an increase of RM43.5 million as compared to cash and cash equivalents of RM160.9 million as at 31 December 2004.

Net cash generated from operating activities for FYE 2005, amounted to RM182.7 million, which consisted of cash generated from operations of RM191.4 million, partially offset by net taxes paid of RM13.8 million. Cash generated from operations consisted of cash receipts from customers of RM152.9 million in relation to land sales and a tax refund of RM85.2 million in form of a tax credit, partially offset by cash payments to contractors of RM8.9 million, cash payments for development-related costs of RM19.2 million, and cash payments to employees and related expenses of RM18.5 million. Cash receipts from customers were primarily due to land sales.

During FYE 2005, net cash used in investing activities amounted to RM139.2 million, which consisted of advances to immediate holding company, UEM World of RM99.3 million, advance given to HHDSB of RM34.0 million for working capital and investment in land held for property development of RM13.3 million and purchase of property, plant and equipment of RM4.9 million, partially offset by proceeds from disposal of long-term investments of RM9.9 million and dividend received from associate of RM2.2 million.

There was no cash generated from or used in financing activities was for FYE 2005.

Our Board believes that, after taking into consideration our consolidated cash flow position as shown above and banking facilities currently available to us and our funding plan, our Group has sufficient working capital for a period of 12 months from the date of this Prospectus for our existing needs and foreseeable requirements.

For further details of our consolidated cash flow for the financial year ended 31 December 2007 and the 6-month period ended 30 June 2008, please refer to the Accountants' Report set out in Section 10.17 of this Prospectus.

10. FINANCIAL INFORMATION (cont'd)

10.7 Capitalisation and indebtedness

Our proforma consolidated short-term borrowings, long-term borrowings, other interest bearing debt and total equity below have been prepared for illustrative purposes only, based on the consolidated financial statements of UEM Land as at 30 June 2008, to show the following effects on the assumption that the following have been completed on 30 June 2008:

- Proforma I - After completion of the Reorganisation Agreement and after incorporating the effects of merger accounting.
- Proforma II - After Proforma I and adjusting for the Proposed Acquisitions.
- Proforma III(a) - After Proforma II and adjusting for the mandatory conversion of all the 154,914,002 MCRPS into new Shares by tendering 1 MCRPS with cash subscription of RM1.21 per MCRPS for every 1 new Share.
- Proforma III(b) - After Proforma II and adjusting for the mandatory conversion of all the 154,914,002 MCRPS into new Shares, by tendering equivalent nominal amount of MCRPS for every 1 new Share.
- Proforma III(c) - After Proforma II and adjusting for the redemption of all the 154,914,002 MCRPS at the end of year 5 immediately preceding the maturity date which is the market day immediately before the 5th anniversary of the date of issue of the MCRPS and assuming no dividends are paid up to the redemption date.

	At date of incorporation RM 000	Proforma I RM 000	Proforma II RM 000	Proforma III(a) RM 000	Proforma III(b) RM 000	Proforma III(c) RM 000
Short-term borrowings ...	-	8,752	8,752	8,752	8,752	8,752
Long-term borrowings	-	569,921	569,921	569,921	569,921	797,541
Other interest bearing debt ⁽¹⁾	-	178,638	178,638	178,638	178,638	178,638
Total borrowings	-	757,311	757,311	757,311	757,311	984,931
Total equity	⁽²⁾	1,706,310	1,861,224	2,048,670	1,861,224	1,633,604
Proforma gearing ratio (times) ⁽³⁾	-	0.44	0.41	0.37	0.41	0.60

Notes:

⁽¹⁾ Being shareholder's advance from the intermediate holding company, UEMG, which is subject to interest at the rate of 5.3% per annum which we do not currently classify as either short-term or long-term borrowings.

⁽²⁾ Representing RM2.00.

⁽³⁾ Gearing is calculated by dividing total borrowings (including other interest bearing debt) with total equity.

Our Company does not have any warrants or convertible notes or other convertible securities that are outstanding as at the date of this Prospectus.

10. FINANCIAL INFORMATION (cont'd)

Details of our outstanding borrowings as at 30 June 2008, which bear interest at rates ranging between 7.50% to 7.75% are as follows:

Outstanding borrowings	Interest rate (%)	Payable within 12 months RM 000	Payable after 12 months RM 000	Total RM 000
Secured:				
Term loan	7.50	-	568,080	568,080
Bridging loan	7.75	-	1,841	1,841
Bank overdraft	7.75	8,752	-	8,752
		8,752	569,921	578,673

Other than disclosed above, we do not have any other borrowings (including foreign currency borrowings). We have not defaulted on payment of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2007 and the subsequent period thereof immediately preceding the date of this Prospectus.

10.8 Treasury policies and objectives

The daily operations of our Group require the use of financial instruments. A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, contractual right to exchange financial instruments from other enterprises under conditions that are potentially favourable or an equity instrument of another enterprise, whilst financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to other enterprises or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Our Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the respective companies businesses while managing their risks. Financial risk management is carried out through risk reviews, internal control systems and adherence to our Group financial risk management policies that are approved by our Board.

It is our Group's policy not to engage in speculative transactions. As and when our Group undertakes significant transactions with risk exposure, our Group evaluates its exposure and the necessity to hedge such exposure taking into consideration the availability and cost of such hedging instruments.

The use of financial instruments exposes our Group to financial risks which are categorised as follows:

(i) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or its security assets. For security assets, we maintain sufficient financial resources to offer our lenders should the market value of the security assets fall below the margin required by the lenders.

10. FINANCIAL INFORMATION (cont'd)

(ii) Credit risk

Credit risk arises from exposure to non-payment by our customers. We control our credit risk by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and strictly limiting our associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis.

Generally, we do not require collateral in respect of our financial assets. We do not believe we are unduly exposed to any individual customer or counter party nor do we have any major concentration of credit risk related to financial instruments.

(iii) Foreign currency risk

Foreign currency risk arises from currency exposure primarily with respect to receipt of revenue and incurring expenses in a variety of currencies. Because we conduct most of our transactions in RM, our foreign exchange exposure is generally limited to payments to foreign consultants in currencies other than RM and we meet our requirements for foreign currency by buying or selling foreign currencies at spot rates.

(iv) Liquidity and cash flow risk

Liquidity risk is the risk that we cannot meet or generate sufficient cash resources to meet our payment obligations in full as they fall due, or can only do so at materially disadvantageous terms. We actively manage our debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of our overall prudent liquidity management, we endeavour to maintain sufficient levels of cash or cash convertible investments to meet our working capital requirements.

In addition, our objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long-term borrowings. Short-term flexibility is achieved through credit facilities and short-term borrowings. As far as possible, we raise committed funding from both capital markets and financial institutions and prudently balance our portfolio with some short-term funding so as to achieve overall cost effectiveness.

(v) Interest rate risk

Interest rate risk arises on bank borrowings and fixed deposits. Bank borrowings at variable rates expose us to cash flow interest rate risk. We manage our interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. We actively review our debt portfolio, taking into account the investment holding period and nature of our assets. This strategy allows us to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

10.9 Impact of foreign exchange, interest rates or commodity prices

Save as disclosed in Section 10.8 above and "Section 5 – Risk Factors" of this Prospectus, there is no material impact of foreign exchange, interest rates or commodity prices on our historical profits for the past 3 financial years ended 31 December 2007 and the 6-month period ended 30 June 2008.

10. FINANCIAL INFORMATION (cont'd)**10.10 Impact of inflation**

Inflation in Malaysia was 4.8% for the period from January to August 2008 (Source: Department of Statistics Malaysia's website at www.statistics.gov.my). We do not believe that current inflation has had a material impact on our business, financial condition or results of operations. However, if Malaysia were to experience significant inflation, we may not be able to fully offset the resulting higher costs through price increases. Our failure or inability to do so could adversely affect our business, financial condition and results of operations.

10.11 Government, economic, fiscal or monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are as set out in "Section 5 – Risk Factors" of this Prospectus. There are no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past 3 financial years ended 31 December 2007 and the 6-month period ended 30 June 2008.

10.12 Contingent liabilities

Save as disclosed below, our Board is not aware of any material contingent liabilities, as at the LPD, which upon materialisation, may have a material effect on our Group's financial results or position:

(i) Litigation and disputes

Nature of contingent liabilities	RM 000
Legal suits/litigation cases:	
- potential compensation payable to Felcra Berhad settlers ⁽¹⁾	97,610
- potential compensation payable to the previous land owners ⁽²⁾	201,318
Potential additional income tax assessment and tax penalty currently under appeal ⁽³⁾	37,641
Total	336,569

Notes:

⁽¹⁾ Being the potential compensation payable to Felcra Berhad settlers for litigation cases set out in Section 10.14 – Material litigations below.

⁽²⁾ Being the potential compensation payable to the previous land owners for litigation cases set out in Section 10.14 – Material litigations below.

⁽³⁾ Being the potential additional income tax assessment and tax penalty currently under appeal as set out in Section 10.15 - Tax status below.

(ii) Third party charge

On 18 May 2007, HHDSB entered into the following:

(a) The issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of Islamic Securities of up to RM270 million nominal value by HHDSB, comprising:

- up to 12-year Islamic Bank Guarantee Medium-Term Notes Programme of up to RM200 million nominal value under the principles of Murabahah ("IMTN Programme"); and
- up to 7-year Islamic Commercial Papers Programme of up to RM70 million nominal value under the principles of Murabahah.

10. FINANCIAL INFORMATION (cont'd)

- (b) A Kafalah (bank guarantee) facility of up to RM205 million to guarantee the nominal value of the IMTN Programme of up to RM200 million and one profit payment in respect of the IMTN Programme of up to RM5 million.

Collectively referred to as "the Facilities".

In this respect, Nusajaya Greens, our subsidiary, had provided a third party charge over approximately 1,227 acres of land in favour of the security trustee for the Facilities ("Charge"). 573 acres out of the total of 1,227 acres had been purchased and paid by HHDSB. Save and except in the event of a default on the Facilities, the Charge is not expected to have a financial impact on our Group.

10.13 Capital expenditure**Historical capital expenditure**

We invested in aggregate RM4.9 million, RM5.3 million and RM2.5 million respectively on capital expenditure for the past 3 financial years ended 31 December 2007 and RM1.3 million for the 6-month period ended 30 June 2008. The table below shows our principal capital expenditure incurred for the financial years/period indicated:

	Financial year ended 31 December			6-month period ended
	2005	2006	2007	30 June 2008
	RM 000	RM 000	RM 000	RM 000
Freehold building.....	2,990	1,566	24	95
Renovation.....	182	120	17	-
Motor vehicles.....	208	-	-	-
Others.....	1,566	3,646	2,427	1,155
Total.....	4,946	5,332	2,468	1,250

Our capital expenditures with respect to freehold building consisted primarily of the construction cost of Nusajaya Centre. Our capital expenditure with respect to renovation consisted primarily of renovation of our headquarters in Kuala Lumpur and our offices in Nusajaya Centre. Our capital expenditure with respect to motor vehicles consisted primarily of additional pool of vehicles for Nusajaya Centre. Our capital expenditure with respect to others consisted primarily of furniture and fittings, computer software and hardware, air-conditioners and office equipment for our offices and related expenditures.

Planned capital expenditure

Our planned capital expenditure for the financial years ending 31 December 2008 and 2009 are summarised in the following table. The capital expenditures listed below are budgeted expenditures only, and some of these amounts have not been committed and may change in the future to the extent our business grows.

Financial year ending 31 December	2008	2009
	RM million	RM million
Authorised and contracted for.....	38.8	42.0
Authorised but not contracted for.....	-	9.0
Total.....	38.8	51.0
Analysed as follows:		
Motor vehicles.....	3.1	1.9
Others.....	3.0	3.1
Investment properties.....	32.7 ⁽¹⁾	46.0 ⁽²⁾
Total.....	38.8	51.0

10. FINANCIAL INFORMATION (cont'd)

Notes:

- (1) *Being expenditure for a sales gallery and a marina clubhouse at Puteri Harbour and an office building.*
- (2) *Being expenditure for a clubhouse and a neighbourhood retail centre at East Ledang.*

The above planned capital expenditure is expected to be financed through internally generated funds and/or bank borrowings. Our planned capital expenditure with respect to others are expected to consist primarily of furniture and fittings, computer software and hardware, air-conditioners and office equipment for our offices and related expenditures.

10.14 Material litigations

Save as disclosed below, neither we nor our subsidiaries (save for PUTRA which we do not have any record on the material litigation within the 2 years preceding the LPD as liquidators have been appointed for PUTRA and they discharge their duties independently of our Group) are engaged in any material litigation, claims or arbitrations, either as plaintiff or defendant, which has a material effect on the financial position or business of our Company and/or our subsidiaries, and our Directors are not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Company and/or our subsidiaries:

- (i) **There are altogether 50 cases referred to the High Court of Malaya ("High Court") involving claims against the Johor State Government for additional compensation amounting to RM634.8 million by the previous landowners of land acquired for Nusajaya and Second Link**

When these 50 cases were heard at the High Court, the High Court maintained the amount of compensation awarded by the District Land Administrator ("DLA") in 15 cases, whilst increasing the amount of compensation in 35 others. The parties involved have made further appeals to the Court of Appeal for higher compensation. However, the Court of Appeal ordered that all land acquisition appeals to be transferred to the Federal Court.

Of these 50 cases:

- (a) 1 had been heard and dismissed by the Court of Appeal;
- (b) 4 had been heard and dismissed by the Federal Court;
- (c) 2 had accepted an out-of-court settlement proposed by the Johor State Legal Adviser's Chamber;
- (d) 4 had withdrawn their cases against the DLA; and
- (e) 2 had been granted additional compensation amounting to RM19.5 million by the Federal Court.

The total land appeal cases pending are 37 and the contingent liability is RM201.3 million.

BND is not directly involved in this litigation, but by virtue of a novation agreement dated 2 December 1994 entered into between BND, UEMG and the State Authority ("**1994 Novation Agreement**"), BND is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the landowners in the event their respective claims are successful.

To date, no date has been fixed for hearing.

10. FINANCIAL INFORMATION (cont'd)

- (ii) **A group of 33 Felcra Berhad ("Felcra") settlers ("Plaintiffs-1") have collectively served an originating summons against Felcra, DLA and the Johor State Government (collectively, "Defendants"). The summons pertain to 198 acres of land previously owned by the Johor State Government, developed by Felcra and subsequently alienated to BND**

The Plaintiffs-1 seek, amongst others, an additional total sum of RM54.0 million and an acre of land to each Plaintiffs-1 from the Defendants.

BND is not directly involved in this litigation, but by virtue of the 1994 Novation Agreement, is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the Plaintiffs-1, in the event their claims are successful.

The next hearing date for the case is fixed on 2 April 2009 and 3 April 2009.

- (iii) **Another group of 197 Felcra settlers ("Plaintiffs-2") have collectively served an originating summons against the Defendants. The summons pertain to 900 acres of land previously owned by the Johor State Government, developed by Felcra and subsequently alienated to BND**

The Plaintiffs-2 seek, amongst others, for the Defendants to pay to each of the Plaintiffs-2 a sum of RM70,000 per acre, instead of RM29,162 (on average) as awarded by the Johor State Government. The indicative contingent liability to BND (if successful) will be in the region of RM37 million.

BND is not directly involved in this litigation, but by virtue of the 1994 Novation Agreement, is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the Plaintiffs-2, in the event their claims are successful.

The next hearing date for the case is fixed on 2 April 2009 and 3 April 2009.

- (iv) **Legal action by Vulindlela Holdings (Pty) Limited and Vulindlela Investments (Pty) Ltd against ROC**

On 4 August 2008, Vulindlela Holdings (Pty) Limited has jointly with Vulindlela Investments (Pty) Limited ("**Applicants**") filed interlocutory proceedings in the High Court of South Africa, Durban and Coast Local Division against ROC.

The Applicants are companies incorporated in South Africa and hold direct and indirect interest in ROC-Union (Proprietary) Limited, a subsidiary of ROCSA, which in turn is a wholly-owned subsidiary of ROC. ROCSA and Vulindlela Investments (Pty) Limited respectively hold 80.4% and 19.6% equity interest in ROC-Union (Proprietary) Limited.

The Applicants are requesting for a relief to injunct ROC from completing its sale of shares in ROCSA to Bonatla Property Holdings Ltd ("**Bonatla**") and/or its nominee, N. Georgiou Trust pending the determination of the court case brought by the Applicants. The Applicants' main contention is that they have a tacit pre-emptive right at ROCSA level which they claimed was not granted to them. In the event the Applicants' action is successful, the sale of shares to Bonatla which is expected to realise a gain on disposal of approximately RM35 million will have to be aborted.

At the hearing of the matter on 17 October 2008, the Court granted an order which records that the application is adjourned pending Bonatla furnishing the Applicants with further documents.

10. FINANCIAL INFORMATION (cont'd)

10.15 Tax status

Save as disclosed below, the submission of tax returns and settlement of tax liabilities of UEM Land with the Inland Revenue Board are up-to-date:

On 16 January 2007, UEM Land received a notice of additional assessment from the Inland Revenue Board for additional tax payable and tax penalties in respect of years of assessment 2003 and 2004, which would have resulted in an additional expense to the UEM Land Group of RM37,640,702. UEM Land had subsequently lodged an appeal, Form Q, on 3 July 2007 against the Notices of Additional Assessments 2003 and 2004 dated 16 January 2007.

On 29 May 2008, the Director of Technical Department of the Inland Revenue Board informed UEM Land that the said appeal has been forwarded to the Special Commissioners of Income Tax. The Special Commissioners of Income Tax has set the hearing date on 2 April 2009 and 3 April 2009.

Under Section 103(2) of the Income Tax Act 1967, UEM Land is required to settle the additional tax payable notwithstanding any appeal made by UEM Land against the additional assessment. As at the LPD, UEM Land has paid RM8.0 million to the Inland Revenue Board. The balance of the additional tax payable and tax penalties of RM29,640,702 is to be settled by installments in accordance with the Inland Revenue Board's letter dated 1 August 2008.

Based on our tax consultant's advice, no provision for income tax has been made by UEM Land for this additional tax assessment and penalty thereon as the Directors of UEM Land believed that the grounds for the appeal are valid.

10.16 Dividend policy

Statements contained in this "Dividend Policy" section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those which may be forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or any other person.

We have not declared or paid any dividends since our incorporation on 20 August 2008. During the past 3 financial years ended 31 December 2007 and up to the LPD, our principal subsidiary, UEM Land, paid dividends to its shareholders of RM8.9 million with respect to the financial year ended 31 December 2006.

Going forward, our ability to pay dividends or make other distributions to our shareholders is subject to availability of our profits, excess funds and sufficient cash flows which are not required to be retained to fund our operations, other obligations or business plans and may in the future be subject to restrictions contained in future loan agreements which limit the payment of dividends.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. The actual dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors. We may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but no dividend shall exceed the amount recommended by our Board.

10. FINANCIAL INFORMATION *(cont'd)*

In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account various factors, including:

- (i) the level of our cash, marketable financial assets and level of indebtedness;
- (ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) our expected results of operations; and
- (iv) our projected levels of property development expenditure, capital expenditure and other investment plans.

You should note that all the foregoing statements are merely statements of our present intention, are not legally binding statements in respect of our future dividends or dividends payable pursuant thereto, and are subject to modification in our Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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10. FINANCIAL INFORMATION (cont'd)**10.17 Accountants' Report****Ernst & Young**

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ACCOUNTANTS' REPORT

6 October 2008

The Board of Directors
 UEM Land Holdings Berhad
 Bangunan MCOBA
 42 Jalan Syed Putra
 50460 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This Report has been prepared by Messrs Ernst & Young, an approved company auditor, exclusively for the inclusion in the Prospectus to be dated 6 November 2008 in connection with the listing of and quotation for the entire issued and paid-up share capital of UEM Land Holdings Berhad ("ULHB" or "the Company") on the Main Board of Bursa Malaysia Securities Berhad.

2. GENERAL INFORMATION**2.1 INCORPORATION**

The Company was incorporated in Malaysia under the Companies Act, 1965 on 20 August 2008 as a public limited company under the name of UEM Land Holdings Berhad.

2.2 SHARE CAPITAL

As at the date of this report, the Company's authorised share capital is RM2,502,000,000 divided into 5,000,000,000 ordinary shares of RM0.50 each and 200,000,000 mandatory convertible redeemable preference shares of RM0.01 each.

The Company issued and paid up capital is RM1,214,088,455.50, represented by 2,428,176,911 ordinary shares of RM0.50 each.

10. FINANCIAL INFORMATION (cont'd)



2. GENERAL INFORMATION (CONTD.)

2.2 SHARE CAPITAL (CONTD.)

The consideration for which the shares of the Company was allotted were as follows:

- (a) the acquisition of 623,867,734 ordinary shares of RM0.50 each representing 28.54% in UEM Land Berhad ("UEM Land") from UEM Group Berhad for the sum of RM357,969,543 to be settled via the issuance of 693,068,053 new ordinary shares of RM0.50 each in ULHB at the issue price of approximately RM0.52 per share in accordance with the terms of the Reorganisation Agreement dated 15 February 2008; and
- (b) the acquisition of 1,561,864,562 ordinary shares of RM0.50 each representing 71.46% in UEM Land from UEM World Berhad for the sum of RM896,183,457 to be settled via the issuance of 1,735,108,854 new ordinary shares of RM0.50 each in ULHB at the issue price of approximately RM0.52 per share in accordance with the terms of the Reorganisation Agreement dated 15 February 2008.

The movement of share capital are as below:

Date of Allotment	No. of Shares	Par Value (RM)	Consideration/ Type of issue	Cumulative total issued and paid-up share capital (RM)
20.08.08	4	0.50	Subscribers' shares	2
04.09.08	2,428,176,907	0.50	Consideration for acquisition of shares of UEM Land as explained above	1,214,088,455.50

2.3 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the subsidiaries, associates and joint ventures of ULHB are as set out in Item 6.32.

2.4 LISTING PROPOSALS

The listing and quotation of the entire issued and paid-up ordinary shares of RM0.50 each in ULHB on the Main Board of Bursa Malaysia Securities Berhad.

10. FINANCIAL INFORMATION (cont'd)**3. FINANCIAL STATEMENTS AND AUDITORS**

ULHB was incorporated on 20 August 2008 and hence there were no historical financial statements as at 30 June 2008.

In accordance with the Reorganisation Agreement dated 15 February 2008, ULHB acquires UEM Land Berhad. The acquisition of UEM Land falls under business combination involving entities under common control and accordingly merger accounting principles will be applied in the consolidation of ULHB and UEM Land Berhad and its subsidiaries ("ULHB Group"). Under merger accounting, the results of the ULHB and UEM Land and its subsidiaries ("UEM Land Group") are presented as if the combination had been effected throughout the current financial period and previous financial years.

The financial information presented in Section 5 together with notes to the financial statements in Section 6 have been prepared for illustrative purposes only based on audited consolidated financial statements of UEM Land under merger accounting principles as if ULHB Group had existed for the financial years ended 31 December 2005, 2006 and 2007 and six months financial period ended 30 June 2008. The consolidated financial statements of ULHB Group would mirror that of UEM Land Group save for the share capital and merger relief reserve which will reflect that of ULHB based on item 2.2 above.

The individual financial statements of the subsidiaries noted in item 6.32 are not shown separately as they have been consolidated and presented in the consolidated financial statements of UEM Land Group.

We have been the auditors of UEM Land Group (except where noted in item 6.32) for all the financial years/period covered in this report.

This report is based on the audited financial statements of UEM Land Group which have been prepared in accordance with the applicable Financial Reporting Standards ("FRS") in Malaysia.

There is no reservation or qualification in the auditors' reports in the financial statements covered in this report.

The auditors' reports on the consolidated financial statements of UEM Land Group for the year ended 31 December 2006, 31 December 2007 and period ended 30 June 2008 is appended in Appendix I to this report. The consolidated financial statements of 31 December 2005 was prepared for the purposes of consolidation in UEM World Berhad, its holding company and had been presented as a comparison in the audited consolidated financial statements of UEM Land Group for the year ended 31 December 2006.

10. FINANCIAL INFORMATION (cont'd)



4. DIVIDENDS

ULHB has not paid or declared any dividend since incorporation.

Details of dividends declared and paid by UEM Land for the financial years/period under review are as follows:

Year/period ended	Rate (%)	Gross Dividends (RM'000)	Net Dividends per Ordinary Shares (RM)
31 December 2005	0.55	8,590	0.55
31 December 2006	-	-	-
31 December 2007	-	-	-
30 June 2008	-	-	-

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION

5.1 Pro forma ULHB Group

5.1.1 Pro forma Consolidated Income Statements

	Notes	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
Revenue	6.1	208,350	453,149	1,871,548	251,302
Cost of sales	6.2	(134,500)	(309,871)	(1,360,626)	(164,386)
Gross profit		73,850	143,278	510,922	86,916
Other income		18,977	28,818	30,634	1,219
Selling and distribution expenses		(737)	(1,932)	(3,570)	(4,474)
Other expenses		(71,853)	(29,768)	(81,982)	(19,514)
Operating profit		20,237	140,396	456,004	64,147
Finance costs	6.4	(13,619)	(6,612)	(594)	(3,748)
Share of result of associates		920	(2,077)	4,084	1,526
Share of result of joint ventures		-	(2,526)	(2,215)	2,552
Profit before tax	6.3	7,538	129,181	457,279	64,477
Income tax	6.5	8,880	(21,197)	72,464	(33)
Profit for the year from continuing operations		16,418	107,984	529,743	64,444
Discontinued Operations					
Loss for the year from discontinued operation	6.6	(1,563)	(1,889)	-	-
Profit for the year		14,855	106,095	529,743	64,444
Attributable to:					
Equity holders of the Company		2,564	82,018	529,128	64,444
Minority interests		12,291	24,077	615	-
		14,855	106,095	529,743	64,444

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1 Pro forma ULHB Group (Contd.)

5.1.2 Pro forma Consolidated Balance Sheets

	Notes	2005 *RM'000 (restated)	2006 RM'000	2007 RM'000	30.6.2008 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.7	7,950	9,984	10,725	10,976
Prepaid land lease payments	6.8	472	472	407	396
Land held for property development	6.9	2,162,113	2,248,796	1,546,824	1,425,569
Investment in associates	6.10	70,612	22,101	11,563	12,189
Investment in joint ventures	6.11	1,000	9,549	10,586	25,224
Long term investments	6.12	790	799	765	158
Long term receivable	6.13	76,061	76,061	65,523	64,223
Goodwill	6.14	4,478	36,822	39,223	39,223
Non-current deposits	6.15	1,082	1,021	1,418	1,418
		<u>2,324,558</u>	<u>2,405,605</u>	<u>1,687,034</u>	<u>1,579,376</u>
Current assets					
Property development costs	6.16	497,153	528,258	564,829	671,298
Inventories	6.17	51,586	35,500	34,797	30,861
Receivables	6.18	182,698	293,538	282,084	361,114
Amount due from Projek Usahasama Transit Ringan Automatik Sdn. Bhd. ("PUTRA")	6.19	7,772	7,772	-	-
Amount due from intermediate holding company	6.20	612	416	419	-
Amount due from joint ventures	6.11	20,026	6,501	24,442	74,452
Amount due from immediate holding company	6.20	100,807	114,577	443	-

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1.2 Pro forma Consolidated Balance Sheets

	Notes	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Current assets (Contd.)					
Amount due from associates	6.10	5	29,013	28,574	27,294
Amount due from related parties	6.21	-	-	-	157
Short term investments	6.22	7	7	7	7
Short term deposits	6.15	201,149	75,753	29,117	69,477
Cash and bank balances	6.15	2,171	6,578	27,274	12,605
		<u>1,063,986</u>	<u>1,097,913</u>	<u>991,986</u>	<u>1,247,265</u>
Assets of disposal group classified as held for sale	6.6	-	38,705	38,705	38,705
TOTAL ASSETS		<u>3,388,544</u>	<u>3,542,223</u>	<u>2,717,725</u>	<u>2,865,346</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	6.23	1,214,088	1,214,088	1,214,088	1,214,088
Merger relief reserve	6.23	40,065	40,065	40,065	40,065
Merger (deficit)/ reserve	6.24	(473,221)	(473,221)	32,112	32,112
Non-distributable reserves	6.24	30,536	25,198	31,020	31,016
Accumulated losses		(739,937)	(656,043)	(126,915)	(62,471)
		<u>71,531</u>	<u>150,087</u>	<u>1,190,370</u>	<u>1,254,810</u>
Minority interests		632,842	559,293	451,500	451,500
Total equity		<u>704,373</u>	<u>709,380</u>	<u>1,641,870</u>	<u>1,706,310</u>
Non-current liabilities					
SPV Bond	6.25	1,916,796	1,935,716	-	-
Borrowings	6.26	473,975	509,524	549,579	569,921
Deferred tax liabilities	6.27	124,637	168,222	154,787	152,718
		<u>2,515,408</u>	<u>2,613,462</u>	<u>704,366</u>	<u>722,639</u>

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1.2 Pro forma Consolidated Balance Sheets

	Notes	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Current liabilities					
Provisions	6.28	56,088	40,284	34,583	24,933
Payables	6.29	108,277	168,621	258,395	221,349
Borrowings	6.26	-	-	10,710	8,752
Amount due to immediate holding company	6.20	-	5	1,768	772
Amount due to intermediate holding company	6.20	-	-	63,708	178,638
Amount due to associates	6.10	41	-	-	-
Tax payable		4,357	9,524	1,378	1,006
		<u>168,763</u>	<u>218,434</u>	<u>370,542</u>	<u>435,450</u>
Liabilities of disposal group classified as held for sale	6.6	-	947	947	947
Total liabilities		<u>2,684,171</u>	<u>2,832,843</u>	<u>1,075,855</u>	<u>1,159,036</u>
TOTAL EQUITY AND LIABILITIES		<u>3,388,544</u>	<u>3,542,223</u>	<u>2,717,725</u>	<u>2,865,346</u>

* The Pro forma Consolidated Balance Sheet as at 31 December 2005 has been adjusted to take into account the applicable FRS adopted by the Group for the period ended 30 June 2008 and presentation of non current deposits to be consistent with other periods.

The adoption of the applicable FRS and presentation of non current deposits have resulted in the following restatement year ended 31 December 2005:

	As previously stated	Adjustments	Restated
Property, plant and equipment	8,422	(472)	7,950
Prepaid land lease payments	-	472	472
Short term deposits	202,231	(1,082)	201,149
Non current deposits	-	1,082	1,082

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1 Pro forma ULHB Group (Contd.)

5.1.3 Pro forma Consolidated Statements of Changes in Equity

Group	← Attributable to equity holders of the Company →							Total equity RM'000
	Share capital RM'000	Merger Relief Reserve RM'000	Non-distributable Merger (Deficit)/ Reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000	Minority interests RM'000	
At 1 January 2005	1,214,088	40,065	(473,221)	31,073	(733,911)	78,094	180,308	258,402
Foreign currency translation differences, representing net expense recognised directly in equity	-	-	-	(537)	-	(537)	-	(537)
Profit for the year	-	-	-	-	2,564	2,564	12,291	14,855
Total recognised income and expense for the year	-	-	-	(537)	2,564	2,027	12,291	14,318
Issuance of Redeemable convertible preference share ("RCPS") by subsidiary	-	-	-	-	-	-	450,000	450,000
Net accretion of interest in subsidiary	-	-	-	-	-	-	(9,757)	(9,757)
Dividends	-	-	-	-	(8,590)	(8,590)	-	(8,590)
At 31 December 2005 (As restated)	1,214,088	40,065	(473,221)	30,536	(739,937)	71,531	632,842	704,373
At 1 January 2006								
As previously stated	1,214,088	40,065	(473,221)	30,536	(739,937)	71,531	632,842	704,373
Effects of adopting:								
- FRS 3: Business combinations	-	-	-	(1,397)	1,876	479	-	479
At 1 January 2006 as adjusted	1,214,088	40,065	(473,221)	29,139	(738,061)	72,010	632,842	704,852
Foreign currency translation differences, representing net expense recognised directly in equity	-	-	-	(5,465)	-	(5,465)	-	(5,465)
Profit for the year	-	-	-	-	82,018	82,018	24,077	106,095
Total recognised income and expense for the year	-	-	-	(5,465)	82,018	76,553	24,077	100,630
Net accretion of interest in subsidiary	-	-	-	-	-	-	(97,644)	(97,644)
Share options granted	-	-	-	1,524	-	1,524	18	1,542
At 31 December 2006	1,214,088	40,065	(473,221)	25,198	(656,043)	150,087	559,293	709,380

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1.3 Pro forma Consolidated Statements of Changes in Equity (Contd.)

	← Attributable to equity holders of the Company →					Total	Minority interests	Total equity
	Share capital	Merger Relief Reserve	Non-distributable Merger (Deficit)/ Reserve	Other reserves	Accumulated losses			
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	1,214,088	40,065	(473,221)	25,198	(656,043)	150,087	559,293	709,380
Foreign currency translation differences, representing net income recognised directly in equity	-	-	-	354	-	354	-	354
Profit for the year	-	-	-	-	529,128	529,128	615	529,743
Total recognised income and expense for the year	-	-	-	354	529,128	529,482	615	530,097
Movement in merger deficit arising from issuance of additional shares in UEM Land Berhad	-	-	505,333	-	-	505,333	-	505,333
Net accretion of interest in subsidiary	-	-	-	-	-	-	(108,408)	(108,408)
Share options granted	-	-	-	5,468	-	5,468	-	5,468
At 31 December 2007	1,214,088	40,065	32,112	31,020	(126,915)	1,190,370	451,500	1,641,870
At 1 January 2008	1,214,088	40,065	32,112	31,020	(126,915)	1,190,370	451,500	1,641,870
Foreign currency translation differences, representing net expense recognised directly in equity	-	-	-	(4)	-	(4)	-	(4)
Profit for the period	-	-	-	-	64,444	64,444	-	64,444
Total recognised income and expense for the year	-	-	-	(4)	64,444	64,440	-	64,440
At 30 June 2008	1,214,088	40,065	32,112	31,016	(62,471)	1,254,810	451,500	1,706,310

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1 Pro forma ULHB Group (Contd.)

5.1.4 Pro forma Consolidated Cash Flow Statements

	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers	152,946	91,337	198,123	83,937
Repayment from immediate holding company	-	-	114,452	-
Receipts from other related parties	26	11	1,452,168	391
Receipts from joint ventures	-	-	-	125,198
Cash payments to suppliers		(11,264)	(6,116)	(1,928)
Cash payments to contractors	(8,991)	(91,615)	(236,085)	(103,111)
Cash payments for land and development related costs	(19,264)	(41,733)	(112,048)	(72,895)
Cash payments to related parties	-	-	(7,468)	(5,047)
Cash payments to employees and for expenses	(18,517)	(25,927)	(45,875)	(33,112)
Tax refund and others	85,159	12,564	13,258	4,308
Cash generated from/ (used in) operations	191,359	(66,627)	1,370,409	(2,259)
Net taxes paid	(13,817)	(24,246)	(26,168)	(10,844)
Interest received	5,121	3,934	3,760	488
Net cash used in discontinued operation	-	(118)	-	-
Net cash generated from/ (used in) operating activities	182,663	(87,057)	1,348,001	(12,615)

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1.4 Pro forma Consolidated Cash Flow Statements (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend received from associate	2,250	2,250	2,250	900
Interest income received from long term investments	4	4	-	-
Proceeds from disposals of:				
- property, plant and equipment	160	1,920	4	-
- a subsidiary	-	158	-	-
- long term investments	9,907	258	57	450
Purchase of property, plant and equipment	(4,946)	(5,332)	(2,468)	(1,250)
Advance given to joint venture	(33,976)	(4,500)	-	(50,000)
Investment in land held for property development	(13,262)	(8,326)	(13,061)	(10,297)
Investment in joint venture entities	-	-	(5,500)	(11,539)
Advance to immediate holding company	(99,300)	(10,700)	-	-
Net cash used in investing activities	(139,163)	(24,268)	(18,718)	(71,736)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	-	-	505,333	-
Drawdown of bridging loan	-	-	1,841	-
Advance from intermediate holding company	-	-	63,000	112,000
Redemption of SPV Bond	-	-	(1,935,710)	-
Dividend paid to shareholders of the Company	-	(8,590)	-	-
Interest paid	-	(8)	-	-
Net cash (used in)/ generated from financing activities	-	(8,598)	(1,365,536)	112,000

10. FINANCIAL INFORMATION (cont'd)



5. FINANCIAL INFORMATION (CONTD.)

5.1.4 Pro forma Consolidated Cash Flow Statements (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	43,500	(119,923)	(36,253)	27,649
EFFECT OF EXCHANGE RATE CHANGES	7	(169)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	160,895	204,402	84,310	48,057
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD (Note 6.15)	204,402	84,310	48,057	75,706

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS

6.1 Revenue

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000 *	RM'000 *	RM'000 *	RM'000
Strategic land sales	131,470	285,998	1,482,653	10,905
Property development costs	73,255	163,776	382,959	236,699
Harvesting income	3,607	3,372	5,936	3,698
Others	18	3	-	-
	208,350	453,149	1,871,548	251,302

* Amounts are reclassified to be consistent with the classification for the period ended 30 June 2008.

Included in the Group's sale of land in 2007 is disposal of 4,500 acres of land to its ultimate holding company, Khazanah Nasional Berhad in a Degearing Exercise carried out by UEM World Berhad, its immediate holding company.

6.2 Cost of Sales

Cost of sales represents the proportion of cost of land sold, property development and construction contracts.

6.3 Profit before tax

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/ (crediting) the following:				
Impairment loss of investment				
- associates	-	-	12,856	-
- investment	174	-	-	607
Allowance for doubtful debts	40,504	1,099	10,538	1,843
Bad debts written off	-	-	10,671	-

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.3 Profit before tax (Contd.)

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
Rental expenses of				
- Land & building	326	197	178	134
- Equipment	203	89	247	66
- Lease rental	192	419	355	236
Auditors' remuneration				
- Statutory audit	227	293	246	128
- Other services	-	-	101	250
Depreciation of property, plant and equipment	971	1,038	1,698	991
Amortisation of prepaid land lease payments	-	-	24	12
Loss on foreign exchange	-	-	2	(46)
Property, plant and equipment written off	-	1,231	-	-
Directors' remuneration	283	1,665	1,742	745
Staff costs	9,294	15,815	20,180	8,735
Write back of allowance for doubtful debts	-	(22,950)	(27,757)	(282)
Write back of impairment	-	(159)	-	(450)
Gain on disposal of investment	(472)	-	(23)	-
Impairment of inventories	-	-	2,507	-
Interest income from deposits with licensed banks	(4,896)	(3,827)	(3,760)	(488)
Interest income from: - UEM World Berhad	-	(3,230)	(317)	-
Gain on disposals of - property, plant and equipment	(56)	(1,049)	-	-
- subsidiary	-	(171)	(254)	-

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.3 Profit before tax (Contd.)

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
(i) Staff costs				
Wages and salaries	7,327	8,284	8,447	3,720
Statutory contribution to Employees Provident Fund and social security costs	930	1,410	1,645	1,055
Staff benefits and welfare	686	4,095	4,243	3,643
Training and others	351	484	377	317
Cost of share options	-	1,542	5,468	-
	<u>9,294</u>	<u>15,815</u>	<u>20,180</u>	<u>8,735</u>

6.4 Finance costs

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
Finance costs incurred and accrued during the year on:				
- term loans	55,682	35,548	38,214	20,342
- SPV bond	37,574	18,951	-	-
- bridging loan	-	-	136	110
- bank overdraft	-	-	274	316
- intermediate holding company	-	-	185	3,757
	<u>93,256</u>	<u>54,499</u>	<u>38,809</u>	<u>24,525</u>
Capitalised in				
- land held for property development	(72,294)	(41,532)	(30,931)	(16,129)
- property development costs	(7,343)	(6,355)	(7,284)	(4,648)
	<u>(79,637)</u>	<u>(47,887)</u>	<u>(38,215)</u>	<u>(20,777)</u>
	<u>13,619</u>	<u>6,612</u>	<u>594</u>	<u>3,748</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.5 Income Tax

	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
Malaysia income tax:				
Current year income tax	15,577	28,549	15,599	2,177
(Over)/under provision in prior years	(23,522)	(2,514)	752	(75)
	(7,945)	26,035	16,351	2,102
Deferred tax:				
Relating to origination and reversal of temporary differences	(836)	453	(71,753)	(858)
Effect on opening deferred tax due to reduction in income tax rate	-	(4,238)	(2,829)	(2,860)
(Over)/under provision in prior years	(99)	(1,053)	(14,233)	1,649
	(935)	(4,838)	(88,815)	(2,069)
Total income tax expense	(8,880)	21,197	(72,464)	33

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%, 2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.5 Income Tax (Contd.)

Tax reconciliations is as follows:

	2005 RM'000	2006 RM'000	2007 RM'000	1.1.2008 to 30.6.2008 RM'000
Profit before tax	7,538	129,181	457,279	64,477
Taxation at Malaysian statutory tax rate	2,111	36,171	123,465	16,764
Effect of different tax rates	(40)	(40)	(105)	(59)
Income not subject to tax	(57,463)	(11,337)	(283,479)	(360)
Expenses not deductible for tax purposes	71,064	5,765	1,668	2,269
Deferred tax recognised at different tax rate	-	(4,238)	(2,829)	(2,860)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,100)	(2,721)	(2,066)	(16,312)
Deferred tax assets not recognised during the year	1,897	1,164	104,868	77
Tax effect on share of associates' results	(728)	-	(505)	(1,060)
(Under)/overprovision of tax expense in prior years	(23,522)	(2,514)	752	(75)
(Over)/under provision of deferred tax in prior years	(99)	(1,053)	(14,233)	1,649
Tax expense for the year	(8,880)	21,197	(72,464)	33

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.6 Disposal Group Classified as Held for Sale

Renong Overseas Corporation Sdn Bhd ("ROC"), a wholly-owned subsidiary of the Company, entered into an agreement to dispose of its entire interests in Renong Overseas Corporation S.A. (Proprietary) Limited ("ROCSA") on 1 February 2006. This agreement has since lapsed.

On 8 January 2007, ROC entered into an agreement with another party to dispose of its interest in ROCSA and the disposal is currently pending fulfilment of certain conditions precedent.

The results and cash flows of the investment are as follows:

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
Other income	53	2	-	-
Expenses	(1,140)	(1,891)	-	-
Finance Costs	(476)	-	-	-
Loss for the year from discontinued operations	(1,563)	(1,889)	-	-
Cash flows used in operating activities	(636)	(118)	-	-
Total cash flows	(636)	(118)	-	-

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.6 Disposal Group Classified as Held for Sale (Contd.)

The major classes of assets and liabilities of the investment classified as held for sale on the consolidated balance sheet are as follows:

	2005	2006	2007	1.1.2008 to 30.6.2008
	RM'000	RM'000	RM'000	RM'000
Assets:				
Property, plant and equipment	-	13	13	13
Investment in associates	-	37,584	37,584	37,584
Receivables	-	150	150	150
Cash and bank balances	-	958	958	958
Assets of disposal group classified as held for sale	-	38,705	38,705	38,705
Liabilities:				
Payables	-	(947)	(947)	(947)
Liabilities directly associated with the assets classified as held for sale	-	(947)	(947)	(947)
Net assets attributable to discontinued operations	-	37,758	37,758	37,758

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.7 Property, plant and equipment

	Freehold land RM'000	Freehold building RM'000	Renovation RM'000	Motor vehicles RM'000	Others RM'000	Total RM'000
At 31 December 2005						
Net carrying amount at 1 January 2005	560	778	1,047	384	1,290	4,059
Additions	-	2,990	182	208	1,566	4,946
Depreciation charge	-	(35)	(178)	(154)	(604)	(971)
Capitalised in construction costs	-	-	-	(22)	-	(22)
Disposals/Write off	-	-	-	(2)	(38)	(40)
Reclassification	-	-	-	(22)	-	(22)
Net carrying amount at 31 December 2005	560	3,733	1,051	392	2,214	7,950
Cost	560	3,971	4,524	2,463	13,390	24,908
Accumulated depreciation	-	(238)	(3,473)	(2,071)	(11,176)	(16,958)
Net carrying amount	560	3,733	1,051	392	2,214	7,950
At 31 December 2006						
Net carrying amount at 1 January 2006	560	3,733	1,051	392	2,214	7,950
Currency translation differences	-	-	-	-	9	9
Additions	-	1,566	120	-	3,646	5,332
Disposals/Write off	(190)	(753)	(871)	(23)	(362)	(2,199)
Disposal of subsidiary	(70)	-	-	-	-	(70)
Depreciation charge	-	(83)	(22)	(150)	(783)	(1,038)
Net carrying amount at 31 December 2006	300	4,463	278	219	4,724	9,984
Cost	300	4,556	301	1,742	8,890	15,789
Accumulated depreciation	-	(93)	(23)	(1,523)	(4,166)	(5,805)
Net carrying amount	300	4,463	278	219	4,724	9,984

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.7 Property, plant and equipment (Contd.)

	Freehold land RM'000	Freehold building RM'000	Renovation RM'000	Motor vehicles RM'000	Others RM'000	Total RM'000
At 31 December 2007						
Net carrying amount at 1 January 2007	300	4,463	278	219	4,724	9,984
Currency translation differences	-	-	-	3	(28)	(25)
Additions	-	24	17	-	2,427	2,468
Disposals	-	-	-	-	(4)	(4)
Depreciation charge	-	(91)	(32)	(80)	(1,495)	(1,698)
Net carrying amount at 31 December 2007	300	4,396	263	142	5,624	10,725
Cost	300	4,580	318	1,745	11,285	18,228
Accumulated depreciation	-	(184)	(55)	(1,603)	(5,661)	(7,503)
Net carrying amount	300	4,396	263	142	5,624	10,725
At 30 June 2008						
Net carrying amount at 1 January 2008	300	4,396	263	142	5,624	10,725
Additions	-	95	-	-	1,155	1,250
Reclassification	-	(8)	-	-	-	(8)
Depreciation charge	-	(46)	(16)	(34)	(895)	(991)
Net carrying amount at 30 June 2008	300	4,437	247	108	5,884	10,976
Cost	300	4,667	318	1,745	12,440	19,470
Accumulated depreciation	-	(230)	(71)	(1,637)	(6,556)	(8,494)
Net carrying amount	300	4,437	247	108	5,884	10,976

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.8 Prepaid land lease payments

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Long term leasehold land				
At 1 January	472	472	472	407
Foreign exchange adjustment	-	-	(41)	1
Amortisation for the year	-	-	(24)	(12)
At 31 December	472	472	407	396

6.9 Land held for property development

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Freehold land				
Cost				
At 1 January	2,159,294	2,162,113	2,248,796	1,546,824
Fair value adjustment	25,011	149,713	239,760	-
Addition	73,825	52,841	41,193	24,745
Reversal of provision for land acquisition and appeal costs	(13,769)	-	-	-
Transfer to property development costs	(83,599)	(116,783)	(985,498)	(146,000)
Change in estimate*	1,351	912	2,573	-
At 31 December	2,162,113	2,248,796	1,546,824	1,425,569

This comprises 23,875 acres of freehold land zoned for residential, commercial and industrial development in Bandar Nusajaya that is spearheaded by the Company. Bandar Nusajaya is located in the southern tip of Johor adjacent to the Malaysia-Singapore Second Crossing and is accessible to major expressways, airports and ports. As a master township developer, its development activities include, inter-alia, reviewing the development masterplan to maximise land usage and re-zoning areas identified for specific catalyst development to accelerate the development of the township. Currently, certain subsidiaries are actively pursuing these activities in its effort to develop the township.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.9 Land held for property development (Contd.)

In addition to its own property development where the related land costs and development expenditure are classified in Note 6.16, as property development costs, the Group also disposed of parcels of land to established developers to accelerate the development of the township. The balance of unsold freehold land after reduction by public areas, electricity distribution sub-stations and others is approximately 8,694 acres (2007: 8,924 acres, 2006: 13,793 acres) of which approximately 2,131 acres (2007: 2,136 acres, 2006: 2,522 acres) are classified under property development costs where development activities have commenced as well as certain parcels of land that were previously sold but subsequently aborted during the economic crisis.

The land titles for approximately 1,950 acres of the above freehold land are deposited with the intermediate holding company for a borrowing taken by a subsidiary which restrict any disposal or transfer of the affected land.

Land titles for approximately 654 acres of the above freehold land are subject to a third party charge to secure borrowings for a joint venture company.

Included in addition to the land held for property development of the Group during the financial year are interest costs capitalised of RM16,129,000 (2007: RM30,931,000, 2006: RM41,532,000, 2005: RM72,294,000)

- * The Group allocated costs included in land held for property development and property development costs based on the net land acreage after deducting land for open space and infrastructure reserve areas. The change in estimate resulted from the change in the open space and infrastructure reserve areas and the costs have been reallocated accordingly.

Included in land held for property development of the Group are parcels of land committed through various agreements as follows:

(a) Option to Purchase Agreement between Panoramic Industrial Development Sdn. Bhd. and Bandar Nusajaya Development Sdn Bhd ("BND")

BND and Panoramic Industrial Development Sdn. Bhd. ("Panoramic") entered into an Option to Purchase Agreement on 31 May 2004 which became unconditional on 1 December 2005 when all the Condition Precedents ("CP") have been fulfilled ("Option Date"). Upon receipt of a consideration sum of RM2 million from Panoramic, BND, as agent for and on behalf of Nusajaya Heights Sdn. Bhd. ("Heights") granted Panoramic the following:



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.9 Land held for property development (Contd.)

- (i) the right to develop and sell parcels of land and/or the sublots measuring in aggregate approximately 341.8827 acres all in Mukim of Pulai, Daerah Johor Bahru, Negeri Johor ("the Panoramic Development Land"); and
- (ii) the option, at any time and from time to time during the Option Period to purchase any of the lands and/or the sublots.

Under the Option to Purchase Agreement, the parties agreed that Panoramic shall complete the Panoramic Development Land in three (3) phases within a period of 8 years commencing from the Option Date as follows ("Option Period"):

- (i) Phase 1 of the Panoramic Development Land held under PTD 123299, PTD 123300 and PTD 123304 measuring in aggregate approximately 185.6226 acres;
- (ii) Phase 2 of the Panoramic Development Land held under PTD 123296 and PTD 123298 measuring in aggregate approximately 54.4149 acres;
- (iii) Phase 3 of the Panoramic Development Land comprising parcels of land held under PTD 123292, PTD 123293 and PTD 123294 measuring in aggregate approximately 101.8452 acres;

The Parties also agreed that Panoramic shall be obliged to purchase a minimum area of the Panoramic Development Land as follows:-

- (i) during the period of 3 years beginning from the Option Date (the "1st Period"), at least an aggregate of 50 acres of Phase 1 of the Panoramic Development Land;
- (ii) during the period of 2 years beginning from the date of the expiry of the 1st Period (the "2nd period"), at least an aggregate of 50 acres of Phase 1 of the Panoramic Development Land;
- (iii) during the period of 2 years beginning from the date of the expiry of the 2nd Period, at least an aggregate of 50 acres of Phase 1 of the Panoramic Development Land.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.9 Land held for property development (Contd.)

(b) Development Agreement between Heights and UEM Land

On 2 March 2007, Heights entered into a Development Agreement with UEM Land for the development of Southern Industrial and Logistics Clusters ("SiLC") covering 1,266.89 acres on the plot of PTD 1290 and PTD 71051 Mukim of Pulai, Daerah Johor Bahru, Negeri Johor ("SiLC Development Land"). Under the Development Agreement, UEM Land has been appointed as the developer for the SiLC and has been given the option to acquire the land from Heights throughout the development period at the option price from RM4.70 per square foot and to contribute for the external infrastructure contribution to Heights at RM1.03 per square foot. Both the option price for land price and external infrastructure contribution would be escalated at the rate of 5% per annum at each anniversary of the agreement from the Approval Date, being the completion of all conditions precedents. The development period for SiLC development is 15 years.

The Approval Date of the agreement is on 10 May 2007. Subsequent to the Approval Date, UEM Land exercised its option to acquire 131.8279 (2007: 94.8785) acres of SiLC Development Land.

(c) Development Agreement between Horizon Hills Development Sdn. Bhd. ("Horizon Hills") and Nusajaya Greens Sdn. Bhd. ("Greens")

On 16 June 2005, BND, as the sole and exclusive agent of its 100% subsidiary, Greens, entered into a Development Agreement with Horizon Hills, a 50:50 joint venture company between UEM Land and Gamuda Berhad, for a proposed mixed development of 1,000 acres ("Mixed Development Land") and an integrated golf course development of 200 acres ("Golf Course Land") of land in Mukim Pulai, Daerah Johor Bahru, Negeri Johor Darul Takzim for a total purchase considerations of RM391.39 million to be completed over a period of 15 years based on agreed series of put and call option arrangements between both parties.

The Development Agreement became unconditional on 5 September 2005 upon completion of all conditions precedent.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.9 Land held for property development (Contd.)

(c) Development Agreement between Horizon Hills and Greens (Contd.)

As at the balance sheet date, Horizon Hills has exercised option to purchase the following:

	2005 Acres	2006 Acres	2007 Acres	Total Acres
Mixed Development				
Lands	200	106	67	373
Golf Course Land	40	20	140	200
	<u>240</u>	<u>126</u>	<u>207</u>	<u>573</u>

(d) Development Agreement between Nusajaya Rise Sdn. Bhd. ("Rise") and UEM Land

On 19 April 2007, Rise, a wholly-owned subsidiary of BND, has entered into a Development Agreement with the UEM Land thereby granting the development right to the UEM Land to develop 337.4 acres on the plot of PTD 72263 Mukim of Pulai, Daerah of Johor Bahru, of high-end mixed development land in Bandar Nusajaya.

Under the Development Agreement, the UEM Land has been appointed as the developer for the development of the said property into a high-end mixed residential development for a development period of 10 years commencing from the Approval Date, being the completion of all conditions precedents.

The Approval Date of the agreement is on 21 June 2007.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.10 Investment in associates

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Investment at cost	97,783	97,783	97,783	97,783
Share of post-acquisition reserves	(22,121)	(26,448)	(24,130)	(23,504)
Exchange adjustments	(951)	(1,313)	(1,313)	(1,313)
	<u>74,711</u>	<u>70,022</u>	<u>72,340</u>	<u>72,966</u>
Premium on acquisition written off	(193)	(193)	(193)	(193)
Negative goodwill on acquisition transferred to accumulated losses	-	479	479	479
Reclassification to non-current asset held for sale	-	(44,301)	(44,301)	(44,301)
Accumulated impairment losses	(3,906)	(3,906)	(16,762)	(16,762)
	<u>70,612</u>	<u>22,101</u>	<u>11,563</u>	<u>12,189</u>

(i) Investment at cost

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
In Malaysia:				
Unquoted shares at cost				
- Ordinary shares	52,169	52,169	52,169	52,169
Outside Malaysia:				
Unquoted shares at cost	45,614	45,614	45,614	45,614
	<u>97,783</u>	<u>97,783</u>	<u>97,783</u>	<u>97,783</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.10 Investment in associates (Contd.)

- (ii) The Group's aggregate share of the revenue, results for the year, assets and liabilities of the associates based on management financial statements are as follows :

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Results				
Revenue	88,066	87,003	13,088	10,056
Profit/(loss) for the year	920	(2,077)	4,084	1,526
Assets and liabilities				
Current assets	483,259	457,763	48,569	47,817
Non-current assets	572,395	575,300	3,663	4,147
Current liabilities	(180,503)	(183,749)	(40,669)	(39,775)
Non-current liabilities	(804,539)	(827,213)	-	-
Net assets	70,612	22,101	11,563	12,189

- (iii) The amounts due from/to associates are unsecured, interest free and repayable on demand.

6.11 Investment in joint ventures

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Unquoted shares, at cost	1,000	12,075	15,327	27,413
Share of post-acquisition reserves	-	(2,526)	(4,741)	(2,189)
	1,000	9,549	10,586	25,224

The amount due from joint ventures is unsecured, interest free and repayable on demand.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.11 Investment in joint ventures (Contd.)

The Group's aggregate share of the revenue, expenses, assets and liabilities of the joint ventures are as follows :

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Other income	107	31	13,416	28,096
Expenses, including finance costs	(107)	(2,557)	(15,631)	(25,544)
	-	(2,526)	(2,215)	2,552
Current assets	2,367	26,066	58,372	114,957
Non-current assets	35,693	29,840	138,837	111,702
Current liabilities	(1,535)	(39,980)	(141,623)	(141,435)
Non-current liabilities	(35,525)	(6,377)	(45,000)	(60,000)
Net assets	1,000	9,549	10,586	25,224

During the financial period ended 30 June 2008, UEM Land subscribed additional 115,000 redeemable preference shares in Horizon Hills at nominal and premium of RM1.00 and RM99.00 each respectively per share through cash payment of RM11,500,000.

Pursuant to the Subscription and Shareholders Agreement dated 19 December 2007 between the UEM Land, Limitless Holdings Pte Ltd and Haute Property Sdn. Bhd. ("Haute"), Haute has issued and allotted to UEM Land additional 39,600 ordinary shares of RM1.00 each satisfied by cash during the financial period.

There are no contingent liabilities and capital commitments in relation to the Group's interest in joint ventures, except for the balance of consideration payable by Haute pursuant to the Development Agreement between UEM Land, BND and Haute.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.12 Long term investment

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
At cost:				
Shares in Malaysia				
- quoted	235	235	-	-
- unquoted	32,925	28,790	28,790	28,790
Unquoted Irredeemable Convertible Unsecured Loan Stocks	765	-	-	-
	33,925	29,025	28,790	28,790
Less: Accumulated impairment losses				
- quoted shares	(210)	(201)	-	-
- unquoted shares	(32,925)	(28,025)	(28,025)	(28,632)
	(33,135)	(28,226)	(28,025)	(28,632)
	790	799	765	158
Market value	18	50	-	-

6.13 Long term receivable

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Due from a State Government	87,893	87,893	87,893	87,893
Less: Allowance for doubtful debt	(11,832)	(11,832)	(22,370)	(23,670)
	76,061	76,061	65,523	64,223

This represents the amount due from Perbadanan Kemajuan Negeri Perak which is repayable by way of land to be transferred to the Group.

6.14 Goodwill

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
At 1 January	-	4,478	36,822	39,223
Accretion of interest in a subsidiary	4,478	32,344	2,401	-
At 31 December/ 30 June	4,478	36,822	39,223	39,223

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.14 Goodwill (Contd.)

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount, which is based on market prices or value in use. As the management are of the opinion that since all the Cash Generating Units ("CGU's") are to be held on a long term basis, value in use would best reflect its recoverable amount. The future cash flows are based on management's five-year business plan, which is a reasonable estimate of future performance.

There remains a risk that due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions, that the ability to achieve management's business plan may be adversely affected. In calculating the value in use for each CGU, management has applied the discount rates ranging from 7% to 11% and a growth rate for the period beyond five years of 5%.

The following describes the key assumptions on which management has based its cash flow projections for the purposes of testing for impairment of goodwill:

- a. The discount rate used reflected the management's estimate of return on capital employed required in the respective segments.
- b. Growth rate for the period beyond five years has been used based on published industry research for each segment.
- c. The profit margin applied to the projections are based on the historical profit margin trend for the individual CGU or budgeted profit margin for predetermined projects obtained.
- d. The cash flow projections are based on the assumption that a reasonable percentage of projects tendered and new products launched are successful, based on past experience.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.15 Cash and cash equivalents

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Deposits with:				
Licensed banks	116,978	35,174	30,535	70,895
Licensed financial institutions	85,253	41,600	-	-
	202,231	76,774	30,535	70,895
Cash and bank balances	2,171	6,578	27,274	12,605
	204,402	83,352	57,809	83,500
Bank overdraft	-	-	(10,710)	(8,752)
Cash and bank balances included in assets of disposal group	-	958	958	958
Cash and cash equivalents	204,402	84,310	48,057	75,706
Deposits are presented as follows:				
Short term deposits	201,149	75,753	29,117	69,477
Non-current deposits	1,082	1,021	1,418	1,418
	202,231	76,774	30,535	70,895

(i) Deposits with licensed banks and other financial institution

Included in short term deposits of the Group is deposits of RM1,443,000 (2007: RM1,443,000, 2006: RM1,046,000, 2005: RM1,098,000) pledged as security for bank guarantee facilities and bank facilities granted to the subsidiaries.

(ii) Cash and bank balances

Included in cash and bank balances of the Group is an amount of RM5,973,000 (2007: RM6,602,000, 2006: RM4,383,000, 2005: RM7,720) held in a Housing Development Account by a subsidiary as required by Section 7A of the Housing Developers (Control and Licensing) Act, 1966.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.15 Cash and cash equivalents (Contd.)

The average interest rates and maturities of deposits are as follows:

	2005	2006	2007	30.6.2008
Interest rate				
Licensed banks	3.00	3.13	3.39	3.51
Licensed financial institutions	2.85	2.78	-	-
Maturity days				
Licensed banks	22	28	125	36
Licensed financial institutions	92	64	-	-

6.16 Property development costs

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
At 1 January				
Freehold land	454,789	467,200	456,234	457,464
Development costs	47,813	47,813	89,948	138,555
	502,602	515,013	546,182	596,019
Costs incurred during the year:				
- Freehold land	9,246	7,886	9,830	7,190
- Development costs	9,292	47,221	5,542	178,250
Fair value adjustment	5,427	30,760	50,158	-
Transfer from:				
- land held for property development	83,599	116,783	985,498	146,000
- other debtors	-	1,315	-	29,848
Transfer to amount due to customers	-	-	-	(967)
Transfer (to)/from inventories			(12,480)	1,877
Reversal of provision for land acquisition and appeal costs	(3,111)	-	-	-
Change in estimate*	(1,351)	(912)	(2,573)	-
Reversal of cost arising from completed projects	(90,627)	(171,884)	(986,138)	(252,485)
	12,475	31,169	49,837	109,713
At 31 December/ 30 June	515,077	546,182	596,019	705,732

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.16 Property development costs (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Costs recognised in income statement				
At 1 January	(17,924)	(17,924)	(17,924)	(31,190)
Recognised in income statement during the year	(90,627)	(171,884)	(999,404)	(255,729)
Reversal of cost arising from completed projects	90,627	171,884	986,138	252,485
At 31 December/ 30 June	(17,924)	(17,924)	(31,190)	(34,434)
Property development costs as at 31 December/ 30 June	497,153	528,258	564,829	671,298
Included in costs incurred during the year:				
Interest expense	7,343	6,355	7,284	4,648
Staff costs	204	201	268	257

Property development costs mainly relate to development activities for Nusa Idaman, Nusajaya Industrial Park and Ledang Heights development projects carried out by the subsidiaries. Included in property development costs is freehold land measuring approximately 2,131 acres (2007: 2,136 acres 2006: 2,522 acres, 2005: 2,883 acres).

Land titles for approximately 97 acres of the above freehold land are subject to a third party charge to secure borrowing of a subsidiary.

- * The Group allocated costs included in land held for property development and property development costs based on the net land acreage after deducting land for open space and infrastructure reserve areas. The change in estimate resulted from the change in the open space and infrastructure reserve areas and the costs have been reallocated accordingly.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.17 Inventories

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
At cost				
Completed properties	51,586	35,500	34,797	30,861

The cost of inventories and work-in-progress recognised as an expense during the year is RM4,261,000 (2007: RM13,183,000, 2006: RM16,086,000, 2005: RM26,254,000).

6.18 Receivables

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Trade receivables	65,597	60,031	210,518	296,384
Amount due from related parties	577	577	438	726
Amount due from customers on construction contracts and turnkey development	33,432	143,598	26,077	28,357
Other receivables	174,544	144,968	69,727	60,584
	274,150	349,174	306,760	386,051
Less : Allowance for doubtful debts	(91,452)	(55,636)	(24,676)	(24,937)
	182,698	293,538	282,084	361,114

(i) Amount due from customers on construction contracts and turnkey development

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Costs incurred to date	90,097	203,761	421,563	467,911
Add : Attributable profit	1,567	5,017	8,484	9,317
Less : Provision for foreseeable losses	-	(1,558)	(1,558)	(1,558)
	91,664	207,220	428,489	475,670
Less: Progress billings	(60,654)	(63,761)	(405,084)	(449,474)
Net amount due from customers	31,010	143,459	23,405	26,196

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.18 Receivables (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Presented as follows:				
Amount due from customers	33,432	143,598	26,077	28,357
Amount due to customers	(422)	(139)	(2,672)	(2,161)
	<u>33,010</u>	<u>143,459</u>	<u>23,405</u>	<u>26,196</u>
Contract revenue recognised as revenue in the year	32,991	113,274	223,784	44,506
Contract costs recognised as an expense in the year	2,823	113,382	220,317	43,672
Retention sum receivable	<u>2,429</u>	<u>2,585</u>	<u>1,761</u>	<u>1,761</u>
(ii) Other receivables				
TICL loan	103,351	46,965	-	-
Project related expenses	17,697	20,976	23,232	25,186
Recoverable - KTMB	26,042	20,392	-	-
Sundry debtors and prepayments	20,346	49,662	39,203	27,091
Interest and bond profit receivable	2,653	2,653	2,653	2,653
Deposits	4,455	4,320	4,639	5,654
	<u>174,544</u>	<u>144,968</u>	<u>69,727</u>	<u>60,584</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.18 Receivables (Contd.)

(iii) Allowance for doubtful debts

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Trade receivables	629	321	265	246
TICL loan	67,097	30,490	-	-
Projects debtors	10,195	10,195	10,195	10,195
Sundry debtors	13,531	14,630	14,216	14,496
	<u>91,452</u>	<u>55,636</u>	<u>24,676</u>	<u>24,937</u>

(a) A loan agreement dated 18 August 1999 was signed between Time Investments (Cayman) Ltd ("TICL") and UEM Land for a loan of USD262 million or its equivalent by UEM Land to TICL to settle all claims of the noteholders of USD262 million floating rate secured notes due in 1999 issued by TICL. TICL executed a Securities Charge dated 5 October 1999 to charge 108,221,825 shares in TIME Engineering Berhad ("TIME shares") in favour of UEM Land.

UEM Land had disposed all TIME shares as at 31 December 2007 and net amount was recovered.

(b) This amount comprises pre-privatisation expenses and the management are of the view that these expenses are reimbursable by Keretapi Tanah Melayu Berhad ("KTMB") in accordance with the terms and conditions of the Management Agreement between Marak Unggul Sdn. Bhd., a subsidiary of UEM Land and KTMB.

The net amount was recovered during the financial year ended 31 December 2007.

6.19 Amount due from Projek Usahasama Transit Ringan Automatik Sdn. Bhd. ("PUTRA")

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Amount due from PUTRA	37,713	37,713	-	-
Less: Allowance for doubtful debts	(29,941)	(29,941)	-	-
	<u>7,772</u>	<u>7,772</u>	<u>-</u>	<u>-</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.20 Amount due from/(to) holding companies

Ultimate holding company refers Khazanah Nasional Berhad ("Khazanah"). The intermediate holding company refers to UEM Group Berhad ("UEM") and its immediate holding company refers to UEM World Berhad.

The amounts due from immediate holding company are unsecured, repayable on demand and charged interest of (2005: 2.6%, 2006: 3%) per annum. The other amounts due from/to holding companies are unsecured, interest free and repayable on demand.

The amount due to intermediate holding company is unsecured, subject to interest at the rate of 5.3% per annum and repayable on demand.

6.21 Amount due from related parties

Related parties refers to companies within Khazanah Group.

The amount due from related parties are unsecured, interest free and repayable on demand.

6.22 Short term investments

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Cost of quoted shares in Malaysia	36	36	36	36
Less: Accumulated impairment losses	(29)	(29)	(29)	(29)
	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Market value of quoted shares	7	10	11	9

6.23 Share capital and merger relief reserve

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Authorised share capital:				
Ordinary share of RM0.50 per ordinary share	2,500,000	2,500,000	2,500,000	2,500,000
Mandatory redeemable convertible preference shares	2,000	2,000	2,000	2,000
	<u>2,502,000</u>	<u>2,502,000</u>	<u>2,502,000</u>	<u>2,502,000</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.23 Share capital and merger relief reserve (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Issued and fully paid ordinary shares	1,214,088	1,214,088	1,214,088	1,214,088
Merger relief reserve	40,065	40,065	40,065	40,065

6.24 Reserve

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
(i) Merger (deficit)/ reserves	(473,221)	(473,221)	32,112	32,112
(ii) Revaluation Reserves	3,269	3,269	3,269	3,269
(iii) Exchange Fluctuation Reserves				
At 1 January	26,407	25,870	20,405	20,759
Foreign currency translation	(537)	(5,465)	354	(4)
At 31 December/ 30 June	25,870	20,405	20,759	20,755
(iv) Reserve on consolidation	1,397	-	-	-
(v) Share-based payment reserve				
At 1 January	-	-	1,524	6,992
Recognised during the year	-	1,524	5,468	-
At 31 December/ 30 June	-	1,524	6,992	6,992
Total	(442,685)	(448,023)	63,132	63,128

* Merger (deficit)/ reserve arises from the application of merger accounting principles between the Company and UEM Land.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.25 SPV Bond

This refers to the RM4,309.6 million (in present value as at the issue date) zero coupon Redeemable Secured Guaranteed Bond issued by Renong Debt Management Sdn. Bhd. ("RDM"), a subsidiary of UEM Land, in 1999 at an original nominal value of RM8,197,620,000 ("SPV Bond") to Projek Lebuhraya Utara Selatan Berhad ("PLUS").

On 31 May 2002, UEM acquired the SPV Bond from PLUS. UEM holds one Special Ordinary Share of RDM with a par value of RM1.00. The Articles of Association of RDM specifies that no resolution put to vote at any general meeting of RDM, whether by a show of hands or by a poll shall be carried unless the holder of the Special Ordinary Share either votes in favour of that resolution or abstains from casting its vote on that resolution.

The SPV Bond was restructured in 2003, where the redemption date was extended to 31 October 2013 and the yield to maturity was reduced to 2% per annum compounded annually ("Restructured SPV Bond").

In the financial year ended 31 December 2007, the Group carried out a Degearing Exercise which resulted to an early settlement of the SPV bond.

6.26 Borrowings

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Short term borrowing				
Secured				
Bank overdraft	-	-	10,710	8,752
Long term borrowings				
Secured				
Term Loan	473,975	509,524	547,738	568,080
Bridging Loan	-	-	1,841	1,841
	473,975	509,524	549,579	569,921
Total borrowings				
Bank overdraft	-	-	10,710	8,752
Term Loan	473,975	509,524	547,738	568,080
Bridging Loan	-	-	1,841	1,841
	473,975	509,524	560,289	578,673

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.26 Borrowings (Contd.)

On 24 June 2005, Khazanah transferred the loan agreement dated 27 June 2003 with BND ("Loan Agreement") inclusive of the amount owing by BND to Khazanah of approximately RM891.7 million as at 31 May 2005 ("Transferred Amount") to UEM ("Transfer"), in consideration of UEM disposing of 297,239,694 ordinary shares of RM0.25 each in PLUS Expressways Berhad ("PEB") representing 5.94% equity interest in PEB to Khazanah.

The Transferred Amount together with interest thereon at the rate of 6.5% per annum from 1 June 2005 until the date of final settlement calculated in accordance with the Loan Agreement ("Outstanding Amount") was due and repayable by BND to UEM on or before 30 June 2005. UEM had by letter dated 28 June 2005 extended the date for repayment to on or before 31 December 2005.

Following the Transfer, BND and UEM had on 9 August 2005, entered into the following agreements to refinance the Outstanding Amount:

- (a) Subscription Agreement for the proposed issuance of 450 million Redeemable Convertible Preference Shares ("RCPS") of RM1.00 each by BND to UEM; and
- (b) a seven-year term loan ("UEM Term Loan") agreement ("Term Loan Agreement") at an interest rate of 7.5% per annum compounded annually.

The Subscription Agreement and the Term Loan Agreement became unconditional on 15 September 2005. On 28 November 2005, the RCPS and Term Loan was issued and effective respectively.

The principal amount of the UEM Term Loan was RM470.7 million, being the Outstanding Amount less RM450.0 million RCPS. The land titles to approximately 1,950 acres of freehold land are deposited with UEM, any transfer of which or disposal of the land are restricted as disclosed in Note 6.9.

The bridging loan taken by Nusajaya Development Sdn. Bhd. ("NDSB"), a wholly-owned subsidiary of UEM Land, bears an average interest rate of 7.8% per annum. This bridging loan, together with the bank overdraft are secured by:

- (a) Third party charged over 1,219 individual titles measuring approximately total net area of 97 acres (subject security)
- (b) Limited debentures over the subject security.
- (c) Assignment of all sales proceeds and monies available in the respective Housing Developer Accounts.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.26 Borrowings (Contd.)

- (d) Corporate Guarantee of UEM Land; and
- (e) Letter of Undertaking from UEM Land to provide sufficient funds to meet all costs overruns and shortfall in the cashflow and working capital of the Nusa Idaman Project.

6.27 Deferred tax liabilities

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
At 1 January	117,049	124,637	168,222	154,787
Recognised in income statement	(935)	(4,838)	(88,815)	(2,069)
Fair value adjustment on land held for property development and property development cost	8,523	48,423	75,380	-
At 31 December/ 30 June	124,637	168,222	154,787	152,718

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

Deferred tax liabilities of the Group:

	Revaluation of Land and Building RM'000	Interest Capitalised RM'000	Others RM'000	Total RM'000
At 1 January 2005	-	336,669	4,295	340,964
Recognised in the income statements	(3,841)	24,681	(202)	20,638
Fair value adjustment on land held for property development and property development cost	8,523	-	-	8,523
At 31 December 2005	4,682	361,350	4,093	370,125

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.27 Deferred tax liabilities (Contd.)

Deferred tax liabilities of the Group:

	Revaluation of Land and Building RM'000	Interest Capitalised RM'000	Others RM'000	Total RM'000
At 1 January 2006	4,682	361,350	4,093	370,125
Recognised in the income statements	(2,633)	(44,326)	(311)	(47,270)
Fair value adjustment on land held for property development and property development costs	48,423	-	-	48,423
At 31 December 2006	50,472	317,024	3,782	371,278
At 1 January 2007	50,472	317,024	3,782	371,278
Recognised in the income statements	(47,875)	(100,374)	(1,326)	(149,575)
Fair value adjustment on land held for property development and property development costs	75,380	-	-	75,380
At 31 December 2007	77,977	216,650	2,456	297,083
At 1 January 2007	77,977	216,650	2,456	297,083
Recognised in the income statements	(1,324)	(11,413)	(58)	(12,795)
At 30 June 2008	76,653	205,237	2,398	284,288

Deferred tax assets of the Group:

	Provisions RM'000	Tax Losses and Capital Allowances RM'000	Total RM'000
At 1 January 2005	(1,387)	(222,528)	(223,915)
Recognised in the income statements	(163)	(21,410)	(21,573)
At 31 December 2005	(1,550)	(243,938)	(245,488)

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.27 Deferred tax liabilities (Contd.)

Deferred tax assets of the Group:

	Provisions RM'000	Tax Losses and Capital Allowances RM'000	Total RM'000
At 1 January 2006	(1,550)	(243,938)	(245,488)
Recognised in the income statements	(121)	42,553	42,432
At 31 December 2006	(1,671)	(201,385)	(203,056)
At 1 January 2007	(1,671)	(201,385)	(203,056)
Recognised in the income statements	(382)	61,142	60,760
At 31 December 2007	(2,053)	(140,243)	(142,296)
At 1 January 2008	(2,053)	(140,243)	(142,296)
Recognised in the income statements	256	10,470	10,726
At 30 June 2008	(1,797)	(129,773)	(131,570)

Deferred tax assets are not recognised in respect of the following items.

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Unused tax losses	264,353	241,947	577,576	479,252
Unabsorbed capital allowances	10,825	3,315	3,942	6
Others	-	3,172	3,157	1,543
	275,178	248,434	584,675	480,801

Deferred tax assets has not been recognised on unused tax losses and unabsorbed capital allowances as it is not probable that the companies in which the tax losses and capital allowances arises have future taxable profits to utilise them.

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

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.28 Provisions

	Land acquisition and appeal costs RM'000 (Note a)	Resettlement costs RM'000 (Note b)	Provision for construction costs RM'000 (Note c)	Total RM'000
2005				
At 1 January	55,427	33,993	290	89,710
Provision for the year	1,184	-	-	1,184
Utilised	(10,770)	(7,144)	(13)	(17,927)
Reversal	(16,879)	-	-	(16,879)
At 31 December	28,962	26,849	277	56,088
2006				
At 1 January	28,962	26,849	277	56,088
Utilised	(10,000)	(5,704)	(100)	(15,804)
At 31 December	18,962	21,145	177	40,284
2007				
At 1 January	18,962	21,145	177	40,284
Utilised	(10,000)	(368)	(170)	(10,538)
Addition	-	-	4,837	4,837
At 31 December	8,962	20,777	4,844	34,583
2008				
At 1 January	8,962	20,777	4,844	34,583
Utilised	(8,530)	-	(1,120)	(9,650)
At 30 June	432	20,777	3,724	24,933

(a) Land acquisition and appeal costs

Provision for land acquisition and appeal costs is in respect of disputes on the compensation payable to the previous landowners of Bandar Nusajaya by BND. The provision is recognised based on award of additional compensation by the High Court and Federal Court. BND is not directly involved in this litigation, but by virtue of the Novation Agreement dated 2 December 1994 entered between BND, UEM and the State Authority ("1994 Novation Agreement"), BND is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the land owners.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.28 Provisions (Contd.)

(b) Resettlement costs

BND undertook to relocate certain settlers in Bandar Nusajaya. The provision is recognised based on the estimate derived from past experience.

(c) Provision for construction costs

Provision for construction costs relates to estimated final claims by sub-contractors which have not been finalised.

Provision for land acquisition, appeal costs and resettlement costs have been capitalised in the land held for property development and property development costs and recognised as part of cost of sales based on land area sold.

6.29 Payables

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Trade payables	13,667	15,122	43,382	36,558
Amount due to customers on construction contracts (6.18(i))	422	139	2,672	2,161
Amount due to related parties	65,216	73,941	81,957	97,197
Accruals for contract claims	6,305	58,489	83,796	36,384
Other payables and accruals	22,667	20,930	46,588	49,049
	<u>108,277</u>	<u>168,621</u>	<u>258,395</u>	<u>221,349</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.29 Payables (Contd.)

(i) Other payables and accruals

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Sundry creditors	11,247	11,992	10,259	8,133
Deposits received		-	24,176	18,069
Accruals	1,762	8,749	4,041	2,862
Employee benefits	1,068	189	3,731	2,475
External infrastructure contribution				
from land sales	-	-	4,381	17,510
Dividend payable	8,590	-	-	-
	<u>22,667</u>	<u>20,930</u>	<u>46,588</u>	<u>49,049</u>

6.30 Contingent liabilities

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Unsecured				
Litigation, claims and legal suits				
- potential compensation payable to Felcra settlers	97,610	97,610	97,610	97,610
- potential compensation payable to the previous land owners	201,612	201,318	201,318	201,318
Income tax assessment	-	-	-	37,641
	<u>299,222</u>	<u>298,928</u>	<u>298,928</u>	<u>336,569</u>

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.30 Contingent liabilities (Contd.)

(a) Potential compensation payable to Felcra settlers

- (i) A group of thirty three (33) Felcra settlers ("the Plaintiffs-1") has collectively served an originating summons against Felcra Berhad ("Felcra"), District Land Administrator ("DLA") and the Johor State Government ("State Government") (collectively the "Defendants"). The Summons pertain to 198 acres of land previously owned by the State Government, developed by Felcra and subsequently alienated to BND, for the development of Bandar Nusajaya.

The Plaintiffs-1 seek, inter-alia, for the Defendants to pay an additional total sum of RM54.0 million for the 198 acres and an acre of land to each Plaintiff-1.

- (ii) On 9 June 2003, another group of one hundred ninety seven (197) Felcra settlers ("the Plaintiffs-2") has collectively served an originating summons against the Defendants. The summons pertain to 900 acres of land previously owned by the Johor State Government, developed by Felcra and subsequently alienated to BND for the development of Bandar Nusajaya.

The Plaintiffs-2 seek, inter-alia, for the Defendants to pay to each Plaintiff-2 a sum of RM70,000 per acre, instead of RM29,162 (on average) as awarded by the State Government. The indicative contingent liability to BND is in the region of RM37 million.

BND is not directly involved in these litigations, but by virtue of the Novation Agreement, is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the Plaintiffs-1 and Plaintiffs-2. BND had been informed by the State Legal Advisor's Chamber that the High Court will resume full hearing of the case on 2 and 3 April 2009.

(b) Potential compensation payable to the previous land owners

There are in total fifty (50) cases referred to High Court involving claims against the State Government for additional compensation amounting to RM634.8 million by the previous landowners of lands acquired for the Second Malaysian Crossing Project.

10. FINANCIAL INFORMATION (cont'd)



6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6.30 Contingent liabilities (Contd.)

After hearing the 50 cases, the High Court maintained the amount of compensation awarded by the DLA in 15 cases, and increased the amount of compensation in the remaining 35 cases. The parties involved however, made further appeals to the Court of Appeal for higher compensation. However, the Court of Appeal ordered that all land acquisition appeals to be transferred to the Federal Court.

Of these 50 cases:

- (i) 1 has been heard and dismissed by the Court of Appeal;
- (ii) 4 have been heard and dismissed by the Federal Court;
- (iii) 2 have accepted out-of-court settlements proposed by the Johor State Legal Advisor;
- (iv) 4 have withdrawn the case against DLA; and
- (v) 2 have been heard and granted additional compensation amounting to RM19.5 million by the Federal Court.

The remaining thirty seven (37) cases are pending hearing at the Federal Court and are seeking a total of RM201.3 million as additional compensation.

BND is not directly involved in these litigations but by virtue of the Novation Agreement, is responsible for the additional land cost of land alienated to it, which includes the amounts claimed by the previous landowners.

To date, no date has been fixed for hearing.

(c) Income tax assessment

On 16 January 2007, UEM Land received an additional assessment from the Inland Revenue Board for additional tax payable and tax penalty in respect of years of assessment 2003 and 2004, which would have resulted in an additional expense to the Group of RM37,640,702. UEM Land has started the appeal process against the additional assessment. Based on the advice received from the tax agent, no provision for income tax has been made by the Group for this additional tax assessment and penalty as the Directors believe that the grounds for the appeal are valid.

UEM Land had been informed that the Special Commissioners of the Inland Revenue Board had decided for first hearing to be scheduled on the 2 and 3 April 2009.