

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.30 Contingent liabilities (Contd.)

(d) Creation of a third party charge over approximately 1,228 acres of land ("Development Land") by Greens, a subsidiary of UEM Land, in favour of the security trustee for the following:

(i) The issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of Islamic Securities of up to RM270.0 million nominal value by Horizon Hills (the "Issuer"), a joint venture company between Gamuda Berhad ("Gamuda") and UEM Land on a 50:50 equity basis, comprising:

- Up to 12-year Islamic Bank Guaranteed Medium-Term Notes Programme of up to RM200.0 million nominal value under the principles of Murabahah ("IMTN Programme"); and
- Up to 7-year Islamic Commercial Papers Programme of up to RM70.0 million nominal value under the principles of Murabahah.

(Collectively referred to as "Programmes")

(ii) A Kafalah (bank guarantee) facility of up to RM205.0 million to guarantee the nominal value of the IMTN Programme of up to RM200.0 million and one profit payment in respect of the IMTN Programme of up to RM5.0 million ("Kafalah Facility").

On 16 June 2005, UEM Land entered into a joint venture ("JV") agreement with Gamuda to carry out the proposed mixed development with a golf course, clubhouse and facilities on the Development Land via Horizon Hills ("Proposed Development"). On the same day, Greens, the registered owner of the Development Land, entered into a Development Agreement ("DA") with Horizon Hills for the Proposed Development.

Horizon Hills had on 18 May 2007 entered into the above Programmes and Kafalah Facility. Under the Programmes and Kafalah Facility, Greens, is required to provide financial assistance in the form of the creation of a third party charge over the Development Land ("Charge") in favour of the security trustee for the Programmes and Kafalah Facility. The Development Land is valued at approximately RM365.5 million.

Save and except in the event of a default on the Programmes, the Charge is not expected to have a financial impact on UEM Land.

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.31 Financial instrument and financial risk management objectives and policies

The daily operations of the 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.

The use of financial instruments exposes the Group to financial risks which are categorised as credit, foreign currency, liquidity, cash flow, interest rate and market risks.

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

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

The policies for controlling these risks when applicable are set out below:

**(a) Credit risks**

The Group controls its 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 the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis.

Generally, the Group does not require collateral in respect of its financial assets. The Group is not duly exposed to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instrument.

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.31 Financial instrument and financial risk management objectives and policies (Contd.)

## (b) Foreign currency risks

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level and short-term imbalances are addressed by buying or selling foreign currencies at spot rates.

The table below shows the Group's currency exposures, i.e. those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the income statements. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating units involved.

Functional currency	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
South Africa Rand	61,864	40,987	42,137	33,926
USD	15,072	14,038	13,005	12,805
Australian Dollars	30	-	-	-
	<u>76,936</u>	<u>55,025</u>	<u>55,142</u>	<u>46,731</u>

These amounts relate to inter-company balances (eliminated at Group) which are denominated in a different currency to the functional currency of the operating unit involved and are included in the table above as they potentially give rise to currency gains and losses recognised in the income statements.

## (c) Liquidity and cash flow risks

The Group actively manages its 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 its overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.31 Financial instrument and financial risk management objectives and policies (Contd.)

## (c) Liquidity and cash flow risks (Contd.)

In addition, the Group's 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, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The debt maturity profile of the Group is disclosed as follows:

Maturity of bonds and borrowings

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
Within 1 year	-	-	10,710	8,752
Between 2 and 5 years	-	-	1,841	1,841
After five years	2,390,771	2,445,240	547,738	568,080
	<u>2,390,771</u>	<u>2,445,240</u>	<u>560,289</u>	<u>578,673</u>

## (d) Interest rate risks

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The interest profile of the financial assets and liabilities of the Group as at balance sheet date is as follows:

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
<b>Financial Assets</b>				
Floating rate	204,402	83,352	58,767	84,458
Fixed rate	100,807	114,577	-	-

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.31 Financial instrument and financial risk management objectives and policies (Contd.)

## (d) Interest rate risks (Contd.)

	2005 RM'000	2006 RM'000	2007 RM'000	30.6.2008 RM'000
<b>Financial Liabilities</b>				
Fixed rate	2,390,772	2,445,240	623,289	753,673

The average interest rates per annum on the financial assets and liabilities as at balance sheet date were as follows:

	2005 %	2006 %	2007 %	30.6.2008 %
<b>Financial Assets</b>				
Floating rate	2.92	3.14	3.39	3.46
Fixed rate	5.30	5.30	-	-
<b>Financial Liabilities</b>				
Fixed rate	4.75	4.75	7.08	7.08

## (e) Market risks

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, the Group maintains sufficient financial resources to offer its lenders should the market value of the security assets falls below the margin required by the lenders.

## (f) Fair values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group.

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective interest 30.6.2008 %
UEM Land Berhad	Project procurement and management and strategic investment holding company	1,092,866,148	Malaysia	100
<b>Subsidiaries of UEM Land Berhad</b>				
Amra Resources Sdn. Bhd.	Investment holding	100,000,000	Malaysia	100
* Nusajaya Medical Park Sdn. Bhd.	Construct, manage and/or operate specialized buildings for long term lease	2	Malaysia	100
Fleet Group Sdn. Bhd.	Investment holding	100,000,000	Malaysia	100
Cahaya Jauhar Sdn. Bhd.	Undertake the turnkey design and build contract for the development of the Johor State New Administrative Center	2,071,042	Malaysia	60
Hatibudi Nominees (Tempatan) Sdn. Bhd.	Investment holding	1,000,000	Malaysia	100
* Marina Management Sdn. Bhd. (formerly known as Hing Yiap Fibremakers Sdn. Bhd.)	Dormant	1,000,003	Malaysia	100
Mahisa Sdn. Bhd.	Property development and undertaking construction contracts	750,000	Malaysia	100
Marak Unggul Sdn. Bhd.	Dormant	10,000	Malaysia	50.01
UEML-ZRE-Reit Managers Sdn. Bhd.	Promoter and manager for diversified real estate investment trust	100	Malaysia	72

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
* Nilaimas Sdn. Bhd.	Dormant	1,069,002	Malaysia	100
Nusajaya Development Sdn. Bhd.	Property development	2,750,000	Malaysia	100
++ Projek Usahasama Transit Ringan Automatik Sdn. Bhd.	In liquidation	300,000,000	Malaysia	100
* Renong Credit & Leasing Sdn. Bhd.	Ceased operations	2,250,002	Malaysia	100
** Renong Debt Management Sdn. Bhd.	Investment holding	1,000,000	Malaysia	99.99
Renong Nusantara Sdn. Bhd.	Investment holding	60,000,000	Malaysia	100
Renong Overseas Corporation Sdn. Bhd.	Provision of reimbursable support services to the Group	45,000,007	Malaysia	100
Renong Pacific Sdn. Bhd.	Investment holding	2	Malaysia	100
Renong Solutions (M) Sdn. Bhd.	Ceased operations	3,000,000	Malaysia	100
Renong Ventures Sdn. Bhd.	Investment holding	500,000	Malaysia	100
* Renong-India Sdn. Bhd.	Dormant	2	Malaysia	100
* Teck Hwa Knitting Industries Sdn. Bhd.	Ceased operations	650,000	Malaysia	100
Grand Influx Sdn. Bhd.	General Trading	2	Malaysia	100
Mangrove Riviera Sdn. Bhd.	Property Development	2	Malaysia	100

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
<b>Subsidiaries of Amra Resources Sdn. Bhd</b>				
Bandar Nusajaya Development Sdn. Bhd.	Investment holding, property development, land trading and an agent for its subsidiaries	100,000,000	Malaysia	100
<b>Subsidiaries of Bandar Nusajaya Development Sdn. Bhd.</b>				
Nusajaya Energy Sdn. Bhd.	Dormant	2	Malaysia	100
Nusajaya Industrial Park Sdn. Bhd.	Property development	2	Malaysia	100
Preferred Resources Sdn. Bhd.	Dormant	5,000,000	Malaysia	70
Nusajaya Campus Sdn. Bhd.	Dormant	2	Malaysia	100
Nusajaya Gardens Sdn. Bhd.	Land trading and investment holding	2,600,000	Malaysia	100
Nusajaya Greens Sdn. Bhd.	Property development, land trading and investment holding	2,600,000	Malaysia	100
Nusajaya Group Sdn. Bhd.	Investment holding	2	Malaysia	100
Nusajaya Healthcare Sdn. Bhd.	Dormant	2	Malaysia	100
Nusajaya Heights Sdn. Bhd.	Property development, land trading and investment holding	2,600,000	Malaysia	100
Nusajaya Management Services Sdn. Bhd.	Dormant	2	Malaysia	100



## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
Nusajaya Rise Sdn. Bhd.	Property development, land trading and investment holding	2,600,000	Malaysia	100
Nusajaya Riverside Sdn. Bhd.	Investment holding	50,000	Malaysia	99.9
Nusajaya Seaview Sdn. Bhd.	Land trading and investment holding	2,600,000	Malaysia	100
Nusajaya Infra Sdn. Bhd.	Investment holding	50,000	Malaysia	99.9
Nusajaya Warehousing Sdn. Bhd.	Dormant	2	Malaysia	100
Nusajaya Hotels Sdn. Bhd.	Dormant	2	Malaysia	100
Nusajaya Leisure Sdn. Bhd.	Land trading and investment holding	2,600,000	Malaysia	100
<b>Subsidiaries of Nusajaya Riverside Sdn. Bhd.</b>				
Nusajaya High-Tech Park Sdn. Bhd.	Dormant	2	Malaysia	99.9
Nusajaya Resort Sdn. Bhd.	Dormant	2	Malaysia	99.9
<b>Subsidiaries of Nusajaya Infra Sdn. Bhd.</b>				
Nusajaya Consolidated Sdn. Bhd.	Dormant	2	Malaysia	99.9
Nusajaya Business Park Sdn. Bhd.	Dormant	2	Malaysia	99.9
Nusajaya Equity Sdn. Bhd.	Dormant	50,000	Malaysia	99.9

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
<b>Subsidiaries of Nusajaya Group Sdn. Bhd.</b>				
Nusajaya Land Sdn. Bhd.	Property development	2,600,000	Malaysia	100
<b>Subsidiaries of Fleet Group Sdn. Bhd.</b>				
Cantuman Bahagia Sdn. Bhd.	Investment holding	1,000,000	Malaysia	100
Fibroceil Manufacturing (Malaysia) Sdn. Bhd.	Investment holding	2,000,000	Malaysia	100
Jaguh Mutiara Sdn. Bhd.	Investment holding	1,000,000	Malaysia	100
<b>Subsidiary of Renong Nusantara Sdn. Bhd.</b>				
P.T. Bias Permata	Trading	Rp900,000,000	Indonesia	100
<b>Subsidiary of P.T. Bias Permata</b>				
P.T. Hardja Setia	Agriculture, plantation, trading, mining and construction	Rp50,000,000	Indonesia	100
<b>Subsidiaries of Renong Overseas Corporation Sdn. Bhd.</b>				
Renong Overseas Corporation (S.A.) (Proprietary) Ltd	Investment holding	Rand 200	South Africa	100

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
<b>Subsidiaries of Renong Overseas Corporation (S.A.) (Proprietary) Ltd</b>				
R.O.C Management Services (Proprietary) Ltd	Representation of holding company in South Africa	Rand 1	South Africa	100
Roc-Union (Proprietary) Ltd	Investment holding	Rand 100	South Africa	80.4
<b>Subsidiaries of Roc-Union (Proprietary) Ltd</b>				
Rocpoint (Proprietary) Ltd	Acquisition and development of land	Rand 500,000	South Africa	80.4
<b>Subsidiary of Renong Ventures Sdn. Bhd.</b>				
* Merak Indera Sdn. Bhd.	Dormant	2,000,000	Malaysia	100
<b>Associates</b>				
* Equinox Film Production & Distributors Sdn. Bhd.	Dormant	125,000	Malaysia	25
OptixLab Sdn. Bhd.	Ceased operations	4,000,000	Malaysia	50
Probalance Sdn. Bhd.	Under members' liquidation	100,000,000	Malaysia	47.2
Touch 'N Go Sdn. Bhd.	Operation of a central clearing house for contactless smartcard and related services	16,670,000	Malaysia	20
* Setia Haruman Sdn. Bhd.	Property development and sale of land	6,000,000	Malaysia	25

## 10. FINANCIAL INFORMATION (cont'd)



## 6. NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 6.32 Subsidiaries, associates and joint ventures (Contd.)

Name of Company	Principal Activities	Issued and paid up share capital	Place of Incorporation	Effective Interest 30.6.2008 %
<b>Associate of Hatibudi Nominees (Tempatan) Sdn. Bhd.</b>				
BIB Insurance Brokers Sdn. Bhd.	Insurance brokers, insurance consultants, commission agents and investment holding	1,500,000	Malaysia	30
<b>Joint Ventures</b>				
Horizon Hills Development Sdn. Bhd.	Property development	5,000,000	Malaysia	50
Haute Property Sdn. Bhd.	Property development	100,000	Malaysia	40

Note:

++ Under liquidation

\* Audited by Afrizan Tarmili Khairul Azhar

\*\* One special ordinary share is held by UEM

## 7. ACCOUNTING POLICIES AND STANDARDS

## (a) Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention, unless otherwise disclosed in other significant policies, and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

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

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (b) Basis of Consolidation

## (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

## (ii) Merger accounting

Pursuant to a Restructuring Scheme for the purposes of listing UEM Land, a new parent company was introduced, which is now called ULHB. FRS 3 defines business combinations involving entities or businesses under common control as a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such business combinations fall outside the scope of FRS 3 and can be accounted for using merger accounting principles. The introduction of ULHB constitutes a Group reconstruction and has been accounted for using merger accounting principles.

Merger accounting incorporates the identifiable assets, liabilities and contingent liabilities of the entities or businesses at the carrying amounts prior to the combination in the consolidated financial statements. No goodwill arises on consolidation and any difference arising from the use of merger accounting is included in equity as merger reserve or merger deficit. Merger reserves are classified as equity and regarded as a non-distributable reserve. Merger deficits are adjusted against any suitable reserves.

Therefore, the consolidated financial statements of ULHB are presented as if the Company and UEM Land had always been part of the same Group. Accordingly, the results of the Group for the entire year ended 31 December 2005, 31 December 2006, 31 December 2007 and period ended 30 June 2008 are shown in the consolidated income statements. The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (b) Basis of Consolidation

## (iii) Basis of consolidation

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

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

## (iv) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (b) Basis of Consolidation (Contd.)

## (iv) Associates (Contd.)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The most recent available audited financial statements or management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the audited financial statements available or management financial statements to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (b) Basis of Consolidation (Contd.)

## (iv) Associates (Contd.)

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

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

## (v) Joint Ventures

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

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 7 (b) (iv).

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

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

## (c) Goodwill

Goodwill acquired in a business combination is capitalised as an asset and is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with Note 7 (n). Any impairment losses recognised for goodwill shall not be reversed in a subsequent period.



## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

Freehold land and building	2%
Renovation	5% - 10%
Motor vehicles	25%
Others	10% - 50%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

## (e) Cash Flow Statement and Consolidated Cash Flow Statement

The cash flow statement and consolidated cash flow statement classify movements in cash and cash equivalents according to operating, investing and financing activities. The Group and the Company do not consider any of its assets other than fixed deposits with licensed financial institutions, cash and bank balances reduced by bank overdrafts as meeting the definition of cash and cash equivalents.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (f) Land Held for Property Development and Property Development Costs

Land held for property development consists of land where no development activity has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development is classified within non-current assets and is stated at cost less impairment losses. Cost consists of land and development expenditure and include borrowing costs relating to the financing of the land and development. The policy for the recognition and measurement of impairment losses is in accordance with Note 7(n).

Profit on sale of land held for property development is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group.

Property development costs are those assets on which significant works have been undertaken and are expected to be completed within the normal operating cycle.

Property development costs are stated at cost. Cost consists of land and development expenditure. Development expenditure includes borrowing costs relating to the financing of the land and development.

Profit on sale of property development costs is recognised when the outcome of the contract can be reasonably estimated using the percentage of completion method to the extent of total sales value of units sold. The percentage of completion is based on total cost incurred to date over total estimated cost of the project. Provision is made for all foreseeable losses on property development costs.

## (g) Construction and Turnkey development contracts

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

Where the outcome of construction and turnkey development contracts cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (g) Construction and Turnkey development contracts

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

## (h) Provision

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## (i) Inventories

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction and appropriate development overheads.

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

## (j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (j) Income Tax (Contd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

## (k) Employee Benefits

## (i) Short term benefits

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

## (ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (k) Employee Benefits

## (iii) Equity-settled share-based payment transactions with employees

UEM undertakes an Employee Equity Scheme ("EES") whereby employees (including senior executives) of the Group receive part of their remuneration in the form of share-based payment transaction, entitlement to the EES Shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date at which they are granted. This cost is recognised as an employee cost to the income statement, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

No expense is recognised for awards that do not ultimately vest. Where vesting is conditional upon a market condition, it is treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

## (l) Foreign Currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising from the translation of long term receivable from or payable to a foreign subsidiary that forms part of the reporting entity's net investment, which are recognised in the income statement in the separate financial statements of the reporting entity or the individual financial statements of the foreign subsidiary, are taken directly to Foreign Exchange Reserve in the consolidated financial statements.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (l) Foreign Currencies

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

## (m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

## (i) Property development

## (a) Sale of developed land

Sale of developed land is recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group.

## (b) Construction and turnkey development contracts

Revenue from construction and turnkey development contracts is accounted for using the percentage of completion method as described in Note 7(g) above.

## (c) Sale of developed properties

Revenue from sale of development properties classified as property development costs is accounted for by the percentage of completion method. The percentage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

## (d) Sale of completed development properties

Sale of completed development properties is recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (m) Revenue Recognition (Contd.)

## (ii) Strategic land sales

Contracts for strategic land sales are recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group.

## (iii) Interest

Interest income is recognised on an accrual basis. Where recoverability is uncertain, interest income will be recognised on a receipt basis.

## (iv) Dividend

Dividend income from investments in subsidiaries, associates and other investments are included in the income statement when the shareholders' right to receive payment is established and no significant uncertainty exists as regard to its receipt.

## (n) Impairment of Assets

The carrying amount of the Group's assets are reviewed at each balance sheet reporting date to determine whether there is any indication of impairment. Intangible asset with indefinite useful lives such as goodwill is tested for impairment annually at financial year-end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flow are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (n) Impairment of Assets (Contd.)

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset, with the excess of the impairment loss charged to the income statement.

All reversals of impairment losses are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

## (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 7(n).

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.



**10. FINANCIAL INFORMATION (cont'd)**

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**7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)****(o) Financial Instruments (Contd.)****(ii) Short Term Investments**

Short term investments are stated at the lower of cost and market value. Increases or decreases in the carrying amount of investments are credited or charged to the income statement

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

**(iii) Receivables**

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

**(iv) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(v) Interest-Bearing Borrowings**

Interest-bearing loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

**(vi) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved and declared.

## 10. FINANCIAL INFORMATION (cont'd)



## 7. ACCOUNTING POLICIES AND STANDARDS (CONTD.)

## (o) Financial Instruments (Contd.)

## (vii) Project Development Costs

Project development costs are recognised as an expense except that costs incurred on an individual development project are recognised as development asset to the extent that such expenditure is expected to generate future economic benefits. Development costs are only recognised as an asset when it is probable that future economic benefits will be realised as a result of the specific expenditure and the costs can be measured reliably.

Following the initial recognition of the development expenditure, the asset is carried at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the Note 7 (n) except that impairment losses are not written back even if there are changes to circumstances or events that led to the impairment.

Development costs are derecognised when they are disposed of or when no future economic benefit is expected from the disposal. Development expenditure that has been capitalised is expensed off over the period of expected future sales from the related project.

## (viii) Disposal Group Held for Sale

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of all the assets and liabilities in a disposal group is brought up-to-date in accordance with applicable FRS 5, Non current Assets Held for Sale and Discontinued Operations. Then, on initial classification as held for sale, disposal group are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

## (p) Prepaid land lease payments

Prepaid land lease payments are accounted for as operating leases where substantially all the rewards and risk of ownership of assets remain with the lessor. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on a straight-line basis over the lease terms.

## 10. FINANCIAL INFORMATION (cont'd)



## 8. SIGNIFICANT AND SUBSEQUENT BALANCE SHEET EVENTS

## 8.1 Proposed disposal of Puteri Harbour Land

On 12 June 2008, UEM World announced a proposed disposal of approximately 43.54 acres of land in Puteri Harbour ("the Land"), to DAMAC Properties (Malaysia) Sdn. Bhd. ("DAMAC") ("Proposed Disposal").

On the same day, DAMAC, BND and the UEM Land entered into a Sale And Purchase Agreement ("SPA") to give effect to the Proposal Disposal.

The salient terms of the Proposed Disposal are as follows:

- (a) BND, the registered owner of the land, has appointed UEM Land as the master developer of Puteri Harbour, and granted power to deal with and decide on and implement all aspects of the development related to Puteri Harbour;
- (b) UEM Land has agreed to sell and DAMAC has agreed to purchase the Land subject to the express conditions and restrictions-in-interest as may be prescribed in the issue document of titles to the land in accordance to the provisions of the SPA;
- (c) the SPA is conditional upon the conditions precedent within 6 months from the SPA date with an automatic extension of another 6 months thereafter; and
- (d) the cash consideration of RM396,438,495 under the Proposed Disposal shall be satisfied in installments over a period of approximately 4 years from the effective date of the SPA, which shall be the immediate day after the date when all the conditions precedent have been fulfilled.

The Proposal Disposal is subject to the following conditions precedent:

- (a) approval from the Foreign Investment Committee for the sale of land;
- (b) approval from the relevant authorities for the amended layout plan for Puteri Harbour;
- (c) issuance of the individual land titles to the land with category of land use; and
- (d) the consent of the State Authority for the sale of land.

## 10. FINANCIAL INFORMATION (cont'd)



## 8. SIGNIFICANT AND SUBSEQUENT BALANCE SHEET EVENTS

## 8.2 Proposed acquisitions of freehold land and interests in Finwares Sdn. Bhd. and Hartanah Lintasan Kedua Sdn. Bhd.

UEM Land had on 24 June 2008 entered into the following agreements:

- (a) a conditional sale and purchase agreement with UEM Construction Sdn. Bhd. ("UEMC") (a wholly-owned subsidiary of UEM Builders Berhad, ("UEM Builders"), a subsidiary of UEM World) for the acquisition of 20 parcels of freehold land located in Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim for a purchase consideration of RM46,146,000 to be satisfied via the issuance of 46,146,000 Mandatory Convertible Redeemable Preference Share ("MCRPS") at an issue price of RM1.00 per MCRPS of ULHB ("Proposed UEMC Land Acquisition");
- (b) a conditional sale of shares agreement with UEMC for the acquisition of 2 ordinary shares of RM1.00 each in Finwares Sdn. Bhd. ("Finwares") representing the entire issued and paid-up share capital of Finwares, 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. Finwares holds 73.36% shares in an undivided freehold land parcel identified as H.S.(D) 297739, Lot PTD 2987 located at Mukim of Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim ("PTD 2987 Parcel") ("Proposed Finwares Acquisition"); and
- (c) a conditional sale and purchase agreement with Hartanah Lintasan Kedua Sdn. Bhd. ("Hartanah"), a wholly owned subsidiary of UEM Group for the acquisition of Hartanah's 26.64% share of the PTD 2987 Parcel for a total 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 the "Proposed Acquisitions")

The Proposed UEMC Land Acquisition, Proposed Finwares Acquisition and Proposed Hartanah Land Acquisition are not conditional upon each other.

## 10. FINANCIAL INFORMATION (cont'd)



## 8. SIGNIFICANT AND SUBSEQUENT BALANCE SHEET EVENTS

## 8.3 Legal Action

Vullindlela Holdings (Pty) Limited has jointly with Vullindlela Investments (Pty) Limited ("Applicants") filed an interlocutory proceedings in the High Court of South Africa, Durban and Coast Local Division against Renong Overseas Corporation Sdn Bhd ("ROC"), a wholly-owned subsidiary of the Company. The Applicants are companies incorporated in South Africa and hold direct and indirect interest in ROC Union Pty Ltd, a subsidiary of Renong Overseas Corporation SA (Pty) Limited ("ROCSA"), which in turn is a wholly owned subsidiary of ROC.

The Applicants are requesting for a relief to injunct ROC from completing its sale of shares in ROCSA to Bonatla Property Holdings Ltd and/or its nominee, N. Georgiou Trust. ROCSA and Vullindlela Holdings (Pty) Limited respectively holds 80.4% and 19.6% equity interests in ROC-Union (Pty) Limited.

## 9. AUDITED FINANCIAL STATEMENTS

No audited financial statements of ULHB or of the Group have been prepared in respect of any period subsequent to 30 June 2008.

Yours faithfully,

Ernst & Young  
AF:0039  
Chartered Accountants  
Kuala Lumpur, Malaysia

Ahmed Zahirudin bin Abdul Rahim  
No. 2607/12/08(J)  
Partner

10. FINANCIAL INFORMATION *(cont'd)*

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**ERNST & YOUNG**

# APPENDIX 1

**10. FINANCIAL INFORMATION (cont'd)**

■ **Chartered Accountants**  
 Level 23A, Menara Milenium  
 Jalan Damanlela  
 Pusat Bandar Damansara  
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 50734 Kuala Lumpur, Malaysia

90894 P

**REPORT OF THE AUDITORS TO THE MEMBER OF  
 UEM LAND SDN. BHD.  
 (Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 97. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 38 to the financial statements, being financial statements that have been included in the consolidated financial statements.

## 10. FINANCIAL INFORMATION (cont'd)




90894 P


**REPORT OF THE AUDITORS TO THE MEMBER OF  
UEM LAND SDN. BHD. (CONTD.)  
(Incorporated in Malaysia)**

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.



ERNST & YOUNG  
AF: 0039  
Chartered Accountants



ABDUL RAUF BIN RASHID  
No. 2305/05/08(J)  
Partner

Kuala Lumpur, Malaysia  
27 February 2007



## 10. FINANCIAL INFORMATION (cont'd)



■ **Chartered Accountants**  
 Level 23A, Menara Milenium  
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90894 P

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
 UEM LAND SDN. BHD.  
 (Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 92. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

## 10. FINANCIAL INFORMATION (cont'd)




90894 P


**REPORT OF THE AUDITORS TO THE MEMBERS OF  
UEM LAND SDN. BHD. (CONTD.)  
(Incorporated in Malaysia)**

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 38 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

  
ERNST & YOUNG  
AF: 0039  
Chartered Accountants

  
ABDUL RAUF BIN RASHID  
No. 2305/05/08(J)  
Partner

Kuala Lumpur, Malaysia  
27 February 2008

## 10. FINANCIAL INFORMATION (cont'd)



**Ernst & Young**  
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90894 P

**Independent auditors' report to the board of directors****UEM LAND BERHAD****(Formerly known as UEM Land Sdn. Bhd.)****(Incorporated in Malaysia)****Report on the financial statements**

We have audited the financial statements of UEM Land Berhad (formerly known as UEM Land Sdn. Bhd.), which comprise the balance sheet as at 30 June 2008 of the Group and of the Company, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 78.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

## 10. FINANCIAL INFORMATION (cont'd)



90894 P

**Independent auditors' report to the board of directors  
UEM LAND BERHAD (contd.)  
(Formerly known as UEM Land Sdn. Bhd.)  
(Incorporated in Malaysia)**

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of its financial performance and cash flows for the period then ended.

*Other matters*

This report is made solely to the board of directors of the Company for submission to the Securities Commission in connection with the proposed listing of the holding company, UEM Land Holdings Berhad on the Main Board of the Bursa Malaysia Securities Berhad. We do not assume responsibility to any other person for the content of this report.

A stylized signature of the Ernst &amp; Young firm, consisting of a series of connected loops and lines.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
29 September 2008

A handwritten signature of Ahmad Zahirudin bin Abdul Rahim, written in a cursive style.

Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/08(J)  
Chartered Accountant

## 11. DIRECTORS' REPORT



**Registered Office:**  
2<sup>nd</sup> Floor, Bangunan MCOBA  
No. 42, Jalan Syed Putra  
50460 Kuala Lumpur

31 October 2008

The Shareholders,  
**UEM LAND HOLDINGS BERHAD**

Dear Sir/Madam

On behalf of the Directors of UEM Land Holdings Berhad ("ULHB"), I report after due inquiry that during the period from 30 June 2008 (being the date to which the last audited financial statements of UEM Land Berhad ("UEM Land") (a wholly-owned subsidiary of ULHB) and its subsidiaries ("UEM Land Group") have been made), to 31 October 2008 (being a date not earlier than 14 days before the issue of the prospectus):

- (a) the business of the UEM Land Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, there have been no circumstances that have arisen since the last audited financial statements of UEM Land Group which have adversely affected the trading or the values of the assets of the UEM Land Group;
- (c) the current assets of the UEM Land Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) other than as disclosed in the prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the UEM Land Group;
- (e) as far as the Directors are aware, there have been, since the last audited financial statements of the UEM Land Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) since the last audited financial statements of the UEM Land Group, there have been no material changes in the published reserves or any unusual factors affecting the profits of the UEM Land Group.

No audited financial statements have been prepared by ULHB since its incorporation on 20 August 2008 to 31 October 2008 (being a period of less than 3 months from the date of incorporation of ULHB).

Yours faithfully

For and on behalf of the Board of Directors of  
**UEM LAND HOLDINGS BERHAD**

**WAN ABDULLAH BIN WAN IBRAHIM**  
Managing Director/Chief Executive Officer

UEM Land Holdings Berhad  
(830144-W)

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50460 Kuala Lumpur, Malaysia  
Tel: 603-2718 6868 Fax: 603-2718 6891

## 12. DESCRIPTION OF SHARE CAPITAL

*The following description of our Shares and MCRPS is a summary of the material terms of, and should be read with, our Memorandum and Articles of Association. It is also a summary of certain material rights and restrictions based on applicable provisions of the laws of Malaysia. A copy of our Memorandum and Articles of Association is available for inspection at our Registered Office. This summary is not intended to be complete or to constitute a definitive statement of the rights and liabilities of our Company's shareholders and is qualified in its entirety by reference to our Memorandum and Articles of Association and the laws of Malaysia.*

### 12.1 Share capital

As at the LPD, the authorised share capital of our Company is RM2,502,000,000 consisting of 5,000,000,000 Shares and 200,000,000 MCRPS. Our issued and paid-up share capital as at the LPD is RM1,214,088,455.50 comprising 2,428,176,911 Shares.

### 12.2 Our Shares

Our Shares to be distributed under the DIS shall rank equal in all respects among our existing issued and fully paid-up Shares, except that the Entitled Shareholders will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is before the date of crediting of the DIS Shares into the CDS account of the Entitled Shareholders.

Subject to any special right attaching to any share that we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits that we pay out as dividends and other distributions and the whole of any surplus in the event of liquidation of our Company, in accordance with our Articles.

At every general meeting, each shareholder shall be entitled to vote in person or by proxy or by attorney. Under a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have 1 vote. On a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held in our Company. A proxy may but need not be our member and the provisions of Section 149(1)(b) of the Act need not be complied with.

The changes in the issued and fully paid-up share capital of our Company since our incorporation to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Par value</u> <u>RM</u>	<u>Consideration/Type of issue</u>	<u>Cumulative issued and paid-up share capital</u> <u>RM</u>
20.08.2008	4	0.50	Subscribers' shares	2.00
04.09.2008	2,428,176,907	0.50	Consideration for acquisition of shares of UEM Land from UEM World and UEMG arising from the Reorganisation	1,214,088,455.50

Other than the above changes, there has been no change to our issued and paid-up share capital. Subject to the provisions of the Act and the Bursa Securities LR, we may purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

## 12. DESCRIPTION OF SHARE CAPITAL (cont'd)

### 12.3 MCRPS

The salient terms of the MCRPS to be issued pursuant to the Proposed Acquisitions are as follows:

Issuer	:	ULHB
Issue Price	:	RM1.00 per MCRPS
Issue Size	:	Up to RM154,914,002
Par Value	:	RM0.01 per MCRPS
Voting Rights	:	<p>The MCRPS shall carry no right to vote at any general meeting of the Issuer except with regard to:</p> <ul style="list-style-type: none"> <li>• any proposal to wind-up the Issuer;</li> <li>• during the winding-up of the Issuer;</li> <li>• any proposal that affects the rights of the MCRPS holders;</li> <li>• any proposal to reduce the Issuer's share capital;</li> <li>• any proposal for the disposal of the whole of the Issuer's property, business and undertaking; or</li> <li>• when the dividend or part of the dividend on the MCRPS is in arrears for more than 6 months.</li> </ul> <p>In any such case, the MCRPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote for each MCRPS held</p>
Ranking	:	Save for the Voting Rights (as set out above), the MCRPS shall rank equal in all respects amongst all MCRPS and the ordinary shares in the Issuer
Tenure	:	5 years commencing from and inclusive of the date of issue (" <b>Issue Date</b> ")
Maturity Date	:	Market Day immediately before the 5 <sup>th</sup> anniversary of the Issue Date. "Market Day" means a day on which Bursa Securities is open for trading in securities
Dividend	:	Any dividends to be paid to holders of the MCRPS must be decided at the discretion of the Directors of the Issuer, save that dividends on the MCRPS must be paid if dividends are paid on the ordinary shares of the Issuer
Dividend Rate	:	<p>A dividend per MCRPS payable to MCRPS holders shall be computed as follows:</p> $\frac{\text{Dividend per ordinary share declared/payable by the Issuer} \times \text{Issue Price}}{\text{Conversion Price}}$

**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

Dividend Date	:	Dividends on the MCRPS shall be payable on the date dividends are paid on the then existing ordinary shares in the Issuer
Conversion Price	:	RM2.21 per ordinary share in the Issuer
Conversion Period/Status	:	<ul style="list-style-type: none"> <li>• The MCRPS will not be convertible from the Issue Date until the end of year 3 from the Issue Date</li> <li>• Commencing after the end of year 3 from the Issue Date until the Maturity Date, the MCRPS shall be convertible into ordinary shares of the Issuer at the Conversion Price</li> <li>• Mandatory conversion of all outstanding MCRPS held by MCRPS holders by the Issuer at the Maturity Date</li> </ul>
Mode of Conversion	:	<p>The MCRPS shall be convertible into new ordinary shares in the Issuer during the Conversion Period with the following mode of conversion:</p> <p>(i) by tendering 1 MCRPS with cash subscription of RM1.21 per MCRPS for every 1 new ordinary share in the Issuer; or</p> <p>(ii) by tendering such amount of MCRPS that are equal to the Conversion Price for every new ordinary shares in the Issuer computed as follows:</p> $\text{No. of new ordinary shares in the Issuer} = \frac{\text{Issue Price} \times \text{no. of MCRPS}}{\text{Conversion Price}}$ <p>All outstanding MCRPS as at the Maturity Date shall be mandatorily converted into new ordinary shares in the Issuer as follows:</p> $\text{No. of new ordinary shares in the Issuer} = \frac{\text{Issue Price} \times \text{no. of MCRPS}}{\text{Conversion Price}}$ <p>Fractions of new ordinary share in the Issuer arising from the conversion shall be dealt with at the discretion of the Directors of the Issuer.</p>
Redemption at Issuer's Option	:	<ul style="list-style-type: none"> <li>• The MCRPS shall be redeemable at the option of the Issuer in whole but not in part after the end of year 3 from the Issue Date until the Maturity Date, by serving a 1 month prior written notice to the MCRPS holders</li> <li>• The redemption value shall be equivalent to 8% yield to maturity at redemption date, after taking into account any dividend paid, compounded on a yearly basis, on the MCRPS up to the redemption date</li> </ul>



**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

Adjustment to Conversion Price and Right of Conversion	: The Conversion Price and/or number of ordinary shares in the Issuer to be issued arising from conversion of the MCRPS will be adjusted, at the determination of the Issuer, in all or any of the following cases: <ul style="list-style-type: none"> <li>(i) an alteration of the par value of ordinary shares in the Issuer by reason of consolidation or subdivision;</li> <li>(ii) a bonus issue of fully paid-up ordinary shares by the Issuer;</li> <li>(iii) a capital distribution or repayment to shareholders made by the Issuer whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets;</li> <li>(iv) a rights issue of ordinary shares or warrants by the Issuer;</li> <li>(v) capitalisation of the reserves of the Issuer; or</li> <li>(vi) any other circumstances that are deemed necessary.</li> </ul> <p>Under no circumstances will any adjustment result in the Conversion Price falling below the par value of ordinary shares in the Issuer for the time being. No adjustment to the Conversion Price and/or number of ordinary shares in the Issuer to be issued arising from conversion of the MCRPS shall be made unless it has been certified by a merchant bank, universal broker or an auditor</p>
Listing	: <ul style="list-style-type: none"> <li>• The MCRPS will be listed on the Main Board of Bursa Securities (subject to meeting the Bursa Securities requirement of not less than 100 holders of such securities holding not less than 1 board lot each)</li> <li>• The new ordinary shares in the Issuer to be issued upon conversion of the MCRPS will be listed on the Main Board of Bursa Securities</li> </ul> <p>Subject to completion of the Listing of the Issuer on the Main Board of Bursa Securities</p>
Status	: In the event of a winding-up/liquidation of the Issuer, unless previously converted, all MCRPS will be converted by the Issuer into new ordinary shares in the Issuer at the Conversion Price
Ranking of New Shares from Conversion	: The new ordinary shares in the Issuer to be issued arising from conversion of the MCRPS shall, upon allotment and issue, rank equal in all respects with the then existing ordinary shares in the Issuer except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the new ordinary shares in the Issuer
Governing Law	: Malaysian law

As the LPD, we do not have any outstanding warrants, options, convertibles debt securities or uncalled capital.

## 12. DESCRIPTION OF SHARE CAPITAL *(cont'd)*

### 12.4 Shareholders' mandate

- (i) We have obtained a mandate from the shareholders of UEM World for the issuance of up to 10% of our existing issued and paid-up share capital after the DIS under Section 132D of the Act at UEM World's EGM held on 18 August 2008 ("**Shareholders' Mandate**"). Further, we have also obtained such Shareholders' Mandate from our existing shareholders, namely UEMG and UEM World via a shareholders' resolution made pursuant to Section 152A of the Act on 9 October 2008. The SC had also on 29 August 2008, approved the issuance of up to 10% our issued and paid-up share capital.
- (ii) The Shareholders' Mandate, shall continue to be in force until:
  - (a) our next annual general meeting; or
  - (b) the expiration of the period within which our next annual general meeting is required by law to be held,
 whichever is earlier.
- (iii) Our Directors may issue shares at a premium. If shares are issued at a premium to its par value, we will transfer, subject to certain exceptions, a sum equal to the aggregate amount or value of the premium to a share premium account.

### 12.5 Past and future issuance of shares

- (i) We have no founder, management or deferred shares. As of the date of this Prospectus, we only have 2 classes of authorised share capital, namely ordinary shares of RM0.50 each and mandatory convertible redeemable preference shares of RM0.01 each.
- (ii) Save for the Shares that we issued upon incorporation and pursuant to the Reorganisation, since the date of our incorporation on 20 August 2008 and prior to the date of this Prospectus, we have not issued any capital in our Company as fully or partly paid-up in cash or otherwise.
- (iii) Save as disclosed below, none of our subsidiaries have issued any capital in their company as fully or partly paid-up in cash or otherwise within the past 2 years preceding the date of this Prospectus:
  - (a) issuance of 623,867,734 ordinary shares of RM0.50 each in UEM Land to UEMG on 1 June 2007 for total cash subscription of RM505.3 million; and
  - (b) issuance of 98 ordinary shares of RM1.00 each in UEML-ZRE ("**UEML-ZRE Shares**") to UEM Land (49 UEML-ZRE Shares), AMP Capital Management Sdn Bhd (29 UEML-ZRE Shares) and ZRE Sdn Bhd (20 UEML-ZRE Shares) for cash on 2 February 2007, at an issue price of RM1.00 each. Subsequently, UEM Land and ZRE Sdn Bhd had on 8 April 2008, acquired 21 UEML-ZRE Shares and 8 UEML-ZRE Shares, respectively from AMP Capital Management Sdn Bhd.

**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

- (iv) Save as disclosed below, as at the date of this Prospectus, we have not proposed to issue any capital in our Company or our subsidiary as fully or partly paid-up in cash or otherwise and no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries and no capital of our Company and our subsidiaries is under option or agreed conditionally or unconditionally to be put under any option:
  - (a) proposed issuance of up to 154,914,002 MCRPS pursuant to the Proposed Acquisitions and up to 154,914,002 new Shares pursuant to the conversion of MCRPS; and
  - (b) proposed issuance of 2 ordinary shares of RM1.00 each in Nusajaya Consolidated to UM Land for a cash consideration of RM2.00 (See "Section 13.1 – Material contracts" for further information).
- (v) As at the date of this Prospectus, we do not have any scheme which involves our Directors and employees in the capital of our Company or our subsidiaries.

**12.6 Procedures for DIS**

We have on 15 October 2008, submitted an application to Bursa Depository to prescribe our Shares as securities which are required to be deposited into the CDS pursuant to Section 14(1) of the SICDA. Therefore, UEMG and UEM World will deposit our Shares directly with Bursa Depository. All dealings in our Shares will be carried out in accordance with the SICDA, the Securities Industry (Central Depositories) (Amendment) Act, 1998, and the Rules of Bursa Depository.

**(i) If your UEM World Shares are already deposited into your CDS account as at the Entitlement Date**

You are not required to take any action in order to receive your DIS Shares. The DIS Shares which you are entitled to receive under the DIS will be credited directly into your CDS account as appeared in the Record of Depositors of UEM World as at 5.00 p.m. on the Entitlement Date. You will not be given any share certificate for our Shares to be distributed under the DIS.

**(ii) If you are still holding UEM World share certificates as at the Entitlement Date**

If you are currently holding UEM World share certificates, you are still eligible to receive your entitlement under the DIS.

As our Shares are prescribed securities under the SICDA, all dealings in our Shares will be carried out in accordance with the SICDA, the Securities Industry (Central Depositories) (Amendment) Act, 1998, and the Rules of Bursa Depository.

**You must have a CDS account to receive your entitlement of DIS Shares.** In order to receive your entitlement of DIS Shares, you will need to provide our Share Registrar with the details of your CDS account by 5.00 p.m. on the Entitlement Date. Our Share Registrar will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of such person providing such information.

No share certificates will be issued to you for your entitled DIS Shares.

**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

You may contact our Share Registrar, whose contact details are set out below, for further information on the procedures for receiving your entitled DIS Shares.

**Symphony Share Registrars Sdn Bhd**

Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia

Telephone: 603-2721 2222

Facsimile: 603-2721 2530 or 603-2721 2531

If you fail to provide our Share Registrar with the details of your CDS account by 5.00 p.m. on the Entitlement Date, your entitled DIS Shares will be transferred to a trust account maintained with Universal Trustee (Malaysia) Berhad ("**Trustee**"). Subsequently, if you wish to receive your entitled DIS Shares, you will need to provide our Share Registrar with the details of your CDS account and request for the Trustee to transfer your entitled DIS Shares from the trust account to your CDS account.

If you fail to provide the details of your CDS account to our Share Registrar to effect the transfer of the your entitled DIS Shares from the trust account to your CDS account within a period of 10 years from the date of the listing of our Company on the Main Board of Bursa Securities and we are unable to discover your whereabouts, we may cause an advertisement to be published in a newspaper circulating in the place last shown in our Register of Members stating that, we, after the expiration of 1 month from the date of the advertisement, intend to transfer your unclaimed DIS Shares to the Minister of Finance ("**MOF**"). If after the expiration of 1 month from the date of the advertisement, your whereabouts remain unknown, your unclaimed DIS Shares may be transferred to the MOF. All unclaimed DIS Shares will remain in the MOF's account and the MOF shall sell or dispose of such unclaimed DIS Shares in such manner and at such time as the MOF thinks fit and shall deal with the proceeds of the sale or disposal as if they were moneys paid to the MOF pursuant to the law relating to unclaimed moneys.

We intend to despatch the notice of transfer in respect of the crediting of DIS Shares to you 1 Market Day prior to the listing of our Company on the Main Board of Bursa Securities.

**12.7 Articles**

The provisions in our Articles in respect of transfer of securities, changes in capital, voting rights and variation of class rights which are no less stringent than those required by law, are as follows:

**(i) Transfer of Securities****Article 30**

The transfer of shares of the Company being Deposited Security shall be by way of book entry by the Depository in accordance with the Rules of the Depository and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Security.

**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

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**(ii) Changes in capital****Article 4**

Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

**Article 49**

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

**Article 53**

The Company may by ordinary resolution: -

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given, any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of these Articles and the Act, convert and/or re-classify any class of shares into any other class of shares.

**Article 54**

The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and any consent required by law.

**12. DESCRIPTION OF SHARE CAPITAL (cont'd)**

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**(iii) Voting rights****Article 10**

Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts, and attending general meetings of the Company.

The holder of a preference share shall be entitled to a right to vote in each of the following circumstances: -

- (a) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects rights attached to the share;
- (e) on a proposal to wind up the Company; and
- (f) during the winding-up of the Company.

**Article 73**

Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a Member or representative or proxy of a Member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds.

**(iv) Variation of rights****Article 12**

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meetings the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy, one-third of the issued shares of the class and that any holders of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary apply.

## 13. ADDITIONAL INFORMATION

### 13.1 Material contracts

Save as disclosed below, neither we nor our subsidiaries (save for PUTRA which we do not have any record on the material contracts within the 2 years preceding the date of this Prospectus as liquidators have been appointed for PUTRA and they discharge their duties independently of the our Group) have entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years preceding the date of this Prospectus:

- (i) Master agreement dated 4 October 2006 ("**Master Agreement**") between Khazanah, Nusajaya Property Management, BND, UEMG and UEM Land to give effect to and implement a proposal whereby Khazanah has agreed to inject capital into Nusajaya Property Management or a special purpose vehicle nominated ("**SPV(s)**") by way of subscription of up to RM200.0 million in total subscription proceeds of the fully paid-up ordinary shares of RM1.00 each in the SPV(s) issued by the SPV(s) to Khazanah and/or its nominees as well as the fully paid preference shares of par value of RM1.00 each in the SPV(s) issued by the SPV(s) to Khazanah and/or its nominees. The Master Agreement also gives effect to and implements a proposal whereby UEMG injects capital into UEM Land by way of subscription of 623,867,734 fully paid-up ordinary shares of RM0.50 each in UEM Land issued by UEM Land to UEMG as part of the degearing exercise implemented by UEM Land, which will result in the reduction of the UEM Land Group's gearing level through the redemption of RM8,197,620,000 nominal value zero coupon redeemable secured guaranteed bonds 1999/2006 issued by Renong Debt Management.
- (ii) Sale and purchase agreement dated 4 October 2006 between Nusajaya Seaview and Nusajaya Property Management for the disposal of all that pieces of land held under H.S.(D) 310805, PTD 71095; H.S.(D) 309355, PTD 71104; H.S.(D) 309354, PTD 71096; H.S.(D) 306819, PTD 71102; H.S.(D) 257255, PTD 71097 and H.S.(D) 335355, PTD 123346 all in Mukim of Pulau, Daerah Johor Bahru by Nusajaya Seaview to Nusajaya Property Management as trustee for its nominee(s) for a total cash consideration of RM422,824,753.47.
- (iii) Sale and purchase agreement dated 4 October 2006 between BND and Nusajaya Property Management for the disposal of all pieces of land held under H.S.(D) 258297, PTD 71074 (12449/24449 undivided share); H.S.(D) 309468, PTD 71079; H.S.(D) 306823, PTD 71078; H.S.(D) 309467, PTD 71077; H.S.(D) 309352, PTD 71082; H.S.(D) 309353, PTD 71083; H.S.(D) 310800, PTD 71086; H.S.(D) 310801, PTD 71087; H.S.(D) 310802, PTD 71088; H.S.(D) 309466, PTD 71076; H.S.(D) 309470, PTD 71081 and H.S.(D) 310799, PTD 71085 all in Mukim of Pulau, Daerah Johor Bahru by BND to Nusajaya Property Management as trustee for its nominee(s) for a total cash consideration of RM642,109,653.11.
- (iv) Sale and purchase agreement dated 4 October 2006 between Nusajaya Leisure and Nusajaya Property Management for the disposal of all pieces of land held under H.S.(D) 274365, PTD 100809; HS(D) 274363, PTD 100804 and HS(D) 290040, PTD 100806 all in Mukim of Pulau, Daerah Johor Bahru by Nusajaya Leisure to Nusajaya Property Management as trustee for its nominee(s) for a total cash consideration of RM365,443,139.34.

**13. ADDITIONAL INFORMATION (cont'd)**

- (v) Sale agreement dated 8 January 2007 between ROC, as the seller, Bonatla Property Holdings Limited ("BPHL"), as the purchaser and ROCSA for the purchase by BPHL from ROC of 200 ordinary shares with a par value of ZAR1 each, representing the entire issued share capital of ROCSA. The Sale agreement also sets out the purchase by BPHL of all claims which ROC may have against ROCSA, its subsidiaries, namely Rocpoint (Pty) Ltd and Roc-Union (Pty) Ltd, and Durban Point Development Company (Proprietary) Limited. The purchase price is the sum of ZAR150.0 million (approximately RM73.5 million at the exchange rate of ZAR1:RM0.49).
- (vi) Supplemental settlement agreement dated 27 July 2007 between BND and Opus International (M) Berhad in relation to, amongst others, the repayment of the indebtedness of BND to Opus International (M) Berhad amounting to RM8,909,162. This Supplemental settlement agreement is supplemental to the settlement agreement dated 29 June 2001 and settlement agreement dated 27 March 2003, both between BND and Opus International (M) Berhad.
- (vii) Subscription and shareholders' agreement dated 19 December 2007 between UEM Land, Limitless and Haute Property whereby the parties agreed that Limitless will subscribe and hold 60,000 ordinary shares of RM1.00 each or 60% of the entire share capital of Haute Property whilst UEM Land will subscribe and hold 40,000 ordinary shares of RM1.00 each or 40% of the entire share capital of Haute Property. This agreement was completed on 18 February 2008 by virtue of both UEM Land and Limitless having subscribed to the balance of the equity participation as stipulated in the agreement.
- (viii) Development agreement (High End Waterfront Residential Development) dated 19 December 2007 between BND as the proprietor, UEM Land and Haute Property, as the developer for the development of the land held under H.S.(D) 453895, PTD 154910, Mukim of Pulai, Daerah Johor Bahru.
- (ix) Conditional sale of shares agreement dated 24 June 2008 entered into between UEM Land and UEMC for the proposed acquisition by UEM Land of 100% equity interest in Finwares 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.
- (x) Conditional sale and purchase agreement dated 24 June 2008 entered into between UEM Land and UEMC for the proposed acquisition by UEM Land of the UEMC Land Parcels from UEMC for a purchase consideration of RM46,146,000 to be satisfied via the issuance of 46,146,000 MCRPS at an issue price of RM1.00 per MCRPS.
- (xi) Conditional sale and purchase agreement dated 24 June 2008 entered into between UEM Land and Hartanah for the proposed acquisition by UEM Land of Hartanah's holding of 26.64% share of the PTD 2987 Parcel from Hartanah 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.
- (xii) Subscription and joint venture agreement dated 14 October 2008 between UEM Land, UM Land and Nusajaya Consolidated for the subscription by UM Land of 2 new ordinary shares of RM1.00 each in Nusajaya Consolidated for a cash consideration of RM2.00, which upon completion, UEM Land and UM Land will hold 50:50 equity interest in Nusajaya Consolidated. The paid-up capital of Nusajaya Consolidated shall be increased upon the exercise of the option pursuant to the option to purchase agreement (as set out in item (xiii) below) and the quantum of such increase shall be decided by the Board of Nusajaya Consolidated.



**13. ADDITIONAL INFORMATION (cont'd)**

- (xiii) Option to purchase agreement dated 14 October 2008 between UEM Land, BND and Nusajaya Consolidated for the option to purchase 2 pieces of land in Puteri Harbour, Nusajaya, Johor Darul Takzim, with a total area measuring approximately 8.8 acres for cash consideration at an option price of RM67,154,274 exercisable within 6 months from the date of the agreement.

**13.2 General information**

- (i) During the last financial year and the current financial year up to the date of this Prospectus, there were no:
  - (a) public take-over offers by third parties in respect of our Shares; and
  - (b) public take-over offers by our Company in respect of other companies' shares.
- (ii) Other than UEMG and Khazanah, both being our substantial shareholders, who will, on a proforma basis (based on UEMG's shareholding in UEM World as at the LPD) hold, direct or indirect, 76.93% of our issued and paid-up share capital upon the Listing, there is no person, so far as we know, who will directly or indirectly, jointly or severally, be able to exercise influence over our Company.

**13.3 Declarations of conflict of interest by our Advisers**

CIMB is not aware of any possible conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Restructuring and Proposed Acquisitions.

However, in the ordinary course of business, CIMB and its related companies do engage in transactions with and perform services for our Group. CIMB and/or its related companies have extended credit facilities and/or have engaged and in the future may engage in private banking, commercial banking and/or investment banking transactions in their ordinary course of business with our Group.

Messrs. Kadir, Andri & Partners has confirmed that there is no existing or potential conflict of interest in its capacity as Solicitors for the Restructuring and Proposed Acquisitions.

Our Director, Abdul Kadir bin Md Kassim, is the managing partner of Messrs. Kadir, Andri & Partners who are our legal advisors for the Restructuring (which includes the Listing). Notwithstanding that Abdul Kadir bin Md Kassim is the managing partner of Messrs Kadir, Andri & Partners, he was not and will not be the lawyer rendering legal services in connection with the Restructuring. Abdul Kadir bin Md Kassim will abstain from any decision relating to our choice of legal counsel for various matters which will be left solely for our management to decide. In the event that Abdul Kadir bin Md Kassim is interested in any matter handled by Messrs. Kadir, Andri & Partners involving proposals, including and not limited to the Listing and Proposed Acquisitions, he will abstain from reviewing and voting on that particular matter.

Messrs. Ernst & Young has confirmed that there is no existing or potential conflict of interest in their capacity as our Auditors and Reporting Accountants.

**13. ADDITIONAL INFORMATION (cont'd)****13.4 Consents**

The Adviser, Solicitors, Share Registrar and Principal Bankers have, before the issuance of this Prospectus, given and have not subsequently withdrawn their written consents to the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear in this Prospectus.

Our Auditors and Reporting Accountants have, before the issuance of this Prospectus, given and have not subsequently withdrawn their written consents to the inclusion in this Prospectus of their name, reports and letters relating to the consolidated financial information of ULHB and all references thereto in the form and context in which they appear in this Prospectus.

Our valuer for the Proposed Acquisitions, Messrs. Khong & Jaafar Sdn Bhd has, before the issuance of this Prospectus, given and have not subsequently withdrawn its written consent to the inclusion in this Prospectus of its valuation certificate in relation to the Proposed Acquisitions.

**13.5 Documents available for inspection**

You may view the following documents at our registered office at 2<sup>nd</sup> Floor, Bangunan MCOBA, No. 42, Jalan Syed Putra, 50460 Kuala Lumpur, Malaysia during normal business hours on Mondays to Fridays (except public holidays) for a period of 12 months from the date of this Prospectus:

- (i) the Memorandum and Articles of Association of our Company;
- (ii) the Reporting Accountants' letter on our proforma consolidated balance sheets as included in Section 10.4;
- (iii) the Accountants' Report as enclosed in Section 10.17;
- (iv) the audited financial statements of each of our subsidiaries for the past 3 financial years ended 31 December 2005, 2006 and 2007, whichever available;
- (v) the consolidated audited financial statements of UEM Land for the 6-month period ended 30 June 2008;
- (vi) the valuation certificate in relation to the Proposed Acquisitions as included in Section 7.19.4;
- (vii) the Directors' Report as included in Section 11;
- (viii) the material licenses and certifications referred to in Section 7.18;
- (ix) the material contracts referred to in Section 13.1;
- (x) Director's existing service contracts as referred to in Section 8.2.10; and
- (xi) the letters of consent referred to in Section 13.4.

The relevant cause papers for material litigation referred to in Section 10.14 are located at our solicitors' offices. The addresses and contact details of our solicitors may be obtained by calling our Company Secretaries at 603 - 2718 6868.

## 14. RESPONSIBILITY STATEMENTS

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CIMB, being the Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Listing.

Our Directors and Promoter have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

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