



SELOGA HOLDINGS BERHAD
(Company No: 361052-H)
Incorporated In Malaysia

**NOTES TO THE QUARTERLY FINANCIAL REPORT
THE YEAR ENDED 31 DECEMBER 2010**

EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

A2 Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in the quarterly financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2009, except for in the year ended 31 December 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS	Interpretation
FRS 1 and FRS 127	Amendment to FRS 1, first time adoption of FRS and FRS127, Consolidated and Separate Financial Statements: Cost of an investment in a subsidiary, jointly Controlled entity or associate
FRS 2	Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
FRS 4	Insurance Contracts
FRS 5	Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures Amendments to FRS 7
FRS 8	Amendments to FRS 8, Operating Segments
FRS101	Presentation of Financial Statements (revised 2009)

FRS 107	Amendments to FRS 107, Cash Flow Statements
FRS 108	Amendments to FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Amendments to FRS 110, Events after the Reporting Period
FRS 116	Amendments to FRS 116, Property, Plant and Equipment
FRS 117	Amendments to FRS 117, Leases
FRS 118	Amendments to FRS 118, Revenue
FRS 119	Amendments to FRS 119, Employee Benefits
FRS 120	Amendments to FRS 120, Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Amendments to FRS 123, Borrowing Costs
FRS 128	Amendments to FRS 128, Investment in Associates
FRS 129	Amendments to FRS 129, Financial Reporting in Hyperinflationary Economies
FRS 131	Amendments to FRS 131, Interests in Joint Ventures
FRS 132	Amendments to FRS 132, Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 134	Amendments to FRS 134, Interim Financial Reporting
FRS 136	Amendments to FRS 136, Impairment of Assets
FRS 138	Amendments to FRS 138, Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement (See Note B3)
FRS 140	Amendments to FRS 140, Investment Property

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

A4 Seasonal or Cyclical Factors

The Group's operations are not affected by seasonal and cyclical factors.

A5 Unusual Items Due to their Nature, Size or Incidence

There were no unusual items which affect the assets, liabilities, equity, net income or cash flows of the Group for the current quarter. (**See Note B3**)

A6 Changes in Estimates

There were no changes in the estimates of amounts, which give a material effect in the current quarter.

A7 Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

A8 Dividends Paid

There was no dividend paid by the Company for the current reporting quarter.

A9 Segmental Information

The business segments are presented below:

	Year ended	
	31.12.10 RM'000 (Unaudited)	31.12.09 RM'000 (Audited)
Segment revenue		
Property development	42,798	57,892
Construction	16,010	28,422
Others	2,400	29
Total revenue incl. inter-segment sales	61,208	86,343
Elimination of inter-segment sales	(14,461)	(24,432)
Total revenue from continuing operations	46,747	61,911
Segment results		
Property development	16,050	18,489
Construction	2,228	2,422
Others	95	(1,226)
	18,373	19,685
Inter-segment unrealised profits	882	(191)
Total results from continuing operations	19,255	19,494
Finance costs	(1,861)	(2,615)
	17,394	16,879
Taxation	(3,975)	(3,402)
Net profits for the year	13,419	13,477

The geographical segments of the Group are as follows:

	Total Revenue from External Customers		Segment Assets	
	Year ended		As at	
	31.12.2010 RM'000 (Unaudited)	31.12.2009 RM'000 (Unaudited)	31.12.2010 RM'000 (Unaudited)	31.12.2009 RM'000 (Unaudited)
Malaysia	46,747	61,911	107,552	112,756
Others			400	400
	46,747	61,911	107,952	113,156

A10 Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2009.

A11 Subsequent Events

As at the date of this report, there were no material events subsequent to the end of the period under review that have not been reflected in the financial statement. **(See Note B8)**

A12 Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

A14 Capital Commitments

There was no capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2010.

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Performance Review

The Group recorded higher revenue for the fourth quarter of **RM13.9 million**, an increase of **13.1%** over the corresponding preceding quarter of **2009**. Profit before tax recorded by more than two fold to **RM8.1 million** as compared to **RM2.4 million** mainly attributed to the sales of the Company's developmental rights over a parcel of land valued at **RM11.0 million** under the joint venture agreement with UEM Land Berhad ('the land owner') dated **22 February 1999**.

For the financial year ended **31 December 2010**, the Group recorded lower revenue to **RM46.7 million** compared to the corresponding financial year of **2009** which recorded **RM61.9 million**. The decrease of **24.4%** was mainly attributable to lower progress billings being recorded due to the cancellation of sales of 134 units by the State Government of Johor where prospective total revenue of approximately **RM11.2 million** was lost and reversed as previously reported during the announcement of results for the quarter ended **30 September 2010**. Subsequently, all the 134 units were resold at a higher price of **RM138,000** of which income is to be recognized progressively.

However, Group profit before tax for the financial year ended **31 December 2010** recorded an increase of **3%** at **RM17.4 million** compared to the corresponding financial year of **2009** which recorded **RM16.9 million**. Net profit before tax was marginally lower mainly due to higher provision for taxation to be payable.

The Group balance sheet as at **31 December 2010**, comparatively is in a much stronger position as the total shareholders' funds have increased to **RM55.1 million** compared to **RM41.0 million** as at **31 December 2009** and **RM26.2 million** as at **31st December 2008**.

B2 Material Change in Profit/Loss Before Taxation

Group profit before tax of **RM8.1 million** recorded in the fourth quarter ending **31 December 2010** representing an increase of **237%** compared to the corresponding quarter of **2009**. The increase is mainly attributable to the sale of the Company's developmental rights over a parcel of land under the joint-venture agreement with UEM Land Berhad (the land owner) dated **22 February 1999** (and the subsequent supplementary agreements) for a consideration sum of **RM11.0 million**. UEM Land Berhad has consented to the sale in exchange, that, part of the sales proceeds amounting to **RM3.85 million** to be directly assigned and payable to them in settlement of the revenue sharing accrued and due under said the joint-venture agreement. Objectively, the said sale proceeds shall greatly improve the Group's interim cash-flow which has been affected by the cancellation of the 134 units pending the realization of income from the resale of the said units at a higher price.

B3 Prospects of the Group

The Board and Management has embarked on various strategic plans over the past two years to turn around the Group and had achieved primarily in strengthening its balance sheet and its bottom line with higher operational efficiency through staff re-organisation, down-sizing and cost-control measures. Marketing efforts have been intensified and it is encouraged to note that all the affordable residential units being developed totaling **741** double-storey linked houses at an average price of **RM138, 000** per unit have been completely sold out to the public. The balances of 172 units of similar development are due to be launched during the first half of **2011** and market indication from prospective buyers has been very positive indeed.

The proposed development of Parcel B consisting of mixed development covering about **260** acres which is primarily targeted for middle to higher market segments is finally ready to be launched during the first quarter of **2011** with the first **80** units consisting double

storey semi-detached -bungalow houses on an estimated gross development value (GDV) of **RM85.0 million** being targeted to be achieved. With this first phase of development to be implemented, the Board is confident to achieve the sustainability of the Group's profitability in the medium term.

The property market in **2011** shall remain positive and robust especially for the medium and high cost development. The continued encouraging demand in our Taman Nusantara project within the Iskandar Development Region (IDR), Johor, in joint-venture agreement with UEM Land Berhad shall contribute positively for the Group's future income. However, there are already signs of certain costs escalation especially in respect of building materials and other construction related costs which are gradually increasing. Furthermore, labour shortage which was very evident during the last **10** months may slow-down progress works in our development activity.

The recent turn of events, specifically the appointment of the additional four Directors to the Board in **October 2010** and the proposed Extra-Ordinary General Meeting (EGM) called upon by certain shareholders on **31 January 2011** which has been subsequently withdrawn effectively on the 28th January 2011, may result in some uncertainty to the Group's future management and the composition of the Board. Such changes are likely, to adversely affect the Group's short-term outlook. Primarily at the same time, greater concern should be exercised that the Proposed Regularisation Plan in re-structuring the Group's financial affairs as approved by the Securities Commission ('SC') in **September 2010** with the main objective of upliftment from PN17 status and subsequent re-listing of the Company again at BURSA in due course is considered to be doubtful under the present circumstances. Of similar importance, the majority of the Board is of the view that the Recurrence Related Party Transaction (RRPT) in respect of Metro Ikram Sdn Bhd's indebtedness to the Company amounting to **RM15.325 million** for over five years shall not be provided for or be written off and that, real and effective steps are taken to recover the said sum responsibly by the Company.

B4 Profit Forecast

Not applicable as there was no forecast/profit guarantee.

B5 Taxation

The current quarter taxation represents mainly provision for tax of current period.

B6 Unquoted Investments and Properties

There were no sale of unquoted investments and properties during the current reporting quarter.

B7 Quoted Investments

Other than what had been reported in the previous quarter, the Company did not purchase nor dispose any quoted investment for the current reporting quarter. The current investment as stated in its balance sheet is as follow:-

	<u>As at 31/12/2010</u>
	RM'000
Total investment at cost	117
Total Investment at carrying value/book value	117
Total investment at market value as at 31 December 2010	254

B8 Status of Corporate Proposals

Other than those reported in earlier Quarter, there are no material developments to SHB's Restructuring Plan save for in the context as outlined in **Note B3** herein under.

B9 Borrowings and Debt Securities

<u>Secured Loans as at 31 December 2010</u>	<i>Long Term RM'000</i>	<i>Short Term RM'000</i>
Bank Overdraft	-	8,105
Short Term Advance	-	1,709
Term Loan	6,717	4,800
	6,717	14,614

The above loans are denominated in Ringgit Malaysia.

B10 Off Balance Sheet Financial Instruments

On 9 May 2003, the Company issued RM24 million nominal value seven year zero coupon irredeemable convertible unsecured loan stock ("ICULS") to Segi Resources Sdn Bhd, a joint venture ("JV") partner to the Segi-Seloga Jaya JV turnkey project.

The ICULS are convertible into new ordinary shares on a semi-annual basis commencing six months from the issuance date to the day immediately preceding the Maturity Date, 7 May 2010, based on the cumulative certified billing amount/turnover of the Segi-Seloga Jaya JV turnkey project. Thereafter, the holder of those convertible ICULS has the right to convert into ordinary shares of SHB at any time from the notification date of the convertibility to the day immediately preceding the maturity date, i.e 7th May 2010.

As at 7th May 2010 ('Maturity Date'), RM5, 902,148 nominal amount of ICULS of RM1.00 each have been mandatorily converted into SHB's ordinary shares of RM1.00 each, whilst the remaining outstanding ICULS not converted which stands at 11,320,081 have been purchased from Segi Resources Sdn Bhd ("ICULS Holder") for RM1.00 and cancelled pursuant to the terms of the Trust Deed dated 18th August 2003 and the Supplemental Trust Deed dated 21st September 2005. However, SHB will remain responsible to pay the amount equivalent to the outstanding ICULS in cash to the ICULS Holder in accordance with the Cumulative Audited Billings Amount and the attainment of a gross profit margin of 17.24% of the Nusantara Project computed on a semi annual basis.

B11 Changes in Material Litigation

Other than those reported in earlier quarter, there were no changes in material litigation lasting the current reporting quarter,

B12 Dividend

No dividend has been declared for the financial year ended 31 December 2010. There were no dividends paid in respect of the corresponding financial period.

B13 Earnings/(Loss) Per Share

	YEAR ENDED	
	31.12.10 RM '000 (Unaudited)	31.12.09 RM '000 (Audited)
<u>Basic Earnings/(Loss) Per Share</u>		
Profit/(Loss) for the period attributable to equity holders of the parent	13,419	13,477
Weighted average number of ordinary shares ('000)	120,351	116,908

Basic Earnings/(Loss) Per Share (sen)	11.15	11.53
<u>Diluted Earnings/(Loss) Per Share</u>		
Profit/(Loss) for the period attributable to equity holders of the parent	N/A	N/A
Weighted average number of ordinary shares ('000)	N/A	N/A
Effect of dilution:		
- ICULS ('000)	N/A	N/A
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	N/A	N/A
Diluted Earnings/(Loss) Per Share (sen)	N/A	N/A

N/A = Not Applicable

B14 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7th February 2011.

