# Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
## and its subsidiaries

# Financial statements for the year ended 31 December 2011

# Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
# and its subsidiaries

# Directors' report for the year ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

## Principal activities

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 28 to the financial statements. There have been no other significant changes in the nature of these activities during the financial year.

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company | 60,033 | 3,312 |
| | ===== | ==== |

## Reserves and provisions

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

## Dividends

No dividend was paid during the financial year and the Directors recommended:

i) A first and final dividend of 3.6 sen per ordinary shares less tax at 25% to totalling RM2,690,415 (2.7 sen net per ordinary share) in respect of the year ended 31 December 2011; and

ii) A single tier dividend of 1.4 sen per ordinary shares totalling RM1,395,030 in respect of the year ended 31 December 2011.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012 upon approval by the shareholders of the Company.

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## Directors of the Company

Directors who served since the date of the last report are:

Datuk Halimah Binti Mohd Sadique (Appointed on 10.5.2011)
Dato' Lim Kang Hoo
Dato' Lim Kang Swee
Khoo Nang Seng @ Khoo Nam Seng
Lim Keng Cheng
Aznam bin Mansor
Lim Ts-Fei
Dr. Wong Kai Fatt
Kang Hui Ling

## Directors' interests

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

| | **Number of ordinary shares of RM1 each** | | | |
|---|---|---|---|---|
| | **At 1.1.2011** | **Bought** | **(Sold)** | **At 31.12.2011** |
| *Interests in the Company* | | | | |
| Dato' Lim Kang Swee | 8,154,000 | - | - | 8,154,000 |
| Dato' Lim Kang Hoo | | | | |
| - own | 615,749 | - | - | 615,749 |
| - others | 5,000 | - | (5,000) | - |
| Khoo Nang Seng @ Khoo Nam Seng | 8,124,122 | - | - | 8,124,122 |
| Aznam bin Mansor | 8,000 | - | - | 8,000 |
| Lim Ts-Fei | 10,000 | - | - | 10,000 |
| Lim Keng Cheng | 1,691,500 | - | - | 1,691,500 |
| *Deemed interests in the Company through* | | | | |
| i) Kinston Park Sdn. Bhd. | | | | |
| Dato' Lim Kang Hoo | 2,410,000 | - | - | 2,410,000 |
| ii) Aman Setegap Sdn. Bhd. | | | | |
| Dato' Lim Kang Hoo | 30,000,000 | - | - | 30,000,000 |
| iii) Bidarcita Sdn. Bhd. | | | | |
| Dato' Lim Kang Swee | 439,000 | - | - | 439,000 |
| iv) Icon Sejati Sdn. Bhd. | | | | |
| Lim Keng Cheng | 464,000 | - | (464,000) | - |
| v) Fablelite Sdn. Bhd. | | | | |
| Lim Keng Cheng | 287,500 | - | - | 287,500 |
| vi) Lim Seong Hai Holdings Sdn. Bhd. | | | | |
| Lim Keng Cheng | 1,735,500 | - | - | 1,735,500 |

## Directors' interests (continued)

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | (Sold) | At 31.12.2011 |
| *Deemed interests in the subsidiary company* | | | | |
| i) Yasmin Marine Technology Sdn. Bhd. | | | | |
| Dato' Lim Kang Swee | 80 | - | - | 80 |
| Dato' Lim Kang Hoo | 80 | - | - | 80 |
| Khoo Nang Seng @ Khoo Nam Seng | 80 | - | - | 80 |

By virtue of their interests in the shares of the Company, Dato' Lim Kang Swee, Dato' Lim Kang Hoo, and Lim Keng Cheng are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Knusford Berhad has an interest.

None of the other Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

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## Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment of amount due from contract customer amounting to RM17,312,060, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Subsequent events

On 24 February 2012, the Company entered into a shares sale agreement to acquire 2 ordinary shares of RM1 each in Lakaran Cahaya Sdn. Bhd. for a cash consideration of RM2 representing 100% of the total issued and paid-up capital of Lakaran Cahaya Sdn. Bhd. Subsequently, on 29 February 2012, the Group, through a subsidiary, Lakaran Cahaya Sdn. Bhd., entered into a sales and purchase agreement to acquire a parcel of freehold land under GRN 49797 Lot 942, Mukim Semenyih, Daerah Ulu Langat, Negeri Selangor for a cash consideration of RM14,210,000.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………
**Dato' Lim Kang Hoo**

…………………………………………………………
**Lim Keng Cheng**

Kuala Lumpur, Malaysia

Date: 24 April 2012

# Knusford Berhad
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## and its subsidiaries

# Statements of financial position as at 31 December 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 17,758 | 19,060 | 7 | 8 |
| Investment property | 4 | 42,169 | 40,328 | 25,667 | 26,111 |
| Investments in subsidiaries | 5 | - | - | 85,142 | 86,292 |
| Investment in associate | 6 | 2,000 | 40 | 2,000 | 40 |
| Land held for property development | 7 | 26,777 | 26,777 | - | - |
| Deferred tax assets | 8 | 912 | 2,593 | - | - |
| **Total non-current assets** | | 89,616 | 88,798 | 112,816 | 112,451 |
| Property development costs | 10 | 10,650 | 14,318 | - | - |
| Trade and other receivables | 9 | 110,659 | 173,827 | 4,325 | 12,726 |
| Inventories | 11 | 2,273 | 3,550 | - | - |
| Tax recoverable | | 10 | 399 | 10 | 3 |
| Cash and cash equivalents | 12 | 105,142 | 34,592 | 13,013 | 11,067 |
| **Total current assets** | | 228,734 | 226,686 | 17,348 | 23,796 |
| **Total assets** | | 318,350 | 315,484 | 130,164 | 136,247 |

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# Statements of financial position as at 31 December 2011 (continued)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | | 99,645 | 99,645 | 99,645 | 99,645 |
| Share premium | | 22,693 | 22,693 | 22,693 | 22,693 |
| Retained earnings | | 125,998 | 65,965 | 7,386 | 4,074 |
| **Total equity attributable to owners of the Company** | 13 | 248,336 | 188,303 | 129,724 | 126,412 |
| **Liabilities** | | | | | |
| Borrowings | 14 | 549 | 758 | - | - |
| Deferred tax liabilities | 8 | 2,288 | 5,055 | - | - |
| **Total non-current liabilities** | | 2,837 | 5,813 | - | - |
| Payables and accruals | 15 | 54,581 | 97,935 | 415 | 2,398 |
| Borrowings | 14 | 779 | 20,304 | 25 | 7,437 |
| Taxation | | 11,817 | 3,129 | - | - |
| **Total current liabilities** | | 67,177 | 121,368 | 440 | 9,835 |
| **Total liabilities** | | 70,014 | 127,181 | 440 | 9,835 |
| **Total equity and liabilities** | | 318,350 | 315,484 | 130,164 | 136,247 |

The notes on pages 13 to 67 are an integral part of these financial statements.

# Knusford Berhad
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# Statements of comprehensive income for the year ended 31 December 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 16 | 302,021 | 310,222 | 5,656 | 3,139 |
| Cost of sales | 17 | (191,166) | (278,075) | (797) | (712) |
| **Gross profit** | | 110,855 | 32,147 | 4,859 | 2,427 |
| Other income | | 983 | 2,768 | - | - |
| Administrative expenses | | (27,711) | (10,471) | (1,796) | (372) |
| **Results from operating activities** | | 84,127 | 24,444 | 3,063 | 2,055 |
| Interest income | | 1,560 | 534 | 346 | 841 |
| Interest expense | | (314) | (1,372) | - | (589) |
| **Profit before tax** | 18 | 85,373 | 23,606 | 3,409 | 2,307 |
| Income tax expense | 20 | (25,340) | (6,454) | (97) | (104) |
| **Profit for the year/Total comprehensive income for the year attributable to owners of the Company** | | 60,033 | 17,152 | 3,312 | 2,203 |
| **Basic earnings per ordinary share (sen)** | 22 | 60.25 | 17.21 | | |

The notes on pages 13 to 67 are an integral part of these financial statements.

# Knusford Berhad
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## Statements of changes in equity for the year ended 31 December 2011

| | *<-Attributable to owners of the Company->* | | | |
|---|---|---|---|---|
| | *Non-distributable* | | *Distributable* | |
| **Group** | **Share capital RM'000** | **Share premium RM'000** | **Retained earnings RM'000** | **Total RM'000** |
| **At 1 January 2010** | 99,645 | 22,693 | 48,813 | 171,151 |
| Profit for the year/Total comprehensive income for the year | - | - | 17,152 | 17,152 |
| **At 31 December 2010/1 January 2011** | 99,645 | 22,693 | 65,965 | 188,303 |
| Profit for the year/Total comprehensive income for the year | - | - | 60,033 | 60,033 |
| **At 31 December 2011** | 99,645 | 22,693 | 125,998 | 248,336 |
| | ======== | ======== | ======== | ====== |

| | *<-Attributable to owners of the Company->* | | | |
|---|---|---|---|---|
| | *Non-distributable* | | *Distributable* | |
| **Company** | **Share capital RM'000** | **Share premium RM'000** | **Retained earnings RM'000** | **Total RM'000** |
| **At 1 January 2010** | 99,645 | 22,693 | 1,871 | 124,209 |
| Profit for the year/Total comprehensive income for the year | - | - | 2,203 | 2,203 |
| **At 31 December 2010/1 January 2011** | 99,645 | 22,693 | 4,074 | 126,412 |
| Profit for the year/Total comprehensive income for the year | - | - | 3,312 | 3,312 |
| **At 31 December 2011** | 99,645 | 22,693 | 7,386 | 129,724 |
| | ======== | ======== | ======== | ====== |

The notes on pages 13 to 67 are an integral part of these financial statements.

# Knusford Berhad
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## Statements of cash flows for the year ended 31 December 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 85,373 | 23,606 | 3,409 | 2,307 |
| *Adjustments for:* | | | | | |
| Depreciation of property, plant and equipment | 3 | 5,059 | 6,726 | 1 | 2 |
| Depreciation of investment property | 4 | 666 | 648 | 445 | 440 |
| Impairment loss on property, plant and equipment | | - | 767 | - | - |
| Dividend income | | - | - | (5,200) | (2,500) |
| Gain on disposal of property, plant and equipment | | (452) | (1,848) | - | - |
| Gain on disposal of subsidiary | | - | (271) | - | - |
| Interest expense | | 314 | 1,372 | - | 589 |
| Interest income | | (1,560) | (534) | (346) | (841) |
| **Operating profit/(loss) before changes in working capital** | | 89,400 | 30,466 | (1,691) | (3) |
| *Changes in working capital:* | | | | | |
| Properties under development | | 3,668 | (823) | - | - |
| Inventories | | 1,277 | 753 | - | - |
| Trade and other receivables | | 63,168 | (37,277) | 3,971 | (1,233) |
| Payables and accruals | | (43,354) | 7,760 | (1,983) | (124) |
| **Cash generated from/(used in) operations** | | 114,159 | 879 | 297 | (1,360) |
| Income taxes paid | | (17,349) | (4,316) | (104) | (109) |
| Income tax refund | | - | 643 | - | - |
| **Net cash generated from/(used in) operating activities** | | 96,810 | (2,794) | 193 | (1,469) |

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# Statements of cash flows for the year ended 31 December 2011 (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | *(i)* | (3,303) | (1,058) | - | (8) |
| Acquisition of investment property | 4 | (2,507) | (85) | (1) | (84) |
| Repayment of unquoted share | 5 | - | - | 1,150 | - |
| Repayment from subsidiaries | | - | - | 9,630 | 6,459 |
| Acquisition of investment in associate | | - | - | - | (15) |
| Investment in associate | 6 | (1,960) | (40) | (1,960) | (40) |
| Interest received | | 1,560 | 534 | 346 | 841 |
| Deposits pledged with licensed banks | | (398) | (40) | (302) | (270) |
| Proceeds from disposal of property, plant and equipment | | 659 | 4,111 | - | - |
| Proceeds from disposal of investment property | | - | 301 | - | - |
| Net cash flow from disposal of subsidiary | | - | 4,530 | - | - |
| **Net cash (used in)/generated from investing activities** | | (5,949) | 8,253 | 8,863 | 6,883 |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | (314) | (1,372) | - | (589) |
| Repayment of borrowings, net | | (18,150) | (4,252) | (6,350) | (5,650) |
| Repayment of finance lease liabilities | | (1,183) | (3,108) | - | - |
| **Net cash used in financing activities** | | (19,647) | (8,732) | (6,350) | (6,239) |
| **Net increase/(decrease) in cash and cash equivalents** | | 71,214 | (3,273) | 2,706 | (825) |
| **Cash and cash equivalents at 1 January** | *(ii)* | 19,149 | 22,422 | (813) | 12 |
| **Cash and cash equivalents at 31 December** | *(ii)* | 90,363 | 19,149 | 1,893 | (813) |

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# Statements of cash flows for the year ended 31 December 2011 (continued)

***i) Acquisition of property, plant and equipment***

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM3,964,000 (2010: RM1,140,000), of which RM661,000 (2010: RM82,000) were acquired by means of finance lease arrangements.

***ii) Cash and cash equivalents***

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2011** | **2010** | **2011** | **2010** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash and bank balances | 12 | 18,263 | 6,565 | 135 | 74 |
| Deposits with licensed banks | 12 | 86,879 | 28,027 | 12,878 | 10,993 |
| Bank overdraft | 14 | (25) | (1,087) | (25) | (1,087) |
| | | 105,117 | 33,505 | 12,988 | 9,980 |
| Less: Deposits pledged | 12 | (14,754) | (14,356) | (11,095) | (10,793) |
| | | 90,363 | 19,149 | 1,893 | (813) |

The notes on pages 13 to 67 are an integral part of these financial statements.

# Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
# and its subsidiaries

# Notes to the financial statements

Knusford Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

**Registered office**
Ground Floor,
Wisma Ekovest,
No.118, Jalan Gombak,
53000 Kuala Lumpur.

**Principal place of business**
1st Floor,
Wisma Ekovest,
No.118, Jalan Gombak,
53000 Kuala Lumpur.

The consolidated financial statements as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 28 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 24 April 2012.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***

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

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012***

- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group and the Company plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning on 1 January 2012 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for all IC Interpretations which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The Group's and the Company's financial statements for annual period beginning on 1 January 2013 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 July 2012.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

# 1. Basis of preparation (continued)

## (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

# 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

## (a) Basis of consolidation

### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company’s statement of financial position at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### (ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest including any long-term investments is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

### (iii) Non-controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

### (iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# 2. Significant accounting policies (continued)

## (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

## (c) Financial instruments

### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***Loans and receivables***

Loans and receivables category comprises receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (ii) Financial instrument categories and subsequent measurement (continued)

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost.

### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group’s accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued)

### (i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued)

### (iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Buildings | 5 - 50 years |
| • Equipment, furniture and fittings | 10 years |
| • Plant and machinery | 10 - 20 years |
| • Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

## (e) Leased assets

**Finance lease**

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## (f) Investment property

### (i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(d).

# 2. Significant accounting policies (continued)

## (f) Investment property (continued)

### (i) Investment property carried at cost (continued)

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

### (ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

## (g) Land held for property development

Land held for property development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

# 2. Significant accounting policies (continued)

## (h) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over income recognised in profit or loss is shown as progress billings under payables and accruals.

## (i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common cost attributable to developing the properties to completion.

## (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

# 2. Significant accounting policies (continued)

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## (k) Impairment

### (i) Financial assets

All financial assets (except for investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the recoverable value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

### (ii) Other assets

The carrying amount of other assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or known as the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

# 2. Significant accounting policies (continued)

## (k) Impairment (continued)

### (ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## (l) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position. If cost incurred plus recognised profits exceed progress billings, then the difference is presented as amount due to contract customers in the statement of financial position.

# 2. Significant accounting policies (continued)

## (m) Employee benefits

**Short term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the statutory pension fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

# 2. Significant accounting policies (continued)

## (o) Revenue recognition

### (i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

### (ii) Rental of machinery

Revenue from the rental of machinery is recognised in the profit or loss on an accrual basis in accordance with the substance of the rental agreements.

### (iii) Rental of investment property

Revenue from rental of investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### (iv) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

# 2. Significant accounting policies (continued)

## (o) Revenue recognition (continued)

### (v) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statements in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

### (vi) Dividend income

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

### (vii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

## (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

# 2. Significant accounting policies (continued)

## (p) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying asset is deducted from the borrowing cost eligible for capitalisation.

## (q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# 2. Significant accounting policies (continued)

## (q) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised position of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

## (r) Earnings per ordinary share

The Group presents basic per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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## 3. Property, plant and equipment

| Group | Freehold land RM'000 | Buildings RM'000 | Equipment, furniture and fittings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| At 1 January 2010 | 12,794 | 2,725 | 3,029 | 83,139 | 9,670 | 111,357 |
| Additions | - | - | 271 | 833 | 36 | 1,140 |
| Disposals | - | - | (3) | (4,297) | (479) | (4,779) |
| Write-offs | - | - | - | (14) | - | (14) |
| Transfers to investment properties (Note 4) | (12,794) | (2,695) | - | - | - | (15,489) |
| Disposal of subsidiary | - | - | (474) | (17,724) | (1,711) | (19,909) |
| At 31 December 2010/ 1 January 2011 | - | 30 | 2,823 | 61,937 | 7,516 | 72,306 |
| Additions | - | 1,410 | 261 | 1,402 | 891 | 3,964 |
| Disposals | - | - | (3) | (1,153) | (736) | (1,892) |
| Write-offs | - | - | - | - | (350) | (350) |
| At 31 December 2011 | - | 1,440 | 3,081 | 62,186 | 7,321 | 74,028 |
| ***Depreciation and impairment loss*** | | | | | | |
| At 1 January 2010: | | | | | | |
| Accumulated depreciation | - | 130 | 1,709 | 55,778 | 5,687 | 63,304 |
| Accumulated impairment loss | - | - | 2 | 231 | - | 233 |
| | - | 130 | 1,711 | 56,009 | 5,687 | 63,537 |
| Depreciation for the year | - | - | 364 | 5,359 | 1,003 | 6,726 |
| Disposals | - | - | - | (2,123) | (393) | (2,516) |
| Write-offs | - | - | - | (14) | - | (14) |
| Transfers to investment properties (Note 4) | - | (100) | - | - | - | (100) |
| Disposal of subsidiary | - | - | (474) | (13,244) | (1,436) | (15,154) |
| Impairment loss | - | - | 83 | 684 | - | 767 |
| At 31 December 2010: | | | | | | |
| Accumulated depreciation | - | 30 | 1,599 | 45,756 | 4,861 | 52,246 |
| Accumulated impairment loss | - | - | 85 | 915 | - | 1,000 |
| | - | 30 | 1,684 | 46,671 | 4,861 | 53,246 |

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## 3. Property, plant and equipment (continued)

| Group | Freehold land RM'000 | Buildings RM'000 | Equipment, furniture and fittings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| ***Depreciation and impairment loss (continued)*** | | | | | | |
| Depreciation for the year | - | 14 | 243 | 3,946 | 856 | 5,059 |
| Disposals | - | - | - | (1,079) | (606) | (1,685) |
| Write-offs | - | - | - | - | (350) | (350) |
| At 31 December 2011: | | | | | | |
| Accumulated depreciation | - | 44 | 1,842 | 48,623 | 4,761 | 55,270 |
| Accumulated impairment loss | - | - | 85 | 915 | - | 1,000 |
| | - | 44 | 1,927 | 49,538 | 4,761 | 56,270 |
| ***Carrying amounts*** | | | | | | |
| At 1 January 2010 | 12,794 | 2,595 | 1,318 | 27,130 | 3,983 | 47,820 |
| At 31 December 2010/ 1 January 2011 | - | - | 1,139 | 15,266 | 2,655 | 19,060 |
| At 31 December 2011 | - | 1,396 | 1,154 | 12,648 | 2,560 | 17,758 |

# 3. Property, plant and equipment (continued)

| Company | Equipment, furniture and fittings RM'000 |
|---|---|
| ***Cost*** | |
| At 1 January 2010 | 3 |
| Additions | 8 |
| At 31 December 2010/1 January 2011/31 December 2011 | 11 |
| ***Accumulated depreciation*** | |
| At 1 January 2010 | 1 |
| Depreciation for the year | 2 |
| At 31 December 2010/1 January 2011 | 3 |
| Depreciation for the year | 1 |
| At 31 December 2011 | 4 |
| ***Carrying amounts*** | |
| At 1 January 2010 | 2 |
| At 31 December 2010/1 January 2011 | 8 |
| At 31 December 2011 | 7 |

### *3.1 Leased property, plant and equipment*

At 31 December 2011, the net carrying amount of leased motor vehicles and plant and machinery of the Group was RM2,393,000 (2010: RM3,938,000).

### *3.2 Title of vessels*

At 31 December 2011, vessels under plant and machinery of the Group with net carrying amount of RM5,874,000 (2010: RM7,267,000) was registered under the name of a related party.

# 4. Investment property

**Group**

| *Cost* | Note | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2010 | | 5,225 | 22,775 | 28,000 |
| Additions | | - | 85 | 85 |
| Transfers from property, plant and equipment | 3 | 12,794 | 2,695 | 15,489 |
| Disposal | | (53) | (303) | (356) |
| At 31 December 2010/1 January 2011 | | 17,966 | 25,252 | 43,218 |
| Additions | | - | 2,507 | 2,507 |
| At 31 December 2011 | | 17,966 | 27,759 | 45,725 |
| ***Depreciation*** | | | | |
| At 1 January 2010 | | - | 2,197 | 2,197 |
| Charge for the year | | - | 648 | 648 |
| Transfers from property, plant and equipment | 3 | - | 100 | 100 |
| Disposal | | - | (55) | (55) |
| At 31 December 2010/1 January 2011 | | - | 2,890 | 2,890 |
| Charge for the year | | - | 666 | 666 |
| At 31 December 2011 | | - | 3,556 | 3,556 |
| ***Carrying amounts*** | | | | |
| At 1 January 2010 | | 5,225 | 20,578 | 25,803 |
| At 31 December 2010/1 January 2011 | | 17,966 | 22,362 | 40,328 |
| At 31 December 2011 | | 17,966 | 24,203 | 42,169 |
| ***Fair value*** | | | | |
| At 1 January 2010 | | 6,926 | 23,623 | 30,549 |
| At 31 December 2010/1 January 2011 | | 50,795 | 31,239 | 82,034 |
| At 31 December 2011 | | 55,369 | 35,792 | 91,161 |

# 4. Investment property (continued)

**Company**

| *Cost* | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2010 | 12,794 | 15,011 | 27,805 |
| Additions | - | 84 | 84 |
| At 31 December 2010/1 January 2011 | 12,794 | 15,095 | 27,889 |
| Additions | - | 1 | 1 |
| At 31 December 2011 | 12,794 | 15,096 | 27,890 |
| ***Depreciation*** | | | |
| At 1 January 2010 | - | 1,338 | 1,338 |
| Charge for the year | - | 440 | 440 |
| At 31 December 2010/1 January 2011 | - | 1,778 | 1,778 |
| Charge for the year | - | 445 | 445 |
| At 31 December 2011 | - | 2,223 | 2,223 |
| ***Carrying amounts*** | | | |
| At 1 January 2010 | 12,794 | 13,673 | 26,467 |
| At 31 December 2010/1 January 2011 | 12,794 | 13,317 | 26,111 |
| At 31 December 2011 | 12,794 | 12,873 | 25,667 |
| ***Fair value*** | | | |
| At 1 January 2010 | 13,988 | 14,538 | 28,526 |
| At 31 December 2010/1 January 2011 | 43,699 | 19,261 | 62,960 |
| At 31 December 2011 | 47,753 | 21,011 | 68,764 |

Certain buildings of the Group and of the Company with an aggregate carrying amount of RM16,663,000 (2010: RM17,034,000) and RM9,410,000 (2010: RM9,622,000) respectively are in the process of being registered under the name of the Company and its subsidiaries.

## 4. Investment property (continued)

The following are recognised in the income statements in respect of investment property:

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Rental income from external parties | 729 | 739 | 360 | 559 |
| Rental income from subsidiaries | - | - | 96 | 80 |
| Direct operating expenses: | | | | |
| - income generating investment property | 136 | 321 | 76 | 207 |
| - non-income generating investment property | 355 | 113 | 222 | 64 |
| | ===== | ===== | ===== | ===== |

## 5. Investments in subsidiaries

| | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| At cost: | | |
| Unquoted shares in subsidiaries | | |
| At 31 December/ 1 January | 68,392 | 68,392 |
| | ---------- | ---------- |
| Capital contribution | | |
| At 1 January | 17,900 | - |
| (Repayment)/Addition | (1,150) | 17,900 |
| At 31 December | 16,750 | 17,900 |
| | 85,142 | 86,292 |
| | ===== | ===== |

The capital contribution amounting to RM16,750,000 (2010: RM17,900,000) for working capital purposes and is treated as quasi-equity. The capital contribution has no fixed term of repayment and amount payable is at the discretion of the wholly-owned subsidiaries.

Details of the subsidiaries are disclosed in Note 28.

## 6. Investments in associate

| | Group and Company 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| At cost: | | |
| Unquoted shares in associate | | |
| At 31 December/ 1 January | 40 | 40 |
| Capital contribution | | |
| At 1 January | - | - |
| Addition | 1,960 | - |
| At 31 December | 1,960 | - |
| | 2,000 | 40 |

The capital contribution amounting to RM1,960,000 (2010:Nil) is for working capital purposes.

The summary financial information for the associate, not adjusted for the percentage ownership held by the Group is as follows:

| **Group** | **Revenue (100%) RM'000** | **Profit/ (Loss) (100%) RM'000** | **Total assets (100%) RM'000** | **Total liabilities (100%) RM'000** |
|---|---|---|---|---|
| *Equity accounted* | | | | |
| **2011** | | | | |
| CBD Development Sdn. Bhd. | - | 22 | 3,833 | (3,718) |
| **2010** | | | | |
| CBD Development Sdn. Bhd. | - | (6) | 714 | (621) |

Details of the associate are disclosed in Note 28.

## 7. Land held for property development

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| ***Cost*** | | |
| At 1 January | 26,777 | 27,528 |
| Transfer to property development costs (Note 10) | - | (751) |
| At 31 December | 26,777 | 26,777 |

Included in land held for property development is freehold land with a carrying amount of RM16,110,000 (2010: RM16,110,000) which is pending sub-division and has yet to be registered in the name of a subsidiary.

## 8. Deferred tax assets and liabilities

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Group** | | | | | | |
| Property, plant and equipment | - | - | 2,745 | 3,715 | 2,745 | 3,715 |
| Land held for property development | - | - | 1,192 | 1,340 | 1,192 | 1,340 |
| Unabsorbed capital allowances | (725) | (1,043) | - | - | (725) | (1,043) |
| Unutilised tax losses | (34) | (34) | - | - | (34) | (34) |
| Provisions | (1,802) | (1,516) | - | - | (1,802) | (1,516) |
| Tax (assets)/liabilities | (2,561) | (2,593) | 3,937 | 5,055 | 1,376 | 2,462 |
| Set-off | 1,649 | - | (1,649) | - | - | - |
| Net tax (assets)/ liabilities | (912) | (2,593) | 2,288 | 5,055 | 1,376 | 2,462 |

## 8. Deferred tax assets and liabilities (continued)

**Unrecognised deferred tax assets**

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Deductible temporary differences | 17,580 | 268 |
| Unabsorbed capital allowances | 3,463 | 3,568 |
| Unutilised tax losses | 2,943 | 2,419 |
| | 23,986 | 6,255 |
| Unrecognised deferred tax assets at 25% | 5,996 | 1,564 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereon.

## 9. Trade and other receivables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | **2010** | **2011** | **2010** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | | 52,335 | 64,296 | - | - |
| Less: Allowance for impairment loss | | (5,636) | (4,462) | - | - |
| | 9.1 | 46,699 | 59,834 | - | - |
| Construction work-in-progress | 9.2 | 33,761 | 6,125 | - | - |
| Progress billings receivables | 9.3 | 24,249 | 97,643 | - | - |
| Accrued billings | | 948 | 2,699 | - | - |
| Amount due from subsidiaries | 9.4 | - | - | 4,268 | 10,794 |
| | | 105,657 | 166,301 | 4,268 | 10,794 |

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# 9. Trade and other receivables (continued)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Non-trade** | | | | | |
| Amount due from associate | 9.4 | - | 15 | - | 15 |
| Other receivables, deposits and prepayments | | 5,470 | 8,977 | 1,355 | 1,917 |
| Less: Allowance for impairment loss | | (468) | (1,466) | (1,298) | - |
| | | 5,002 | 7,526 | 57 | 1,932 |
| | | 110,659 | 173,827 | 4,325 | 12,726 |

### *9.1 Trade receivables*

Included in trade receivables of the Group are amounts due from companies deemed related to Directors amounting to RM25,260,000 (2010: RM37,888,000).

### *9.2 Construction work-in-progress*

| | Note | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|---|
| Aggregate costs incurred to date | | 411,582 | 294,494 |
| Add: Attributable profits | | 113,247 | 28,239 |
| | | 524,829 | 322,733 |
| Less: Progress billings | | (476,802) | (335,598) |
| | | 48,027 | (12,865) |
| Amount due to contract customers reclassified | 15 | 3,046 | 18,990 |
| Amount due from contract customers | | 51,073 | 6,125 |
| Less: Allowance for impairment loss | | (17,312) | - |
| | | 33,761 | 6,125 |

# 9. Trade and other receivables (continued)

### *9.3 Progress billings receivables*

Included in progress billings receivables are:

i) amount due from a company deemed related to Directors amounting to RMNil (2010: RM41,571,000); and

ii) retention sums of RM18,685,000 (2010: RM22,529,000) relating to construction work-in-progress.

The retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle.

### *9.4 Amount due from subsidiaries and associate*

The amounts due from subsidiaries and associate are unsecured, interest-free and are repayable on demand.

# 10. Property development costs

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| **At 1 January** | | |
| Land | 14,636 | 13,885 |
| Development costs | 11,533 | 2,161 |
| Accumulated costs charged to profit or loss | (11,851) | (2,551) |
| | 14,318 | 13,495 |
| Development costs incurred during the year | 4,796 | 9,372 |
| Costs charged to profit or loss | (8,464) | (9,300) |
| Transfer from land held for property development | - | 751 |
| | 10,650 | 14,318 |
| **At 31 December** | | |
| Land | 14,636 | 14,636 |
| Development costs | 16,327 | 11,533 |
| Accumulated costs charged to profit or loss | (20,313) | (11,851) |
| | 10,650 | 14,318 |

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## 11. Inventories

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Developed properties held for sale | 2,273 | 3,550 |
| | ===== | ===== |

## 12. Cash and cash equivalents

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Deposits with licensed banks | 86,879 | 28,027 | 12,878 | 10,993 |
| Cash and bank balances | 18,263 | 6,565 | 135 | 74 |
| | 105,142 | 34,592 | 13,013 | 11,067 |
| | ====== | ===== | ===== | ===== |

Included in cash and bank balances of the Group is an amount of RM6,293,543 (2010: RM1,544,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

***Deposits with licensed banks pledged for bank facilities***

Included in deposits with licensed banks are deposits amounting to RM14,754,000 (2010: RM14,356,000) and RM11,095,000 (2010: RM10,793,000) of the Group and of the Company respectively which are pledged to banks to secure bank borrowings and facilities granted to the Company and certain subsidiaries (Note 14).

## 13. Share capital and reserves

### *13.1 Share capital*

| | Group and Company Amount 2011 RM'000 | Number of shares 2011 '000 | Amount 2010 RM'000 | Number of shares 2010 '000 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of RM1 each | 200,000 | 200,000 | 200,000 | 200,000 |
| | ====== | ====== | ====== | ====== |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1 each | 99,645 | 99,645 | 99,645 | 99,645 |
| | ====== | ====== | ====== | ====== |

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

# 13. Share capital and reserves (continued)

### *13.2 Share premium*

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

### *13.3 Section 108 tax credit*

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank approximately RM2,719,000 of its distributable reserves at 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the remaining Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

# 14. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| **Non-current** | | | | |
| Finance lease liabilities | 549 | 758 | - | - |
| **Current** | | | | |
| Bank overdraft - secured | 25 | 1,087 | 25 | 1,087 |
| Revolving credits - unsecured | - | 18,150 | - | 6,350 |
| Finance lease liabilities | 754 | 1,067 | - | - |
| | 779 | 20,304 | 25 | 7,437 |

### *14.1 Security and terms*

Bank overdraft of the Group and of the Company is subject to interest at 1.5% per annum above the base lending rate and is secured by way of corporate guarantees, and pledge of fixed deposits (Note 12).

In the previous financial year, revolving credits of the Group and of the Company were subject to interest ranging at 0.25% to 1.75% per annum above cost of funds. The revolving credits were secured by corporate guarantee by the Company.

Finance lease liabilities are subject to fixed interest rates ranging from 2.30% to 3.50% (2010: 2.30% to 3.50%) per annum.

# 14. Borrowings (continued)

### *14.2 Finance lease liabilities*

Finance lease liabilities are payable as follows:

| Group | Minimum lease payments 2011 RM'000 | Interest 2011 RM'000 | Principal 2011 RM'000 | Minimum lease payments 2010 RM'000 | Interest 2010 RM'000 | Principal 2010 RM'000 |
|---|---|---|---|---|---|---|
| Less than one year | 803 | 49 | 754 | 1,144 | 77 | 1,067 |
| Between one and five years | 591 | 42 | 549 | 792 | 34 | 758 |
| | 1,394 | 91 | 1,303 | 1,936 | 111 | 1,825 |

# 15. Payables and accruals

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | 15.1 | 31,071 | 57,262 | - | - |
| Amount due to contract customers | 9.3 | 3,046 | 18,990 | - | - |
| | | 34,117 | 76,252 | - | - |
| **Non-trade** | | | | | |
| Other payables and accrued expenses | 15.2 | 20,464 | 21,683 | 267 | 154 |
| Amount due to subsidiaries | | - | - | 148 | 2,244 |
| | | 54,581 | 97,935 | 415 | 2,398 |

### *15.1 Trade payables*

Included in trade payables of the Group are amounts due to companies deemed related to certain Directors amounting to RM425,000 (2010: RM3,449,000).

### *15.2 Other payables and accrued expense*

Included in other payables and accrued expenses of the Group are payables and accruals for construction-related costs amounting to RM9,402,000 (2010: RM16,269,000).

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## 16. Revenue

| Group | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Sales of goods | 73,658 | 68,952 |
| Rental of motor vehicle and machinery | 9,744 | 14,778 |
| Contract revenue | 202,096 | 214,255 |
| Property development revenue | 15,794 | 11,498 |
| Rental income from investment properties | 729 | 739 |
| | 302,021 | 310,222 |
| **Company** | | |
| Dividend income from unquoted subsidiaries | 5,200 | 2,500 |
| Rental income from investment property | 456 | 639 |
| | 5,656 | 3,139 |

## 17. Cost of sales

| Group | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Cost of goods sold | 55,754 | 63,726 |
| Direct operating expenses | 11,246 | 9,905 |
| Contract costs recognised as an expense | 114,953 | 195,599 |
| Property development expenses | 9,213 | 8,845 |
| | 191,166 | 278,075 |
| **Company** | | |
| Direct operating expenses | 797 | 712 |

## 18. Profit before tax

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Profit for the year is arrived at after charging: | | | | |
| Allowance for impairment loss receivables | 19,760 | 412 | - | - |
| Auditors' remuneration to KPMG: | | | | |
| - Statutory audit | 160 | 120 | 45 | 28 |
| - Other services | 8 | 8 | - | - |
| Depreciation of property, plant and equipment | 5,059 | 6,726 | 1 | 2 |
| Depreciation of investment property | 666 | 648 | 445 | 440 |
| Inventory written-off | - | 2 | - | - |
| Personnel expenses (including key management personnel) | | | | |
| - Wages, salaries and others | 13,600 | 12,687 | 118 | 65 |
| - Contributions to Employees Provident Fund | 895 | 946 | 11 | 6 |
| Rental of motor vehicles | 250 | 256 | - | - |
| Rental of premises | 1,113 | 791 | - | - |
| Rental of equipment and machinery | 5,977 | 2,448 | - | - |
| Impairment of plant and equipment | - | 767 | - | - |
| | ===== | ===== | ===== | ===== |
| and after crediting: | | | | |
| Dividend income from subsidiaries (unquoted) | - | - | 5,200 | 2,500 |
| Gain on disposal of property, plant and equipment | 452 | 1,848 | - | - |
| Rental income from investment property | 729 | 739 | 456 | 639 |
| Rental of motor vehicle | 50 | 8 | - | - |
| | ===== | ===== | ===== | ===== |

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## 19. Key management personnel compensation

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Directors | | | | |
| - Fees | 180 | 20 | 180 | 20 |
| - Remuneration | 1,042 | 1,512 | - | - |
| Other short term employee benefits (including estimated monetary value of benefits-in-kind) | 47 | 55 | - | - |
| Total short-term employee benefits | 1,269 | 1,587 | 180 | 20 |

## 20. Income tax expense

***Recognised in profit or loss***

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Current tax expense** | | | | |
| Malaysian - current year | 26,727 | 6,711 | 80 | 103 |
| - prior year | (301) | (44) | 17 | 1 |
| Total current tax | 26,426 | 6,667 | 97 | 104 |
| **Deferred tax expense** | | | | |
| Reversal of temporary differences | (74) | (146) | - | - |
| Overprovision in prior years | (1,012) | (67) | - | - |
| Total deferred tax | (1,086) | (213) | - | - |
| Total tax expense | 25,340 | 6,454 | 97 | 104 |

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## 20. Income tax expense (continued)

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| ***Reconciliation of tax expense*** | | | | |
| Profit before tax | 85,373 | 23,606 | 3,409 | 2,307 |
| | ===== | ===== | ===== | ===== |
| Tax at Malaysian tax rate of 25% | 21,344 | 5,902 | 852 | 577 |
| Non-deductible expenses | 877 | 872 | 528 | 151 |
| Non-taxable income | - | - | (1,300) | (625) |
| Current year losses for which no deferred tax assets was recognised | 4,432 | (197) | - | - |
| Others | - | (12) | - | - |
| | 26,653 | 6,565 | 80 | 103 |
| (Over)/Under provided in prior years | (1,313) | (111) | 17 | 1 |
| | 25,340 | 6,454 | 97 | 104 |
| | ===== | ===== | ===== | ===== |

## 21. Dividend

Subsequent to the financial year end, the following dividends were proposed by the Directors. This dividends will be recognised in subsequent financial period upon approval by the shareholders of the Company.

| **2011** | **Sen per share** | **Total amount RM'000** |
|---|---|---|
| Final – ordinary shares, net of tax | 2.7 | 2,690 |
| Final – Single tier | 1.4 | 1,395 |
| Total amount | | 4,085 |
| | | ===== |

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# 22. Earnings per ordinary share

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

*Profit attributable to ordinary shareholders*

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Profit from continuing operations for the year attributable to owners | 60,033 | 17,152 |
| | ===== | ===== |

*Weighted average number of ordinary shares*

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **'000** | **'000** |
| Weighted average number of ordinary shares at 31 December | 99,645 | 99,645 |
| | ===== | ===== |

*Basic earnings per ordinary share*

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **Sen** | **Sen** |
| From continuing operations | 60.25 | 17.21 |
| | ==== | ==== |

## 23. Operating segments

Operating segments are components in which separate financial information is available that is evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance of the Group. The Group has four reportable segments as described below:

| | |
|---|---|
| Trading and services | Reconditioning, sales and rental of light and heavy machinery, trading of building materials and provision of transportation services |
| Property development | Development of residential and commercial properties |
| Investment property | Rental of investment property |
| Construction | Civil works contracting |

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Segment assets**

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

**Segment liabilities**

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

**Segment capital expenditure**

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

## 23. Operating segments (continued)

| | Trading and services 2011 RM'000 | Trading and services 2010 RM'000 | Property development 2011 RM'000 | Property development 2010 RM'000 | Investment property 2011 RM'000 | Investment property 2010 RM'000 | Construction 2011 RM'000 | Construction 2010 RM'000 | Eliminations 2011 RM'000 | Eliminations 2010 RM'000 | Consolidated 2011 RM'000 | Consolidated 2010 RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Segment profit*** | | | | | | | | | | | | |
| Total external revenue | 83,403 | 83,731 | 15,794 | 11,498 | 729 | 738 | 202,095 | 214,255 | - | - | 302,021 | 310,222 |
| Inter-segment revenue | 42,317 | 62,264 | - | - | 5,368 | 3,049 | - | - | (47,685) | (65,313) | - | - |
| Total segment revenue | 125,720 | 145,995 | 15,794 | 11,498 | 6,097 | 3,787 | 202,095 | 214,255 | (47,685) | (65,313) | 302,021 | 310,222 |
| Segment profit | 13,341 | 10,257 | 4,929 | 1,835 | (105) | 337 | 68,288 | 17,359 | (529) | (4,969) | 85,924 | 24,819 |
| Unallocated expenses | | | | | | | | | | | (1,797) | (375) |
| Results from operating activities | | | | | | | | | | | 84,127 | 24,444 |
| Interest income | 603 | 222 | 31 | - | 345 | 252 | 581 | 60 | - | - | 1,560 | 534 |
| Interest expense | (12) | (121) | - | (37) | - | (589) | (302) | (625) | - | - | (314) | (1,372) |
| Profit before taxation | | | | | | | | | | | 85,373 | 23,606 |
| Tax expense | (4,221) | (1,456) | (1,231) | (478) | (97) | (207) | (20,909) | (4,702) | 1,118 | 389 | (25,340) | (6,454) |
| Profit for the year | | | | | | | | | | | 60,033 | 17,152 |
| *Included in the measure of segment profit is:* | | | | | | | | | | | | |
| Depreciation and amortisation | 4,046 | 5,824 | 18 | 16 | 666 | 648 | 995 | 886 | - | - | 5,725 | 7,374 |

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## 23. Operating segments (continued)

| | Trading and services 2011 RM'000 | Trading and services 2010 RM'000 | Property development 2011 RM'000 | Property development 2010 RM'000 | Investment property 2011 RM'000 | Investment property 2010 RM'000 | Construction 2011 RM'000 | Construction 2010 RM'000 | Eliminations 2011 RM'000 | Eliminations 2010 RM'000 | Consolidated 2011 RM'000 | Consolidated 2010 RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Segment assets** | 132,684 | 137,757 | 35,967 | 35,839 | 42,169 | 40,328 | 109,548 | 115,724 | (18,017) | (30,208) | 302,351 | 299,440 |
| Unallocated assets | | | | | | | | | | | 15,999 | 16,044 |
| Total assets | | | | | | | | | | | 318,350 | 315,484 |
| Included in the measure of segment assets are: | | | | | | | | | | | | |
| Investment in associate | 40 | 40 | - | - | - | - | - | - | - | - | 40 | 40 |
| **Segment liabilities** | (24,306) | (40,549) | (11,885) | (14,817) | - | - | (43,517) | (96,602) | 24,168 | 40,734 | (55,540) | (111,234) |
| Unallocated liabilities | | | | | | | | | | | (14,474) | (15,947) |
| Total liabilities | | | | | | | | | | | (70,014) | (127,181) |
| Capital expenditure | 1,409 | 465 | 12 | 12 | 2,506 | 85 | 2,544 | 663 | - | - | 6,471 | 1,225 |
| Depreciation and amortisation | (4,046) | (5,924) | (18) | (16) | (666) | (648) | (995) | (886) | - | - | (5,725) | (7,374) |
| Non-cash expenses other than depreciation and amortisation | 19,760 | 1,407 | - | - | - | - | - | - | - | - | 19,760 | 1,407 |

# 24. Financial instruments

## 24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables and financial liabilities measured at amortised cost:

| | Carrying amount | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Financial assets categorised as loans and receivables:** | | | | |
| Trade and other receivables | 75,950 | 165,003 | 4,325 | 12,726 |
| Cash and cash equivalents | 105,142 | 34,592 | 13,013 | 11,067 |
| | 181,092 | 199,595 | 17,338 | 23,793 |
| **Financial liabilities measured at amortised cost:** | | | | |
| Trade and other payables | 51,535 | 76,810 | 415 | 2,398 |
| Borrowings | 1,328 | 21,062 | 25 | 7,437 |
| | 52,863 | 97,872 | 440 | 9,835 |

## 24.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Net gains/(losses) on: | | | | |
| Loans and receivables | (18,200) | 122 | 346 | 841 |
| Financial liabilities measured at amortised cost | (314) | (1,372) | - | (589) |
| | (18,514) | (1,250) | 346 | 252 |

# 24. Financial instruments (continued)

### 24.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 24.4 Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, and deposits with licensed banks. The Company's exposure to credit risk arises principally from advances to subsidiaries and deposits with licensed banks.

**Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are required to be performed on all new customers.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of trade receivables that are past due but not impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Trade receivables (continued)**

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

| Group | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2011** | | | |
| Not past due | 23,745 | (752) | 22,993 |
| Past due 1 – 90 days | 13,804 | (286) | 13,518 |
| Past due more than 90 days | 39,035 | (4,598) | 34,437 |
| | 76,584 | (5,636) | 70,948 |
| **2010** | | | |
| Not past due | 82,348 | - | 82,348 |
| Past due 1 – 90 days | 14,503 | - | 14,503 |
| Past due more than 90 days | 65,088 | (4,462) | 60,626 |
| | 161,939 | (4,462) | 157,477 |

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| At 1 January | 4,462 | 6,119 |
| Impairment loss recognised | 1,719 | 567 |
| Impairment loss reversed | (545) | - |
| Adjustment for disposal of subsidiary | - | (2,224) |
| At 31 December | 5,636 | 4,462 |

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Deposits with licensed banks**

*Risk management objectives, policies and processes for managing the risk*

The Group and the Company's cash and cash equivalents are deposited with high creditworthy licensed banks.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations in respect of these deposits.

**Inter-company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. Advances are only provided to subsidiaries which are wholly owned by the Company. The Company considers its subsidiaries as companies associated with low credit risk.

*Impairment losses*

As at the end of the reporting period, there was no indication that advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to related companies. Nevertheless, these advances are repayable on demand and are not overdue as at the reporting date.

## 24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as for as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

# 24. Financial instruments (continued)

## 24.5 Liquidity risk (continued)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| **Group 2011** | **Carrying amount RM'000** | **Contractual interest rate/ coupon %** | **Contractual cash flows RM'000** | **Under 1 year RM'000** | **1 - 2 years RM'000** | **2 - 5 years RM'000** | **More than 5 years RM'000** |
|---|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdraft - secured | 25 | 8.10 | 27 | 27 | - | - | - |
| Finance lease liabilities | 1,303 | 2.30 - 3.25 | 1,394 | 801 | 289 | 304 | - |
| Trade and other payables | 54,581 | - | 54,581 | 54,581 | - | - | - |
| | ===== | | ===== | ===== | ===== | ===== | ===== |
| **2010** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdraft - secured | 1,087 | 7.80 | 1,172 | 1,172 | - | - | - |
| Revolving credits - unsecured | 18,150 | 1.50 - 5.23 | 19,099 | 19,099 | - | - | - |
| Finance lease liabilities | 1,825 | 2.30 - 3.25 | 1,936 | 1,144 | 686 | 106 | - |
| Trade and other payables | 97,935 | - | 97,935 | 97,935 | - | - | - |
| | ===== | | ===== | ===== | ===== | ===== | ===== |

# 24. Financial instruments (continued)

## 24.5 Liquidity risk (continued)

| Company<br>2011 | Carrying amount<br>RM'000 | Contractual interest rate/ coupon<br>% | Contractual cash flows<br>RM'000 | Under 1 year<br>RM'000 | 1 - 2 years<br>RM'000 | 2 - 5 years<br>RM'000 | More than 5 years<br>RM'000 |
|---|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdraft - secured | 25 | 8.10 | 27 | 27 | - | - | - |
| Trade and other payables | 415 | - | 415 | - | - | - | - |
| | ===== | | ===== | ===== | ===== | ===== | ===== |
| **2010** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Bank overdraft - secured | 1,087 | 7.80 | 1,172 | 1,172 | - | - | - |
| Revolving credits - unsecured | 6,350 | 5.23 | 6,682 | 6,682 | - | - | - |
| Trade and other payables | 2,398 | - | 2,398 | 2,398 | - | - | - |
| | ===== | | ===== | ===== | ===== | ===== | ===== |

# 24. Financial instruments (continued)

## 24.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's financial position or cash flows.

### 24.6.1 Interest rate risk

The Group's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period, was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| **Fixed rate instruments** | | | | |
| **Financial Asset** | | | | |
| Deposit with licensed banks | 86,879 | 28,027 | 12,878 | 10,993 |
| **Financial Liabilities** | | | | |
| Bank overdraft | (25) | (1,087) | (25) | (1,087) |
| Finance lease liabilities | (1,303) | (1,825) | - | - |
| | 85,551 | 25,115 | 12,853 | 9,906 |
| **Floating rate instruments** | | | | |
| **Financial liabilities** | | | | |
| Revolving credit | - | (18,150) | - | (6,350) |

*Interest rate risk sensitivity analysis*

*(a) Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

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# 24. Financial instruments (continued)

## 24.6 Market risk (continued)

### 24.6.1 Interest rate risk (continued)

*(b) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---|---|---|
| | **100 bp increase** | **100 bp decrease** |
| **Group** | **RM'000** | **RM'000** |
| **2010** | | |
| **Floating rate instruments** | | |
| Financial liabilities | (136) | 136 |
| Cash flow sensitivity (net) | (136) | 136 |

## 24.7 Fair value

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these instruments.

The fair values of other liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Group** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Finance lease liabilities | 1,303 | 1,217 | 1,825 | 1,787 |

# 24. Financial instruments (continued)

### 24.7 Fair value (continued)

*Interest rates used to determine fair value*

Fair value for finance leases, the market rate of interest is determined by reference to similar lease agreements. The interest rates used to discount estimated cash flows, when applicable, are as follows:

| | 2011 | 2010 |
|---|---|---|
| Finance leases | 3.20% - 4.67% | 4.37% - 7.20% |

# 25. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure and to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

# 26. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

| | Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Guarantees and contingencies relating to borrowings of subsidiaries (unsecured) | - | 11,800 |
| | ======= | ===== |

# 27. Capital commitment

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Capital expenditure commitment** | | |
| **Plant and equipment** | | |
| Contracted but not provided for | 12,867 | - |
| | ===== | ===== |

## 28. Details of subsidiaries and associate

The principal activities of the subsidiaries and associate, which are all incorporated in Malaysia, and the effective ownership interest of Knusford Berhad are shown below:

**Subsidiaries**

| **Name of company** | **Principal activities** | **Effective ownership interest 2011** | **2010** |
|---|---|---|---|
| Wengcon Holdings Sdn. Bhd. | Reconditioning, sales and rental of heavy machinery | 100% | 100% |
| Wengcon Equipment Sdn. Bhd. | Rental of machinery and equipment, provision of transportation services and trading of building materials | 100% | 100% |
| Segi Tiara Sdn. Bhd. | Civil works contracting | 100% | 100% |
| D-Hill Sdn. Bhd. | Property development | 100% | 100% |
| Wengcon Marketing Sdn. Bhd. | Trading in building materials | 100% | 100% |
| Hi-Plus Development Sdn. Bhd. | Rental of machinery and equipment | 100% | 100% |
| Endau Prima Sdn. Bhd. | Ceased operations | 100% | 100% |
| Segi Gemilang Sdn. Bhd. | Rental of machinery and equipment | 100% | 100% |
| *Subsidiaries of Wengcon Equipment Sdn. Bhd.* | | | |
| Radiant Seas Sdn.Bhd. | Rental of machinery and equipment | 100% | 100% |
| Yasmin Marine Technology Sdn. Bhd. | Rental of machinery and equipment | 80% | 80% |

## 28. Details of subsidiaries and associate (continued)

| Name of company | Principal activities | Effective ownership interest 2011 | 2010 |
|---|---|---|---|
| **Associate** | | | |
| CBD Development Sdn. Bhd. | Town planners, developers and contractor | 40% | 40% |

## 29. Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with the following companies, which are deemed related to the Directors and major shareholders as follows:

i) Ekovest Berhad and Ekovest Construction Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng;

ii) Aramijaya Sdn. Bhd. is deemed related to Dato' Lim Kang Hoo, Dato' Lim Kang Swee and Lim Keng Cheng.

iii) Danga Bay Sdn. Bhd., Rampai Fokus Sdn. Bhd., Uniregion Sdn. Bhd. and Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Lim Keng Cheng;

iv) Iskandar Waterfront Sdn. Bhd. and Pembinaan KS Tebrau Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Lim Keng Cheng;

v) Pembinaan Sahabatjaya Sdn. Bhd., Kajang Prima Sdn. Bhd., Sahabatjaya Landscape Sdn. Bhd., Icon Sejati Sdn. Bhd., Lim Seong Hai Holdings Sdn. Bhd., Viro M&E Sdn. Bhd., Fablelite Sdn. Bhd., Milan Suria Sdn. Bhd. and Knight Auto Sdn. Bhd. are deemed related to Lim Keng Cheng.

## 29. Related parties (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

| Group<br>Type of transactions | Related parties | Amount transacted for the year ended 31 December 2011 RM'000 | Gross balance outstanding at 31 December 2011 RM'000 | Amount transacted for the year ended 31 December 2010 RM'000 | Gross balance outstanding at 31 December 2010 RM'000 |
|---|---|---|---|---|---|
| Sale and rental of machinery and equipment, transportation charges and sale of building materials | Aramijaya Sdn. Bhd. | 5,830 | 2,788 | 15,186 | 7,691 |
| | Danga Bay Sdn. Bhd. | 3,256 | 8,953 | 12,292 | 18,851 |
| | Ekovest Berhad | 33 | - | - | 7 |
| | Ekovest Construction Sdn. Bhd. | 5,953 | 658 | 6,419 | 2,318 |
| | Rampai Fokus Sdn. Bhd. | 10,075 | 10,428 | 5,435 | 4,302 |
| | Pembinaan Sahabatjaya Sdn. Bhd. | - | - | 3,598 | 4,932 |
| | Uniregion Sdn. Bhd. | 102 | 1 | 3 | - |
| | Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd. | 139 | 22 | 53 | - |
| | Viro M&E Sdn. Bhd. | - | - | 863 | 26 |
| | Sahabatjaya Landscape Sdn. Bhd. | - | - | 292 | 366 |
| | Kajang Prima Sdn. Bhd. | - | - | 900 | - |
| | Pembinaan KS Tebrau Sdn Bhd | 2,409 | 2,409 | - | - |
| Sub-contractor fees on civil works and clearing | Pembinaan Sahabatjaya Sdn. Bhd. | - | - | 47,185 | 17,825 |
| | Iskandar Waterfront Sdn. Bhd. | - | - | 1,330 | - |
| | Aramijaya Sdn. Bhd. | 37 | * | 151 | 828 |

## 29. Related parties (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows: (continued)

| **Group**<br>**Type of transactions** | **Related parties** | **Amount transacted for the year ended 31 December 2011 RM'000** | **Gross balance outstanding at 31 December 2011 RM'000** | **Amount transacted for the year ended 31 December 2010 RM'000** | **Gross balance outstanding at 31 December 2010 RM'000** |
|---|---|---|---|---|---|
| Purchase and rental of machinery and equipment and purchase of building materials | Aramijaya Sdn. Bhd. | 124 | * | 399 | - |
| | Ekovest Berhad | 370 | 200 | 1,217 | 447 |
| | Ekovest Construction Sdn. Bhd. | 114 | 123 | 151 | 1,529 |
| | Pembinaan Sahabatjaya Sdn. Bhd. | - | - | 731 | 215 |
| | Fablelite Sdn. Bhd. | 475 | 3 | 1,128 | - |
| | Milan Suria Sdn. Bhd. | - | - | - | - |
| | Wengcon Machinery Sdn Bhd | 25 | 11 | - | - |
| | Danga Bay Sdn Bhd | 48 | - | - | - |
| | Knight Auto Sdn Bhd | 55 | 27 | - | - |
| Purchase of mixed wood logs | Aramijaya Sdn. Bhd. | 66 | * | 736 | * |
| Purchase of investment property | Danga Bay Sdn. Bhd. | - | * | - | * |
| Rental of premises paid | Ekovest Berhad | 310 | 20 | 286 | * |
| | Aramijaya Sdn. Bhd. | 91 | * | 85 | * |
| | Ekovest Holdings Sdn Bhd | 22 | (2) | - | - |
| | Lim Seong Hai Holdings Sdn Bhd | 30 | - | - | - |

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## 29. Related parties (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows: (continued)

| **Group**<br>**Type of transactions** | **Related parties** | **Amount transacted for the year ended 31 December 2011 RM'000** | **Gross balance outstanding at 31 December 2011 RM'000** | **Amount transacted for the year ended 31 December 2010 RM'000** | **Gross balance outstanding at 31 December 2010 RM'000** |
|---|---|---|---|---|---|
| Rental of premises received | Danga Bay Sdn. Bhd. | 443 | * | 443 | * |
| | Ekovest Construction Sdn. Bhd. | 71 | * | 141 | * |
| **Company** | | | | | |
| Rental of premises received | Danga Bay Sdn. Bhd. | 360 | 31 | 360 | - |
| Rental of premises received | Wengcon Machinery Sdn. Bhd. | - | - | 199 | - |
| | **Subsidiaries** | | | | |
| Rental of premises received | Wengcon Marketing Sdn Bhd | 48 | - | 32 | 4 |
| Rental of premises received | Segi Tiara Sdn Bhd | 48 | - | 48 | 16 |

* The gross balance outstanding for these transactions are net identifiable and have been disclosed within the gross balance outstanding for sale/purchase and rental of machinery and equipment, and sale/purchase of building materials.

## 30. Subsequent events

On 24 February 2012, the Company entered into a shares sale agreement to acquire 2 ordinary shares of RM1 each in Lakaran Cahaya Sdn. Bhd. for a cash consideration of RM2 representing 100% of the total issued and paid-up capital of Lakaran Cahaya Sdn. Bhd. Subsequently, on 29 February 2012, the Group, through a subsidiary, Lakaran Cahaya Sdn. Bhd., entered into a sales and purchase agreement to acquire a parcel of freehold land under GRN 49797 Lot 942, Mukim Semenyih, Daerah Ulu Langat, Negeri Selangor for a cash consideration of RM14,210,000.

## 31. Supplementary information on the disclosure of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011, into realised and unrealised profits, pursuant to the issuance of a directive by Bursa Malaysia Securities Berhad ("Bursa Malaysia") to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - Realised gain | 177,700 | 120,211 | 7,386 | 4,074 |
| - Unrealised loss | (300) | (3,256) | - | - |
| | 177,400 | 116,955 | 7,386 | 4,074 |
| Less: Consolidation adjustments | (51,402) | (50,990) | - | - |
| Total group retained earnings as per consolidated accounts | 125,998 | 65,965 | 7,386 | 4,074 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

# Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
# and its subsidiaries

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 67 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in Note 31 on page 68 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Director in accordance with a resolution of the Directors:

…………………………………………………………
**Dato' Lim Kang Hoo**

…………………………………………………………
**Lim Keng Cheng**

Kuala Lumpur, Malaysia

Date: 24 April 2012

# Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
# and its subsidiaries

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Teo Boon Thong**, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Ampang, Selangor on 24 April 2012.

……………………………………………….
**Teo Boon Thong**

Before me:

# Independent auditors' report to the members of Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Knusford Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 67.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of 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.

Company No. 380100-D

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit reports on the accounts of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 on page 68 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 380100-D

**Other Matter**

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

**KPMG**
Firm Number: AF 0758
Chartered Accountants

**Johan Idris**
Approval Number: 2585/10/12(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 24 April 2012