

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

**Financial statements for the year
ended 31 December 2008**

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

Directors' report for the year ended 31 December 2008

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

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 27 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
(Loss)/Profit attributable to equity holders of the Company	(1,810)	658
	<u>=====</u>	<u>=====</u>

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 1 sen per ordinary share less tax at 26% totalling RM737,373 (0.74 sen net per ordinary share) in respect of the year ended 31 December 2007 on 18 September 2008.

The Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

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

Dato' Lim Kang Swee
 Dato' Lim Kang Hoo
 Khoo Nang Seng @ Khoo Nam Seng
 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 1.1.2008	Bought	Sold	At 31.12.2008
<i>Interests in the Company</i>				
Dato' Lim Kang Swee	8,154,000	-	-	8,154,000
Dato' Lim Kang Hoo	615,749	-	-	615,749
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

Deemed interests in the Company through

i) Kinston Park Sdn. Bhd.

Dato' Lim Kang Hoo	32,410,000	-	-	32,410,000
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ii) Bidarcita Sdn. Bhd.

Dato' Lim Kang Swee	439,000	-	-	439,000
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Deemed interests in subsidiary company

i) Yasmin Marine Technology Sdn. Bhd.

Dato' Lim Kang Hoo	80	-	-	80
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Company	Number of options over ordinary shares of RM1 each			
	At 1.1.2008	Granted	Expired	At 31.12.2008
Dato' Lim Kang Swee	150,000	-	(150,000)	-
Dato' Lim Kang Hoo	150,000	-	(150,000)	-

By virtue of his interests in the shares of the Company, Dato' Lim Kang Hoo is 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 2008 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 28 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 apart from the issue of the Employees' Share Option Scheme ("ESOS").

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.

The Company had on 2 July 2003 established and implemented the ESOS for a period of 5 years which expired on 22 April 2008. The ESOS was governed by the ESOS By-law which was approved by the shareholders on 29 January 2003.

The options offered to take up unissued ordinary shares of RM1.00 each is as follows:

Number of options over ordinary shares of RM 1 each

Granted date	Expiry date	Exercise price	At 1.1.2008	Expired	At 31.12.2008
2.7.2003	22.4.2008	RM1.25	1,806,000	(1,806,000)	-

Options granted over unissued shares (continued)

The salient features of the ESOS were as follows:

- i) The total number of new shares which may be made available under the ESOS shall not exceed ten per centum (10%) of the issued share capital of the Company.
- ii) Eligible employees are those who are employed full time by and on the payroll of a company within the Group as at the date of offer.
- iii) The option is personal to the grantee and is non-assignable.
- iv) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Other statutory information

Before the balance sheets and income statements 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) all current assets have been stated at the lower of cost and net realisable value.

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.

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Other statutory information (continued)

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 substantial gain arising from the disposals of property, plant and equipment, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 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.

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

.....
Dato' Lim Kang Swee

Kuala Lumpur

Date: 27 April 2009

Knusford Berhad
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Balance sheets at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Property, plant and equipment	3	49,306	37,890	2	2
Investment property	4	22,223	22,368	27,105	11,707
Investments in subsidiaries	5	-	-	65,892	65,892
Land held for property development	6	27,528	27,528	-	-
Deferred tax asset	7	142	33	-	-
Receivables, deposits and prepayments	8	-	-	24,172	24,543
Total non-current assets		<u>99,199</u>	<u>87,819</u>	<u>117,171</u>	<u>102,144</u>
Receivables, deposits and prepayments	8	49,768	47,300	354	1,642
Inventories	9	2,655	5,616	-	-
Property development cost	10	16,504	16,034	-	-
Tax recoverable		1,706	1,748	7	16
Cash and cash equivalents	11	29,097	46,258	5,122	20,909
Total current assets		<u>99,730</u>	<u>116,956</u>	<u>5,483</u>	<u>22,567</u>
Total assets		<u><u>198,929</u></u>	<u><u>204,775</u></u>	<u><u>122,654</u></u>	<u><u>124,711</u></u>
Equity					
Share capital		99,645	99,645	99,645	99,645
Share premium		22,693	22,693	22,693	22,693
Retained earnings		41,968	44,515	31	110
Total equity attributable to equity holders of the Company	12	<u>164,306</u>	<u>166,853</u>	<u>122,369</u>	<u>122,448</u>

Balance sheets at 31 December 2008

(continued)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Liabilities					
Borrowings	13	2,221	4,833	-	-
Deferred tax liabilities	7	3,204	3,421	-	-
Total non-current liabilities		<u>5,425</u>	<u>8,254</u>	<u>-</u>	<u>-</u>
Payables and accruals	15	26,047	26,323	285	2,263
Borrowings	13	3,151	3,345	-	-
Taxation		-	-	-	-
Total current liabilities		<u>29,198</u>	<u>29,668</u>	<u>285</u>	<u>2,263</u>
Total liabilities		<u>34,623</u>	<u>37,922</u>	<u>285</u>	<u>2,263</u>
Total equity and liabilities		<u>198,929</u>	<u>204,775</u>	<u>122,654</u>	<u>124,711</u>

The notes on pages 14 to 56 are an integral part of these financial statements.

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Income statements for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations					
Revenue	16	112,540	82,965	1,659	1,238
Cost of sales	17	(102,419)	(66,937)	(537)	(44)
		<u>10,121</u>	<u>16,028</u>	<u>1,122</u>	<u>1,194</u>
Gross profit					
Other income		2,014	1,341	-	-
Administrative expenses		(12,994)	(14,860)	(355)	(993)
Other expenses		(214)	-	-	-
		<u>(1,073)</u>	<u>2,509</u>	<u>767</u>	<u>201</u>
Results from operating activities					
Interest income		702	953	290	611
Interest expense		(631)	(803)	-	-
		<u>(1,002)</u>	<u>2,659</u>	<u>1,057</u>	<u>812</u>
(Loss)/Profit before tax	18				
Tax expense	20	(808)	(1,617)	(399)	(303)
		<u>(1,810)</u>	<u>1,042</u>	<u>658</u>	<u>509</u>
(Loss)/Profit attributable to equity holders of the company					
		<u>(1,810)</u>	<u>1,042</u>	<u>658</u>	<u>509</u>
Basic earnings per ordinary share (sen)	21	<u>(1.82)</u>	<u>1.05</u>		

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Statements of changes in equity for the year ended 31 December 2008

Group	Note	<i><--Attributable to equity holders of the Company--></i>					Minority interest RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Total equity RM'000		
At 1 January 2007		99,149	22,569	44,201	165,919	3	165,922	
Profit for the year		-	-	1,042	1,042	-	1,042	
Dividend to shareholders	22	-	-	(728)	(728)	-	(728)	
Shares issued	12	496	124	-	620	-	620	
Disposal of a subsidiary		-	-	-	-	(3)	(3)	
At 31 December 2007/1 January 2008		99,645	22,693	44,515	166,853	-	166,853	
(Loss)/Profit for the year		-	-	(1,810)	(1,810)	-	(1,810)	
Dividend to shareholders	22	-	-	(737)	(737)	-	(737)	
At 31 December 2008		99,645	22,693	41,968	164,306	-	164,306	

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Statements of changes in equity for the year ended 31 December 2008

(continued)

Company	Note	<i>Non-distributable</i> Share capital RM'000	<i>Share</i> premium RM'000	<i>Distributable</i> Retained earnings RM'000	Total RM'000
At 1 January 2007		99,149	22,569	329	122,047
Profit for the year		-	-	509	509
Dividend to shareholders	22	-	-	(728)	(728)
Share issued	12	496	124	-	620
At 31 December 2007/1 January 2008		99,645	22,693	110	122,448
Profit for the year		-	-	658	658
Dividend to shareholders	22	-	-	(737)	(737)
At 31 December 2008		99,645	22,693	31	122,369

The notes on pages 14 to 56 are an integral part of these financial statements.

Knusford Berhad
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Cash flow statements for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<i>Cash flows from operating activities</i>					
(Loss)/Profit before tax		(1,002)	2,659	1,057	812
Adjustments for:					
Depreciation of property, plant and equipment	3	8,435	12,929	-	-
Depreciation of investment property	4	378	266	324	173
Dividend income		-	-	(1,000)	(1,000)
Gain on disposal of a subsidiary	29	-	(86)	-	-
Gain on disposal of property, plant and equipment		(1,466)	(546)	-	-
Interest expense		631	803	-	-
Interest income		(702)	(953)	(290)	(611)
Property, plant and equipment written-off		250	-	-	-
Unrealised loss on foreign exchange		214	-	-	-
Operating profit/(loss) before changes in working capital		6,738	15,072	91	(626)
Changes in working capital:					
Properties under development		(1,825)	2,124	-	-
Inventories		2,616	411	-	-
Receivables, deposits and prepayments		(2,468)	5,436	1,659	(1,634)
Payables and accruals		(490)	(6,023)	(1,978)	56
Cash generated from/(used in) operations		4,571	17,020	(228)	(2,204)
Dividends received		-	-	740	730
Income taxes paid		(1,092)	(1,467)	(130)	(135)
Net cash generated from/(used in) operating activities		3,479	15,553	382	(1,609)

Cash flow statements for the year ended 31 December 2008

(continued)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<i>Cash flows from investing activities</i>					
Acquisition of property, plant and equipment	(i)	(19,156)	(852)	-	-
Acquisition of investment property	4	(233)	(975)	(15,722)	(970)
Repayment from subsidiaries		-	-	-	1,500
Interest received		702	953	290	611
Deposits pledged with licensed banks		(204)	(35)	(102)	(104)
Proceeds from disposal of property, plant and equipment		2,318	737	-	-
Disposal of a subsidiary, net of cash disposed	29	-	(3)	-	-
Net cash (used in)/generated from investing activities		(16,573)	(175)	(15,534)	1,037
<i>Cash flows from financing activities</i>					
Dividends paid	22	(737)	(728)	(737)	(728)
Interest paid		(631)	(803)	-	-
Repayment of revolving credits		(200)	-	-	-
Repayment of finance lease liabilities		(2,687)	(2,673)	-	-
Proceeds from issuance of shares		-	620	-	620
Net cash used in financing activities		(4,255)	(3,584)	(737)	(108)
Net (decrease)/increase in cash and cash equivalents		(17,349)	11,794	(15,889)	(680)
Cash and cash equivalents at 1 January	(ii)	39,220	27,426	17,192	17,872
Cash and cash equivalents at 31 December	(ii)	21,871	39,220	1,303	17,192

Cash flow statements for the year ended 31 December 2008

(continued)

i) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM19,253,000 (2007 - RM2,809,000), of which RM97,000 (2007 - RM1,957,000) were acquired by means of finance lease arrangements.

ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	11	9,250	13,269	36	17
Deposits with licensed banks	11	19,847	32,989	5,086	20,892
Bank overdraft repayable on demand - secured and unsecured	13	-	(16)	-	-
		<u>29,097</u>	<u>46,242</u>	<u>5,122</u>	<u>20,909</u>
Less: Deposits pledged	11	(7,226)	(7,022)	(3,819)	(3,717)
		<u>21,871</u>	<u>39,220</u>	<u>1,303</u>	<u>17,192</u>

The notes on pages 14 to 56 are an integral part of these financial statements.

Knusford Berhad
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Notes to the financial statements

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

Registered office

33-35, Ground Floor,
Wisma Ekovest,
Jalan Desa Gombak 6,
Taman Sri Setapak,
Off Jalan Gombak,
53000 Kuala Lumpur.

Principal place of business

Lot 8, Jalan Kecapi 33/2,
Section 33, Elite Industrial Estate,
40350 Shah Alam,
Selangor Darul Ehsan.

The consolidated financial statements as at and for the year ended 31 December 2008 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 2008 do not include other entities.

The Company is principally engaged in investment holding and property investment while the principal activities of the subsidiaries are as stated in Note 27.

The financial statements were approved by the Board of Directors on 23 April 2009.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010 except for FRS 4 which is not applicable to the Group and the Company.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the above standards (and their consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

(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.

(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.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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 Group entities, unless otherwise stated.

(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 balance sheet 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).

(ii) *Minority interest*

Minority interests at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Minority interest (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iii) 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.

(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 the balance sheet 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 income statements.

(c) Property, plant and equipment

(i) Recognition and measurement

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

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) *Recognition and measurement (continued)*

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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date.

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 the income statements.

(ii) *Reclassification to investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statements.

(iii) *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 income statements as incurred.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is recognised in the income statements 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.

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 reassessed at the balance sheet date.

(d) Leased assets

(i) 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.

2. Significant accounting policies (continued)

(d) Leased assets (continued)

(ii) *Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Investment property

(i) *Investment property carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land which is classified as prepaid lease payments) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

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(c).

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

2. Significant accounting policies (continued)

(e) Investment property (continued)

(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 then is 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.

(f) 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)

(g) 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 income statements over billings to purchasers is shown as accrued billings under receivables, deposits and prepayments while the excess of billings to purchasers over income recognised in the income statements is shown as progress billings under payables and accruals.

(h) 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.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(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)

(k) Impairment of assets

The carrying amounts of assets except for financial assets, other than subsidiaries, and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair 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. 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of 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 each reporting date 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. 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 the income statements in the year in which the reversals are recognised.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

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 income statements 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) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) 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 income statements on an accrual basis in accordance with the substance of the rental agreements.

(iii) *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 the income statements.

(iv) *Dividend income*

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

2. Significant accounting policies (continued)

(p) Revenue recognition (continued)

(v) *Rental income*

Rental income from investment property is recognised in the income statements 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.

(q) Interest income and borrowing costs

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

All borrowing costs are recognised in the income statements, using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 (tax 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 balance sheet date.

2. Significant accounting policies (continued)

(r) Tax expense (continued)

Deferred tax liability is recognised for all taxable temporary differences.

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.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group	Equipment, furniture and Plant and Motor					Total
	Freehold land	Buildings	fittings	machinery	vehicles	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2007	-	30	2,015	65,890	7,380	75,315
Additions	-	-	90	1,605	1,114	2,809
Transfer from inventories	-	-	-	16,613	-	16,613
Disposals	-	-	(10)	(1,954)	(805)	(2,769)
Disposal of a subsidiary	-	-	(70)	-	(245)	(315)
<hr/>						
At 31 December 2007 / 1 January 2008	-	30	2,025	82,154	7,444	91,653
Additions	12,794	2,695	38	3,573	153	19,253
Transfer from inventories	-	-	-	1,700	-	1,700
Disposals	-	-	-	(2,178)	(1,168)	(3,346)
Written-off	-	-	-	(1,312)	-	(1,312)
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At 31 December 2008	12,794	2,725	2,063	83,937	6,429	107,948

Depreciation and impairment loss

At 1 January 2007:

Accumulated depreciation	-	18	1,207	36,021	6,124	43,370
Accumulated impairment loss	-	-	2	231	-	233

	-	18	1,209	36,252	6,124	43,603
Depreciation for the year (Note 18)	-	6	209	12,017	697	12,929
Disposals	-	-	(6)	(1,767)	(805)	(2,578)
Disposal of a subsidiary	-	-	(19)	-	(172)	(191)

At 31 December 2007/

1 January 2008:						
Accumulated depreciation	-	24	1,391	46,271	5,844	53,530
Accumulated impairment loss	-	-	2	231	-	233

	-	24	1,393	46,502	5,844	53,763
Depreciation for the year (Note 18)	-	51	151	7,648	585	8,435
Disposals	-	-	-	(1,326)	(1,168)	(2,494)
Written-off	-	-	-	(1,062)	-	(1,062)

At 31 December 2008:

Accumulated depreciation	-	75	1,542	51,531	5,261	58,409
Accumulated impairment loss	-	-	2	231	-	233
	-	75	1,544	51,762	5,261	58,642

3. Property, plant and equipment

Group	Equipment, furniture and Plant and Motor					Total RM'000
	Land RM'000	Buildings RM'000	fittings RM'000	machinery RM'000	vehicles RM'000	
Carrying amounts						
At 1 January 2007	-	12	806	29,638	1,256	31,712
At 31 December 2007/ 1 January 2008	-	6	632	35,652	1,600	37,890
At 31 December 2008	12,794	2,650	519	32,175	1,168	49,306

Company	Equipment, furniture and fittings RM'000
Cost	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	3
Accumulated depreciation	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	1
Carrying amounts	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	2

3.1 Leased property, plant and equipment

At 31 December 2008, the net carrying amount of leased motor vehicles and plant and machinery of the Group was RM10,540,000 (2007 - RM10,749,000).

3.2 Change in estimates

In the previous year, the Group conducted a review of its plant and machinery, which resulted in changes in the expected useful lives of certain plant and machinery. Certain of these assets which used to be depreciated over 5 years are now expected to remain in use for a period of 10 years from the date of purchase. The effect of these changes on depreciation expense, recognised in cost of goods sold, in the future periods is as follows:

	2009 RM'000	2010 RM'000	2011 RM'000	Later RM'000
(Decrease)/ Increase in depreciation expense	(1,599)	(1,118)	(198)	6,867