

Company No. 380100-D

4. Investment property

Group

<i>Cost</i>	Freehold land RM'000	Buildings RM'000	Total RM'000
At 1 January 2007	5,225	17,038	22,263
Additions	-	975	975
At 31 December 2007/1 January 2008	5,225	18,013	23,238
Additions	-	233	233
At 31 December 2008	5,225	18,246	23,471
<i>Depreciation</i>			
At 1 January 2007	-	604	604
Charge for the year	-	266	266
At 31 December 2007/1 January 2008	-	870	870
Charge for the year	-	378	378
At 31 December 2008	-	1,248	1,248
<i>Carrying amounts</i>			
At 1 January 2007	5,225	16,434	21,659
At 31 December 2007/1 January 2008	5,225	17,143	22,368
At 31 December 2008	5,225	16,998	22,223
<i>Fair value</i>			
At 1 January 2007	5,520	16,823	22,343
At 31 December 2007/1 January 2008	5,520	21,665	27,185
At 31 December 2008	6,992	20,340	27,332

4. Investment property (continued)

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2007	-	11,059	11,059
Additions	-	970	970
	-	12,029	12,029
Additions	12,794	2,928	15,722
At 31 December 2008	12,794	14,957	27,751
Depreciation			
At 1 January 2007	-	149	149
Charge for the year	-	173	173
At 31 December 2007/1 January 2008	-	322	322
Charge for the year	-	324	324
At 31 December 2008	-	646	646
Carrying amounts			
At 1 January 2007	-	10,910	10,910
At 31 December 2007/1 January 2008	-	11,707	11,707
At 31 December 2008	12,794	14,311	27,105
Fair value			
At 1 January 2007	-	10,992	10,992
At 31 December 2007/1 January 2008	-	13,293	13,293
At 31 December 2008	12,794	15,587	28,381

Certain apartments of the Group and the Company with an aggregate net book value of RM13,681,000 (2007 - RM13,837,000) and RM10,305,000 (2007 - RM10,422,000) 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 properties:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Rental income from external parties	966	839	360	238
Rental income from subsidiaries	-	-	299	-
Direct operating expenses:				
- income generating investment properties	216	96	129	44
- non-income generating investment properties	100	131	84	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Security

Certain freehold land and buildings of a subsidiary with an aggregate net book value of RM4,568,000 (2007 - RM4,825,000) are charged to secure banking facilities of a subsidiary (Note 13).

5. Investments in subsidiaries

	Company	
	2008 RM'000	2007 RM'000
At cost:		
Unquoted shares	65,892	65,892
	<u> </u>	<u> </u>

Details of the subsidiaries are as stated in Note 27.

6. Land held for property development

	Group	
	2008 RM'000	2007 RM'000
<i>Cost</i>		
At 1 January/31 December	27,528	27,528
	<u> </u>	<u> </u>

Security

In the previous year, land with a carrying amount of RM11,418,000 was charged to a licensed bank to secure banking facilities of a subsidiary. This was subsequently discharged during the year upon settlement of the facilities.

Freehold land with a carrying value of RM16,110,000 is pending sub-division and has yet to be registered in the name of a subsidiary (2007 - RM16,110,000)

7. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	-	-	2,412	2,458	2,412	2,458
Land held for development	-	-	1,575	1,683	1,575	1,683
Unabsorbed capital allowances	-	(223)	-	-	-	(223)
Provisions	(925)	(530)	-	-	(925)	(530)
Tax (assets)/liabilities	(925)	(753)	3,987	4,141	3,062	3,388
Set off	783	720	(783)	(720)	-	-
Net tax (assets)/liabilities	(142)	(33)	3,204	3,421	3,062	3,388

Unrecognised deferred tax assets

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

	Group	
	2008	2007
	RM'000	RM'000
Deductible temporary differences	(5,425)	(1,431)
Unabsorbed capital allowances	(11,712)	(14,008)
Unutilised tax losses	(3,038)	(2,192)
	(20,175)	(17,631)
Unrecognised deferred tax assets @ 25% (2007 - 26%)	(5,044)	(4,584)

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.

8. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	8.1	-	-	24,172	24,543
Current					
Trade					
Trade receivables		53,609	41,558	-	-
Less: Allowance for doubtful debts		(6,331)	(5,003)	-	-
	8.2	47,278	36,555	-	-
Accrued billings		725	-	-	-
		48,003	36,555	-	-
Non-trade					
Other receivables, deposits and prepayments	8.3	2,127	11,107	354	1,642
Less: Allowance for doubtful debts		(362)	(362)	-	-
		1,765	10,745	354	1,642
		49,768	47,300	354	1,642

8.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and is not expected to be repayable within the next twelve months.

8.2 Trade receivables

Included in trade receivables of the Group are amounts due from companies deemed related to certain Directors and a key management personnel as defined in Note 28 amounting to RM36,014,000 (2007 - RM8,235,000).

8.3 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group in the previous year was a deposit of RM9,552,000 paid for the acquisition of plant and machinery, a freehold land and building. Deposit for the acquisition of the plant and machinery of RM8,052,000 was refunded in the year under review due to the termination of the sales and purchase agreement.

9. Inventories

	Group	
	2008 RM'000	2007 RM'000
Trading inventories	967	5,283
Developed properties held for sale	1,688	333
	2,655	5,616
	2,655	5,616

During the year under review, trading inventories amounting to RM787,732 (2007: RM1,212,000) were written down to net realisable value. The write down was charged to the administrative expenses in the income statement.

10. Property development costs

	Group	
	2008 RM'000	2007 RM'000
At 1 January		
Land	13,885	13,885
Development costs	50,862	49,622
Accumulated costs charged to income statements	(47,358)	(45,349)
	17,389	18,158
Development costs incurred during the year	4,006	1,239
Costs charged to income statements	(3,536)	(3,363)
Transfer to inventories	(1,355)	-
	16,504	16,034
	16,504	16,034
At 31 December		
Land	13,885	13,885
Development costs	54,868	50,861
Accumulated costs charged to income statements	(50,894)	(48,712)
Accumulated costs transferred to inventories	(1,355)	-
	16,504	16,034
	16,504	16,034

Additions to development costs during the year include rental of equipment of Nil (2007 - RM71,000).

11. Cash and cash equivalents

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed banks	19,847	32,989	5,086	20,892
Cash and bank balances	9,250	13,269	36	17
	<u>29,097</u>	<u>46,258</u>	<u>5,122</u>	<u>20,909</u>

Included in the cash and bank balances of the Group is an amount of RM1,321,396 (2007 - RM3,532,106), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

Deposits with licensed banks pledged for bank facilities

Deposits with licensed banks amounting to RM7,226,000 (2007 - RM7,022,000) and RM3,819,000 (2007 - RM3,717,000) of the Group and of the Company respectively are pledged to banks to secure bank borrowings and facilities granted to the Company and certain subsidiaries (Note 13).

12. Share capital and reserves

12.1 Share capital

	Group and Company			
	Amount 2008 RM'000	Number of shares 2008 '000	Amount 2007 RM'000	Number of shares 2007 '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	99,149	99,149
Issued for cash pursuant to Employees' Share Option Scheme	-	-	496	496
At 31 December	<u>99,645</u>	<u>99,645</u>	<u>99,645</u>	<u>99,645</u>

12.2 Share premium

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

12. Share capital and reserves (continued)

12.3 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its distributable reserves at 31 December 2008 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 Section 108 tax credit as at 31 December 2008 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.

13. Borrowings

	Group	
	2008	2007
	RM'000	RM'000
Non-current		
Finance lease liabilities	2,221	4,833
	<u>2,221</u>	<u>4,833</u>
Current		
Bank overdraft - unsecured	-	16
Revolving credits - unsecured	450	650
Finance lease liabilities	2,701	2,679
	<u>3,151</u>	<u>3,345</u>
	<u>3,151</u>	<u>3,345</u>

13.1 Security and terms

Bank overdraft was subject to interest at 8.25% (2007 - 8.25%) per annum and is secured by way of corporate guarantees, fixed deposits (Note 11) and a fixed charge over a subsidiary freehold land and buildings (Note 4).

Revolving credit of a subsidiary is subject to interest at 0.5% (2007 - 0.5%) per annum above the cost of funds. Revolving credit is secured by a corporate guarantee by the Company.

Finance lease liabilities are subject to fixed interest rates ranging from 2.30% - 8.97% (2007 - 2.50% to 8.97%) per annum.

13. Borrowings (continued)

13.2 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 - 5 years RM'000
2008					
Revolving credits					
- unsecured	2009	450	450	-	-
Finance lease liabilities					
- secured	2009 2013	4,922	2,701	2,108	113
		5,372	3,151	2,108	113
2007					
Bank overdraft					
- unsecured	2008	16	16	-	-
Revolving credits					
- unsecured	2008	650	650	-	-
Finance lease liabilities					
- secured	2008 2012	7,512	2,679	2,682	2,151
		8,178	3,345	2,682	2,151

13.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2008			Minimum lease payments 2007		
	Interest	Principal	Interest	Principal	Interest	Principal
	2008 RM'000	2008 RM'000	2008 RM'000	2007 RM'000	2007 RM'000	2007 RM'000
Less than one year	3,054	353	2,701	3,207	528	2,679
Between one and five years	2,342	121	2,221	5,292	459	4,833
	5,396	474	4,922	8,499	987	7,512

14. Employee benefits

Share-based payments

On 2 July 2003, the Group established and implemented the Employee Share Option Scheme ("ESOS"), a share option programme that entitles employees (including Executive Directors) to purchase shares in the Company. The ESOS expired on 22 April 2008.

The terms and conditions of the grants were as follows; all options were to be settled by physical delivery of shares:

Grant date / employees entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to employees on 2 July 2003*	9,625	Full time employee aged 18 years old and above and on the payroll within the Group as at the date of offer	5 years
Total share options	9,625		

* The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

The number and exercise price of share options were as follows:

	Average exercise price 2008	Number of options ('000) 2008	Average exercise price 2007	Number of options ('000) 2007
Outstanding at 1 January	1.25	1,806	1.25	2,559
Expired during the year	1.25	(1,806)	1.25	(257)
Exercised during the year	1.25	-	1.25	(496)
Outstanding at 31 December	-	-	1.25	1,806
Exercisable at 31 December	-	-	1.25	1,806

In 2007, 496,000 share options were exercised. The weighted average share price for the year was RM1.66.

15. Payables and accruals

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade					
Trade payables	15.1	22,975	20,284	-	-
Non-trade					
Amount due to subsidiaries	15.2	-	-	-	2,033
Other payables and accrued expenses		3,072	6,039	285	230
		<u>3,072</u>	<u>6,039</u>	<u>285</u>	<u>2,263</u>
		<u>26,047</u>	<u>26,323</u>	<u>285</u>	<u>2,263</u>

15.1 Trade payables

Included in trade payables of the Group are amounts due to companies deemed related to certain Directors and a key management personnel as defined in Note 28 amounting to RM1,487,000 (2007 - RM2,403,000).

Significant payables that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group	
		2008 RM'000	2007 RM'000
RM	Yen	952	737
RM	Euro	137	194
		<u>952</u>	<u>737</u>
		<u>137</u>	<u>194</u>

15.2 Amount due to subsidiaries

The amount due to subsidiaries was unsecured, interest free and was repayable on demand.

16. Revenue**Continuing operations**

Group	2008 RM'000	2007 RM'000
Sales of goods	89,820	46,507
Rental of machinery	20,375	31,770
Property development revenue	1,379	3,849
Rental income from investment property	966	839
	<u>112,540</u>	<u>82,965</u>
Company		
Dividend income from unquoted subsidiaries	1,000	1,000
Rental income from investment property	659	238
	<u>1,659</u>	<u>1,238</u>

17. Cost of sales

Group	2008 RM'000	2007 RM'000
Cost of goods sold	75,690	45,120
Direct operating expenses	24,933	18,454
Property development expenses	1,796	3,363
	<u>102,419</u>	<u>66,937</u>
Company		
Direct operating expenses	<u>537</u>	<u>44</u>

18. (Loss)/Profit before tax

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Loss)/Profit before tax is arrived at after charging:					
Allowance for doubtful debts		1,328	545	-	-
Auditors' remuneration:					
- Statutory audit					
- KPMG		104	104	25	25
- Other auditors		-	2	-	-
- Other services					
- KPMG		35	5	-	-
Depreciation of property, plant and equipment	3	8,435	12,929	-	-
Depreciation of investment property	4	378	266	324	173
Property, plant and equipment written-off	3	250	-	-	-
Personnel expenses (including key management personnel)					
- Wages, salaries and others		7,956	7,807	58	260
- Contributions to Employees Provident Fund		683	875	4	29
Rental of motor vehicles		117	170	-	-
Rental of premises		1,385	1,498	-	-
Rental of equipment and machineries		218	1,403	-	-
Write down of inventories		788	1,212	-	-
Realised loss on foreign exchange		-	172	-	-
Unrealised loss on foreign exchange		214	-	-	-
and after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	1,000	1,000
Gain on disposal of a subsidiary	29	-	86	-	-
Gain on disposal of property, plant and equipment		1,466	546	-	-
Rental of motor vehicle		-	71	-	-
Rental income from investment property		966	839	659	238
Reversal of write down of inventories		-	4,149	-	-

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
- Fees	20	20	20	20
- Remuneration	1,041	1,044	-	240
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	68	65	-	-
Total short-term employee benefits	<u>1,129</u>	<u>1,129</u>	<u>20</u>	<u>260</u>

20. Tax expense

Recognised in the income statement

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax expense	<u>808</u>	<u>1,617</u>	<u>399</u>	<u>303</u>
Major components of tax expense include:				
Current tax expense				
Malaysian - current year	917	753	413	375
- prior year	217	73	(14)	(72)
Total current tax	1,134	826	399	303
Deferred tax expense				
Reversal and origination of temporary differences	(78)	778	-	-
(Over)/Underprovision in prior years	(248)	13	-	-
Total deferred tax	(326)	791	-	-
Total tax expense	<u>808</u>	<u>1,617</u>	<u>399</u>	<u>303</u>

20. Tax expense (continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<i>Reconciliation of tax expense</i>				
(Loss)/Profit for the year	(1,810)	1,042	658	509
Total tax expense	808	1,617	399	303
	<u>(1,002)</u>	<u>2,659</u>	<u>1,057</u>	<u>812</u>
Tax at Malaysian tax rate of 26% (2007 - 27%)	(260)	718	275	219
Effect of lower tax rate for certain subsidiaries*	(49)	(73)	-	-
Effect of change in tax rate**	148	(192)	-	-
Non-deductible expenses	540	509	128	156
Deferred tax assets not recognised	460	318	10	-
Other items	-	251	-	-
	<u>839</u>	<u>1,531</u>	<u>413</u>	<u>375</u>
(Over)/Under provided in prior years	(31)	86	(14)	(72)
	<u>808</u>	<u>1,617</u>	<u>399</u>	<u>303</u>

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

21. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

Continuing operations Group	2008 RM'000	2007 RM'000
(Loss)/Profit attributable to ordinary shareholders	(1,810)	1,042
	<u>=====</u>	<u>=====</u>
Weighted average number of ordinary shares	2008 '000	2007 '000
Issued ordinary shares at 1 January	99,645	99,149
Effect of ordinary shares issued on 13 February 2007	-	24
Effect of ordinary shares issued on 2 February 2007	-	104
Effect of ordinary shares issued on 27 February 2007	-	11
Effect of ordinary shares issued on 28 February 2007	-	4
Effect of ordinary shares issued on 7 March 2007	-	4
Effect of ordinary shares issued on 5 April 2007	-	7
Effect of ordinary shares issued on 10 April 2007	-	221
Effect of ordinary shares issued on 18 July 2007	-	4
	<u>-----</u>	<u>-----</u>
Weighted average number of ordinary shares at 31 December	99,645	99,528
	<u>=====</u>	<u>=====</u>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 was not presented as it was anti-dilutive.

22. Dividend

Dividend recognised by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2008			
Final 2007 ordinary	0.74	737 =====	18 September 2008
2007			
Final 2006 ordinary	0.73	728 =====	18 September 2007

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

23. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans and borrowings and related expenses, corporate assets (primarily the Company's headquarter) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and investment properties.

Inter-segment pricing is determined on negotiated terms.

Business segments

The Group comprises the following main business segments:

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 properties
Investment property	Rental of investment property

Geographical segments

The activities of the Group are carried out in Malaysia and accordingly no segmental reporting by geographical location is presented.

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23. Segment reporting (continued)

	Trading and services		Property development		Investment property		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Business segments</i>										
Total external revenue	120,310	80,897	1,379	3,849	966	839	(10,115)	(2,620)	112,540	82,965
Inter-segment revenue	-	-	-	-	490	-	(490)	-	-	-
Total segment revenue	120,310	80,897	1,379	3,849	1,456	839	(10,605)	-	112,540	82,965
Segment result	932	3,268	(1,524)	(51)	706	612	(833)	(427)	(719)	3,402
Unallocated expenses									(354)	(893)
Results from operating activities									(1,073)	2,509
Interest income									702	953
Interest expense									(631)	(803)
(Loss)/Profit before taxation									(1,002)	2,659
Tax expense									(808)	(1,617)
(Loss)/Profit for the year									(1,810)	1,042

23. Segment reporting (continued)

	Trading and services		Property development		Investment property		Eliminations		Consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Segment assets	140,285	154,591	27,144	34,236	127,733	22,368	(103,557)	(30,754)	191,605	180,441
Unallocated assets									7,324	24,334
Total assets									<u>198,929</u>	<u>204,775</u>
Segment liabilities	(45,396)	(55,130)	(24,256)	(25,811)	-	-	43,890	54,848	(25,762)	(26,093)
Unallocated liabilities									(8,861)	(11,829)
Total liabilities									<u>(34,623)</u>	<u>(37,922)</u>
Capital expenditure	3,727	2,805	37	4	15,722	975	-	-	19,486	3,784
Depreciation	(8,413)	(12,912)	(22)	(17)	(378)	(266)	-	-	(8,813)	(13,195)
Non-cash expenses other than depreciation	(2,583)	(1,929)	-	-	-	-	-	-	(2,583)	(1,929)

24. Financial instruments

Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The exposure to credit risk is monitored and credit evaluations are performed on an ad-hoc basis. Fixed deposits are placed only with licensed financial institutions.

At balance sheet date, the Group had no significant concentrations of credit risk other than customers deemed related to Directors which represents 67% of the total trade receivables. The Company has an amount owing from subsidiaries of RM24,172,000 (2007: RM24,543,000). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amounts of each financial asset.

Interest rate risk

The Group borrows for operations at variable rate using revolving credits and bank overdrafts. The Group's finance lease liabilities are subject to interest at fixed rates. The deposits placed with licensed banks are subject to interest at variable rate. At balance sheet date, there was no significant exposure to interest rate risk.

24. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	Periods			
					1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000
2008								
Fixed rate instruments								
Deposit with licensed banks	11	2.40 - 3.20	19,847	19,847	-	-	-	-
Finance lease liabilities	13	2.30-8.97	(4,922)	(2,701)	(2,108)	(69)	(39)	(5)
Floating rate instruments								
Revolving credits - unsecured	13	4.87	(450)	(450)	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	11	2.90 - 3.10	5,086	5,086	-	-	-	-

24. Financial instruments (continued)

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	Term			
					1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000
2007								
Fixed rate instruments								
Deposit with licensed banks	11	2.40 - 3.30	32,989	32,989	-	-	-	-
Finance lease liabilities	13	2.50-8.97	(7,512)	(2,679)	(2,090)	(31)	(30)	
Floating rate instruments								
Bank overdraft – secured	13	8.25	(16)	(16)	-	-	-	-
Revolving credits – unsecured	13	4.87	(650)	(650)	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	11	2.40 - 3.10	20,892	20,892	-	-	-	-

24. Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are US Dollar, Japanese Yen and Euro Dollar.

The Group does not hedge its foreign currency exposures and the management is monitoring these exposures on an ongoing basis.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Fair values

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair values of financial liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	2008		2007	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group					
Finance lease liabilities	13	4,922	4,449	7,512	7,933

Estimation of fair values

For the above financial liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

The interest rate used to discount estimated cash flow is as follows:

	2008	2007
Finance leases liabilities	2.30% - 8.97%	2.50% - 8.97%

25. Capital commitments

	Group	
	2008	2007
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	-	23,398
	=====	=====

Included in capital commitments in the previous year was an amount of approximately RM13,500,000 allocated for the purchase of freehold land and building, plant and equipment from the Right Issue and Public Issue exercise in 2001.

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	
	2008	2007
	RM'000	RM'000
Guarantees and contingencies relating to borrowing of a subsidiary (unsecured)	450	666
	=====	=====

27. Subsidiaries

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

Name of company	Principal activities	Effective ownership interest	
		2008	2007
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.	Ceased operations	100%	100%
D-Hill Sdn. Bhd.	Property development	100%	100%

27. Subsidiaries (continued)

Name of company	Principal activities	Effective ownership interest	
		2008	2007
<i>Subsidiaries of Wengcon Holdings Sdn. Bhd.</i>			
Wengcon Machinery Sdn. Bhd.	Reconditioning, sales and rental of light and medium machinery	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%
<i>Subsidiaries of Wengcon Equipment Sdn. Bhd.</i>			
Radiant Seas Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80%	80%

28. 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.

28. Related parties (continued)

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

- i) Ekovest Berhad, Ekovest Construction Sdn. Bhd., Binawani Sdn. Bhd. and Felda Ekovest Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng;
- ii) Aramijaya Sdn. Bhd. and Pestarena Industri Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Dato' Lim Kang Swee;
- iii) Danga Bay Sdn. Bhd., Danga Bay Management Sdn. Bhd. and Rampai Fokus Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo; and
- iv) Pembinaan Sahabatjaya Sdn. Bhd. is deemed related to Lim Keng Cheng through his appointment as Chief Executive Officer of Knusford Bhd.

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

Other related parties		2008	2007
Type of transactions	Related party	RM'000	RM'000
Group			
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	10,302	6,481
	Danga Bay Sdn. Bhd.	7,311	4,179
	Ekovest Berhad	187	157
	Ekovest Construction Sdn. Bhd.	13,538	4,381
	Rampai Fokus Sdn. Bhd.	961	175
	Pembinaan Sahabatjaya Sdn. Bhd.	600	-
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	73	88
	Binawani Sdn. Bhd.	-	29
	Rampai Fokus Sdn. Bhd.	314	169
	Ekovest Berhad	1,600	1,371
	Pembinaan Sahabatjaya Sdn. Bhd.	96	-
Purchase of freehold land and building	Pestarena Industri Sdn. Bhd.	15,489	-
Rental of premises paid	Ekovest Berhad	60	108
Rental of premises received	Danga Bay Sdn. Bhd.	436	387
	Ekovest Construction Sdn. Bhd.	300	282
Company			
Rental of premises received	Danga Bay Sdn. Bhd.	360	-
Type of transactions		Subsidiary company	
Rental of premises received	Wengcon Machinery Sdn. Bhd.	299	-

28. Related parties (continued)

Balances with related parties are disclosed in Note 8 and Note 15. These transactions have been entered into in the normal course of business and have been established under negotiated terms.

29. Disposal of a subsidiary

In the previous year, the Group disposed off a subsidiary, Ikhlas Kekal Sdn. Bhd. for a consideration of RM1. Ikhlas Kekal Sdn. Bhd. contributed a loss of RM91,000 to the consolidated net profit for the year.

Effect of disposal

	2007 RM'000
Property, plant and equipment	124
Receivables, deposits and prepayments	712
Cash and cash equivalents	3
Payables and accruals	(869)
Borrowings	(56)
	<hr/>
Net identifiable assets and liabilities	(86)
Gain on disposal	86
	<hr/>
Consideration received, satisfied in cash	-*
Cash disposed of	(3)
	<hr/>
Net cash outflow	(3)
	<hr/> <hr/>

*Denotes RM1

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 56 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 2008 and of their performance and cash flows for the year ended on that date.

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

.....
Dato' Lim Kang Hoo

.....
Dato' Lim Kang Swee

Kuala Lumpur

Date: 27 April 2009

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, **Lee Mong Fang**, 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 56 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 Kuala Lumpur on 27 April 2009.

.....
Lee Mong Fang

Before me:

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
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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 balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of 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 2008 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 qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

Chong Dee Shiang
Approval Number: 2782/09/10(J)
Chartered Accountant

Petaling Jaya

Date: 27 APR 2009