Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2009

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 December 2009

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 2009.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries and associates are as stated in Note 6 and 7 respectively 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
Profit for the year	27,783	8,042
	=====	====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

Since the end of the previous financial year, the Company paid a first and final ordinary tax exempt dividend of 2.50 sen per ordinary share totalling RM4,302,950 in respect of the year ended 31 December 2008 on 17 September 2009.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the year ended 31 December 2009 is 4.00 sen per ordinary share totaling RM6,893,561.

Directors of the Company

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

Tuan Haji Mohamed Taib bin Ibrahim
Mac Ngan Boon @ Mac Yin Boon
Mac Chung Hui
Lee Poh Kwee
Mazlan bin Abdul Hamid
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Lim Teik Hin

Company No. 249243-W

Directors' interests

The interests and deemed interest in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	**Bought**	**Sold**	**At 31.12.2009**
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	-	2,845,671
- Spouse and Child	106,500	-	-	106,500
Mac Ngan Boon @ Mac Yin Boon				
- Own	7,392,913	-	-	7,392,913
- Spouse and Child	1,677,800	-	-	1,677,800
Mac Chung Hui	1,412,000	-	-	1,412,000
Lee Poh Kwee	185,000	-	-	185,000
Mazlan bin Abdul Hamid	1,415,000	-	-	1,415,000
Tan Sri A. Razak bin Ramli				
- Own	300,000	-	-	300,000
- Child	800	-	-	800
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	300,000	-	-	300,000
Lim Teik Hin				
- Own	100,000	-	-	100,000

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	**Bought**	**Sold**	**At 31.12.2009**
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	98,000,000	-	-	98,000,000

* Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial interest in Muhibbah Engineering (M) Bhd.

Company No. 249243-W

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Interests in the ultimate holding company -Muhibbah Engineering (M) Bhd.				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	7,543,392	-	-	7,543,392
- Spouse and Children	96,250	-	-	96,250
Mac Ngan Boon @ Mac Yin Boon				
- Own	68,728,916	80,000	-	68,808,916
- Spouse and Children	18,822,500	-	(40,000)	18,782,500
Mac Chung Hui	5,230,000	-	(75,000)	5,155,000
Lee Poh Kwee	3,196,272	-	-	3,196,272
Mazlan bin Abdul Hamid	110,000	-	-	110,000
Lim Teik Hin				
- Spouse	80,000	-	(30,000)	50,000

The options granted to eligible Directors over unissued ordinary shares in the Company and the ultimate holding company pursuant to the Company's and the ultimate holding company's Employees' Share Option Schemes ("ESOS") are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2009	Granted	Exercised	At 31.12.2009
Company				
Mac Ngan Boon @ Mac Yin Boon	800,000	-	-	800,000
Mac Chung Hui	600,000	-	-	600,000
Lee Poh Kwee	900,000	-	-	900,000
Mazlan bin Abdul Hamid	700,000	-	-	700,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2009	Granted	Exercised	At 31.12.2009
Ultimate holding company - Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	1,832,500	-	-	1,832,500
Mac Chung Hui	250,000	-	-	250,000
Lee Poh Kwee	2,000,000	-	-	2,000,000
Mazlan bin Abdul Hamid	250,000	-	-	250,000

Directors' interests (continued)

By virtue of their interests in the shares of the Company, the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Favelle Favco Berhad has an interest.

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 or the fixed salary of a full time employee of the Company or of related companies) 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.

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 options of the Company and the ultimate holding company pursuant to their respective ESOS.

Issue of shares

During the financial year, the Company issued 1,321,000 new ordinary shares of RM0.50 each at par for cash arising from the exercise of employees' share options at the exercise price of RM0.55 per ordinary share.

There were no other 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 financial year apart from the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 19 May 2006, the ultimate holding company, Muhibbah Engineering (M) Bhd. approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company, to eligible Directors and employees of the Group.

The main features of the ESOS, details of share options offered and exercised during the financial year are disclosed in Note 17.

Company No. 249243-W

Options granted over unissued shares (continued)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who were granted options to subscribe for not less than 50,000 shares during the financial year under the ESOS scheme. This information has been separately filed with the Companies Commission of Malaysia. No option holders were granted options to subscribe for more than 50,000 shares during the year.

The names of the option holders, other than the Directors of the Company which have been discussed above, who were granted options to subscribe for 400,000 ordinary shares of RM0.50 each and above in previous years, during the duration of the ESOS scheme are set out below:

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2009	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2009**
Ooi San Kooi	133,000	-	(133,000)	-	-
Tew Siew Chong	400,000	-	(15,000)	-	385,000
Khoo Kok Eng	400,000	-	(100,000)	-	300,000
Shenandoah Chong Shin Kwek	400,000	-	-	-	400,000
Yap Eng Jin	133,000	-	(133,000)	-	-

The Company has not disclosed the names of option holders who were granted options to subscribe for more than 50,000 shares, but not more than 400,000 shares.

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.

Company No. 249243-W

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 loss in investment in subsidiary as disclosed in the Company financial statements the financial performance of the Group and of the Company for the financial year ended 31 December 2009 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:

……

Mac Ngan Boon @ Mac Yin Boon

……

Lee Poh Kwee

Klang,

Date: 27 April 2010

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Balance sheets at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Assets					
Property, plant and equipment	3	99,845	81,023	497	596
Intangible assets	4	11,185	14,142	-	-
Investment property	5	-	-	1,344	1,374
Investments in subsidiaries	6	-	-	43,230	61,230
Investments in associates	7	84	36	22	22
Deferred tax assets	8	1,560	-	-	-
Receivables	9	-	-	15,084	15,196
Total non-current assets		112,674	95,201	60,177	78,418
Receivables, deposits and prepayments	9	191,616	183,835	50,226	32,776
Contract work-in-progress	10	101,321	141,819	-	-
Inventories	11	153,228	136,029	-	-
Current tax assets		574	232	175	175
Cash and cash equivalents	12	126,509	53,163	5,661	122
Total current assets		573,248	515,078	56,062	33,073
Total assets		685,922	610,279	116,239	111,491
Equity					
Share capital		86,175	85,514	86,175	85,514
Reserves		28,959	24,348	3,194	2,807
Retained earnings		74,745	51,265	14,123	10,384
Total equity	13	189,879	161,127	103,492	98,705

Company No. 249243-W

Balance sheets at 31 December 2009
(continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Liabilities					
Loans and borrowings	14	11,189	13,680	-	-
Deferred tax liabilities	8	4,080	2,188	-	-
Total non-current liabilities		15,269	15,868	-	-
Provision for warranties	15	8,454	7,256	-	-
Payables and accruals	16	202,688	167,283	2,437	2,347
Amount due to contract customers	10	125,202	112,930	-	-
Loans and borrowings	14	133,769	141,591	10,310	10,439
Current tax liabilities		10,661	4,224	-	-
Total current liabilities		480,774	433,284	12,747	12,786
Total liabilities		496,043	449,152	12,747	12,786
Total equity and liabilities		685,922	610,279	116,239	111,491

The notes set on pages 16 to 70 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Income statements for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	18	534,747	581,125	25,712	10,988
Cost of sales		(442,231)	(498,412)	-	-
Gross profit		92,516	82,713	25,712	10,988
Other income		1,919	6,068	2,165	101
Distribution expenses		(11,388)	(9,800)	-	-
Administrative expenses		(42,407)	(40,474)	(1,249)	(1,486)
Other expenses		(1,005)	(6,319)	(18,000)	(1,485)
Results from operating activities		39,635	32,188	8,628	8,118
Interest income		447	1,377	55	78
Finance costs		(5,028)	(6,197)	(391)	(779)
Operating profit	19	35,054	27,368	8,292	7,417
Share of profit after tax of equity accounted associates		48	14	-	-
Profit before tax		35,102	27,382	8,292	7,417
Tax expense	21	(7,319)	(5,558)	(250)	-
Profit for the year		27,783	21,824	8,042	7,417
Attributable to:					
Shareholders of the Company		27,783	21,824	8,042	7,417
Dividends per ordinary share (sen)					
- Gross		4.00	2.50	4.00	2.50
- Net	22	4.00	2.50	4.00	2.50
Earnings per ordinary share (sen)					
- Basic	23	16.20	12.79		
- Diluted	23	16.02	12.64		

The notes set on pages 16 to 70 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Statements of changes in equity for the year ended 31 December 2009

		← Attributable to equity holders of the Company →							
		← Non-distributable →						Distributable	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2008		85,178	974	7,776	-	1,248	(21)	35,766	130,921
Foreign exchange translation differences		-	-	(3,553)	-	-	-	-	(3,553)
Revaluation of property, plant and equipment, net of tax		-	-	-	15,105	-	-	-	15,105
Realisation of translation reserve		-	-	2,213	-	-	-	(2,213)	-
Net gains recognised directly in equity		-	-	(1,340)	15,105	-	-	(2,213)	11,552
Profit for the year		-	-	-	-	-	-	21,824	21,824
Total recognised income and expense for the year		-	-	(1,340)	15,105	-	-	19,611	33,376
Share options exercised	17	336	33	-	-	-	-	-	369
Transfer to share premium for share options exercised		-	135	-	-	(135)	-	-	-
Share-based payments	17	-	-	-	-	573	-	-	573
Dividends to shareholders	22	-	-	-	-	-	-	(4,112)	(4,112)
At 31 December 2008		85,514	1,142	6,436	15,105	1,686	(21)	51,265	161,127
		Note 13.1	Note 13.2	Note 13.3	Note 13.4	Note 13.5	Note 13.6	Note 13.7	

Company No. 249243-W

Statements of changes in equity for the year ended 31 December 2009 (continued)

		← Attributable to equity holders of the Company →							
		← Non-distributable →						Distributable	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2009		85,514	1,142	6,436	15,105	1,686	(21)	51,265	161,127
Foreign exchange translation differences		-	-	8,004	-	-	-	-	8,004
Reclassification to deferred tax liabilities		-	-	-	(3,118)	-	-	-	(3,118)
Adjustment to revaluation reserve		-	-	-	(662)	-	-	-	(662)
Net gains/(losses) recognised directly in equity		-	-	8,004	(3,780)	-	-	-	4,224
Profit for the year		-	-	-	-	-	-	27,783	27,783
Total recognised income and expense for the year		-	-	8,004	(3,780)	-	-	27,783	32,007
Share options exercised	17	661	66	-	-	-	-	-	727
Transfer to share premium for share options exercised		-	251	-	-	(251)	-	-	-
Share-based payments	17	-	-	-	-	321	-	-	321
Dividends to shareholders	22	-	-	-	-	-	-	(4,303)	(4,303)
At 31 December 2009		86,175	1,459	14,440	11,325	1,756	(21)	74,745	189,879
		Note 13.1	Note 13.2	Note 13.3	Note 13.4	Note 13.5	Note 13.6	Note 13.7	

Company No. 249243-W

Statements of changes in equity for the year ended 31 December 2009 (continued)

		← Non-distributable →				Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Share option reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2008		85,178	974	1,248	(21)	7,079	94,458
Profit for the year		-	-	-	-	7,417	7,417
Share options exercised		336	33	-	-	-	369
Transfer to share premium for share options exercised		-	135	(135)	-	-	-
Share-based payments	17	-	-	573	-	-	573
Dividends to shareholders	22	-	-	-	-	(4,112)	(4,112)
At 31 December 2008/1 January 2009		85,514	1,142	1,686	(21)	10,384	98,705
Profit for the year		-	-	-	-	8,042	8,042
Share options exercised		661	66	-	-	-	727
Transfer to share premium for share options exercised		-	251	(251)	-	-	-
Share-based payments	17	-	-	321	-	-	321
Dividends to shareholders	22	-	-	-	-	(4,303)	(4,303)
At 31 December 2009		86,175	1,459	1,756	(21)	14,123	103,492
		Note 13.1	Note 13.2	Note 13.5	Note 13.6	Note 13.7	

The notes set on pages 16 to 70 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

and its subsidiaries

Cash flow statements for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash flows from operating activities					
Profit before tax		35,102	27,382	8,292	7,417
Adjustments for:					
Allowance for doubtful debts		6,941	341	-	-
Allowance for doubtful debts written back		(765)	-	-	(11)
Allowance for slow moving inventories		2,882	2,069	-	-
Amortisation of intangible assets		2,757	2,331	-	110
Depreciation of property, plant and equipment		8,598	8,012	99	99
Depreciation of investment property		-	-	30	30
Dividend income from subsidiaries (unquoted)		-	-	(25,712)	(10,988)
Gain on disposal of property, plant and equipment		(70)	(55)	-	-
Goodwill written off		572	-	-	-
Impairment loss on intangible assets		327	29	-	-
Impairment loss of investment in subsidiary		-	-	18,000	-
Intangible assets written off		210	-	-	-
Finance costs		5,028	6,197	391	779
Provision for warranties		3,174	5,153	-	-
Interest income		(447)	(1,377)	(55)	(78)
Property, plant and equipment written off		89	2,600	-	-
Unrealised loss/(gain) on foreign exchange		3,105	(11,770)	(1,748)	1,484
Share-based payments		321	573	321	573
Share of profit of equity accounted associates		(48)	(14)	-	-
Reversal of provision for warranties		(2,129)	(2,984)	-	-
Operating profit/(loss) before changes in working capital changes		65,647	38,487	(382)	(585)
Changes in working capital:					
Development costs		-	(12,520)	-	-
Inventories		(20,591)	(10,937)	-	-
Payables and accruals		35,113	71,989	2,791	2,299
Receivables, deposits and prepayments		23,437	(57,614)	6,170	8,676
Cash generated from operations		103,606	29,405	8,579	10,390

Company No. 249243-W

Cash flow statements for the year ended 31 December 2009
(continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash generated from operations (continued)		103,606	29,405	8,579	10,390
Dividends received		-	-	750	-
Interest received		447	1,377	55	78
Interest paid		(3,961)	(4,339)	-	-
Provisions paid		(133)	(84)	-	-
Taxes paid		(5,138)	(2,875)	-	(3)
Net cash generated from operating activities		94,821	23,484	9,384	10,465
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(27,408)	(6,301)	-	-
Proceeds from disposal of property, plant and equipment		382	335	-	-
Net cash used in investing activities		(27,026)	(5,966)	-	-
Cash flows from financing activities					
Dividend paid to shareholders of the Company		(4,303)	(4,112)	(4,303)	(4,112)
Interest paid		(1,067)	(1,858)	(269)	(668)
Proceeds from issue of shares under ESOS scheme		727	369	727	369
Net proceeds from/(repayment of) revolving credit		8,871	(2,580)	-	-
Payment of finance lease liabilities		(474)	(1,181)	-	-
Repayment of term loans		(1,332)	(11,969)	-	(8,700)
Net cash from/(used) in financing activities		2,422	(21,331)	(3,845)	(13,111)

Company No. 249243-W

Cash flow statements for the year ended 31 December 2009

(continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Exchange difference on translation of the financial statements of foreign operations		6,701	(3,671)	-	-
Net increase/(decrease) in cash and cash equivalents		76,918	(7,484)	5,539	(2,646)
Effect of exchange rate fluctuations on cash held		595	(620)	-	-
Cash and cash equivalents at 1 January	(i)	48,891	56,995	122	2,768
Cash and cash equivalents at 31 December	(i)	126,404	48,891	5,661	122

(*i*) ***Cash and cash equivalents***

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

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash and bank balances	12	122,665	53,163	2,585	122
Deposits with licensed banks	12	3,844	-	3,076	-
Bank overdrafts repayable on demand	14	(105)	(4,272)	-	-
		126,404	48,891	5,661	122

(ii) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM27,541,000 (2008 - RM7,973,000), of which RM133,000 (2008 - RM1,672,000) were acquired by means of hire purchases plans.

The notes set on pages 16 to 70 are an integral part of these financial statements.

Favelle Favco Berhad
(Company No. 249243-W)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Favelle Favco Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follow:

Registered office/Principal place of business
Lot 586, 2nd Mile
Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries and associates are stated in Note 6 and 7 respectively to the financial statements.

The ultimate holding company during the financial year was Muhibbah Engineering (M) Bhd. which was incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 27 April 2010.

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 (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*

Company No. 249243-W

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (continued)

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9,

Company No. 249243-W

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative* FRS 7 *Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, FRS 8, IC Interpretation 10, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 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, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

FRS 138, *Intangible Assets*

FRS 138 (revised) incorporates the following change that is likely to be relevant to the Group and the Company:

- The amendments clarify that other amortisation methods may be used for intangible assets with finite useful lives apart from the straight-line method.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment as explained in Note 2 (d).

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and 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.

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 significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 2 (r) - recognition of revenue from construction contracts
- Note 4 - impairment test of intangible assets
- Note 15 – provision for warranties
- Note 17 - share-based payments

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 controlled by the Group. Control exists when the Group has the ability to exercise its 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 any 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) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method 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 the profit or loss 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 balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Company No. 249243-W

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Affiliated company

An affiliated company to the Group is a company in which the ultimate holding company holds a long term investment of between 20% to 50% of the equity.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transaction with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. 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 are translated at exchange rates at the dates of transactions except for those measured at fair value, which 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.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Significant accounting policies (continued)

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Forward foreign exchange contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) Recognition and measurement

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

The Group revalues its freehold land every 5 years and at shorter intervals whenever the fair value of the freehold land is expected to differ materially from their carrying value.

Surplus arising from revaluation is dealt within the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements.

Cost includes expenditures that are directly attributable to the acquisition of the asset and 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipments.

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. Which revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Reclassification to investment property (continued)

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 and reclassified as investment property.

(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 the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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 10 - 50 years
- cranes 10 - 15 years
- plant, equipment and motor vehicles 3 - 13 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

Company No. 249243-W

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes 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.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

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.

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill is not amortised but is tested for impairment at each balance sheet date and whenever there is an indication that goodwill may be impaired.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

Other development expenditure which does not meet the criteria is recognised in the income statement as an expense as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) Intellectual property

Intellectual property consists of rights to trade name, know how and industrial property rights and is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

(g) Investment property

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land 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 impairment losses, consistent with the accounting policy for property, plant and equipment as stated in the accounting policy Note 2(d).

Depreciation is charged to the income statement on a straight-line basis over the estimated life of the building.

2. Significant accounting policies (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of crane components comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. Cost of work-in-progress and assembled cranes consists of crane components, direct labour and an appropriate proportion of fixed and variable production overhead. Crane components are determined on a first-in, first-out basis. Cost of work-in-progress and assembled cranes is determined on a specific identification basis.

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.

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end.

(j) Contract work-in-progress / Amount due to contract customers

Contract 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. Contract work-in-progress is presented as part of total current assets in the balance sheet. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the balance sheet.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

Company No. 249243-W

2. Significant accounting policies (continued)

(l) Impairment of assets

The carrying amounts of assets except for inventories and assets arising from construction contracts, deferred tax assets and financial assets (other than investments in subsidiaries and associates) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amount of the assets with their recoverable amounts. Recoverable amounts are the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each balance sheet date and whenever there is an indication that goodwill maybe impaired.

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 as an expense in the income statement immediately, unless the assets are carried at a revalued amount. 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 statement in the year in which the reversals are recognised, unless it is credited directly to revaluation surplus.

(m) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

2. Significant accounting policies (continued)

(m) Equity instruments (continued)

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(n) Loans and borrowings

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

(o) Employee benefits

(i) 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 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 contributions to the statutory pension funds are 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.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

2. Significant accounting policies (continued)

(p) 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.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) 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.

(q) 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.

2. Significant accounting policies (continued)

(r) Revenue recognition

(i) Contracts

As soon as the outcome of a contract from the manufacture of cranes can be estimated reliably, contract revenue and expenses are recognised in the income statements in proportion to the stage of completion of the contract. 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.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date that reflect work performed bear to the estimated total contract costs. When the outcome of a 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 income statement.

(ii) Goods sold and services rendered

Revenue from the sale of goods is measured at net fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the value of works performed.

(iii) Rental income

Rental income from cranes is recognised in the income statement as it accrues.

(iv) Dividend income

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

2. Significant accounting policies (continued)

(s) 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 statement using the effective interest method, in the period in which they are incurred.

(t) 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 substantively 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.

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.

(u) 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 comprise share options granted to employees.

Company No. 249243-W

2. Significant accounting policies (continued)

(v) 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	Freehold land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 January 2008	9,221	39,932	48,373	48,214	3,383	149,123
Additions	-	508	241	6,951	273	7,973
Change in fair value	15,105	-	-	-	-	15,105
Reclassification	-	(46)	3,457	(574)	(2,837)	-
Disposals	-	-	-	(1,376)	-	(1,376)
Written off	-	-	(4,973)	(735)	-	(5,708)
Effect of movements in exchange rates	6	368	987	(1,606)	72	(173)
At 31 December 2008/ 1 January 2009	24,332	40,762	48,085	50,874	891	164,944
Additions	-	994	22,386	3,538	623	27,541
Change in fair value	(662)	-	-	-	-	(662)
Reclassification	-	-	-	891	(891)	-
Disposals	-	-	(2,939)	(1,020)	-	(3,959)
Written off	-	-	-	(89)	-	(89)
Effect of movements in exchange rates	90	118	309	2,524	-	3,041
At 31 December 2009	23,760	41,874	67,841	56,718	623	190,816
Representing items at:						
Cost	-	41,874	67,841	56,718	623	167,056
Valuation - 2008	23,760	-	-	-	-	23,760
	23,760	41,874	67,841	56,718	623	190,816

Company No. 249243-W

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss						
At 1 January 2008	-	16,476	33,428	30,421	-	80,325
Depreciation for the year	-	957	2,893	4,162	-	8,012
Disposals	-	-	-	(1,096)	-	(1,096)
Written off	-	-	(2,380)	(728)	-	(3,108)
Effect of movements in exchange rates	-	287	681	(1,180)	-	(212)
At 31 December 2008						
Accumulated depreciation	-	16,226	34,086	30,586	-	80,898
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2008/ 1 January 2009	-	17,720	34,622	31,579	-	83,921
Depreciation for the year	-	485	3,426	4,687	-	8,598
Disposals	-	-	(2,548)	(1,099)	-	(3,647)
Effect of movements in exchange rates	-	96	235	1,768	-	2,099
Accumulated depreciation	-	16,807	35,199	35,942	-	87,948
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2009	-	18,301	35,735	36,935	-	90,971
Carrying amounts						
At 1 January 2008	9,221	23,456	14,945	17,793	3,383	68,798
At 31 December 2008/ 1 January 2009	24,332	23,042	13,463	19,295	891	81,023
At 31 December 2009	23,760	23,573	32,106	19,783	623	99,845

Company No. 249243-W

3. Property, plant and equipment (continued)

Company	Plant, equipment and motor vehicles RM'000	Total RM'000
Cost		
At 1 January 2008/ 31 December 2008/ 1 January 2009/31 December 2009	1,984	1,984
	=====	=====
Depreciation and impairment loss		
At 1 January 2008		
Accumulated depreciation	296	296
Accumulated impairment loss	993	993
	1,289	1,289
Depreciation for the year	99	99
At 31 December 2008/1 January 2009		
Accumulated depreciation	395	395
Accumulated impairment loss	993	993
	1,388	1,388
Depreciation for the year	99	99
At 31 December 2009		
Accumulated depreciation	494	494
Accumulated impairment loss	993	993
	1,487	1,487
	=====	=====
Carrying amounts		
At 1 January 2008	695	695
	=====	=====
At 31 December 2008/1 January 2009	596	596
	=====	=====
At 31 December 2009	497	497
	=====	=====

3.1 Assets under hire purchase arrangements

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase arrangements with net book value of RM1,451,000 (2008 - RM2,253,000).

3.2 Security

The freehold land and buildings of a subsidiary with total net book value of RM47,951,000 (2008 - RM47,320,000) have been pledged to certain licensed bank as security for bank loan facilities granted to the subsidiary (See Note 14).

Company No. 249243-W

3. Property, plant and equipment (continued)

3.3 Property, plant and equipment under the revaluation model

The Group's freehold land were revalued by independent professional qualified valuers using an open market value method in 2008. The cost of a piece of the Group`s freehold land was written down by RM662,000 during the year ended 31 December 2009 as management was of the view that the fair value had differed materially from its carrying value. Had the freehold land been carried under the cost model, their carrying amounts would have been RM9,221,000 (2008 - RM9,221,000).

4. Intangible assets

Group	Development costs RM'000	Intellectual property RM'000	Goodwill on consolidation RM'000	Total RM'000
Cost				
At 1 January 2008	8,048	2,519	572	11,139
Additions	12,520	-	-	12,520
Effect of movements in exchange rates	(647)	-	-	(647)
At 31 December 2008/1 January 2009	19,921	2,519	572	23,012
Written off	(210)	-	(572)	(782)
Effect of movements in exchange rates	1,900	-	-	1,900
At 31 December 2009	21,611	2,519	-	24,130
Amortisation and impairment loss				
At 1 January 2008	4,921	2,238	-	7,159
Amortisation for the year	2,079	252	-	2,331
Impairment loss	-	29	-	29
Effect of movements in exchange rates	(649)	-	-	(649)
At 31 December 2008/1 January 2009				
Accumulated amortisation	6,351	2,490	-	8,841
Accumulated impairment loss	-	29	-	29
	6,351	2,519	-	8,870
Amortisation for the year	2,757	-	-	2,757
Impairment loss	327	-	-	327
Effect of movements in exchange rates	991	-	-	991
At 31 December 2009				
Accumulated amortisation	10,099	2,490	-	12,589
Accumulated impairment loss	327	29	-	356
	10,426	2,519	-	12,945

Company No. 249243-W

4. Intangible assets (continued)

Group	Development costs RM'000	Intellectual property RM'000	Goodwill on consolidation RM'000	Total RM'000
Carrying amounts				
At 1 January 2008	3,127	281	572	3,980
At 31 December 2008/1 January 2009	13,570	-	572	14,142
At 31 December 2009	11,185	-	-	11,185

Company	Intellectual property 2009 RM'000	Intellectual property 2008 RM'000
Cost		
At 1 January/31 December	1,098	1,098
Amortisation		
At 1 January	1,098	988
Amortisation for the year	-	110
At 31 December	1,098	1,098
Carrying amounts		
At 1 January	-	110
At 31 December	-	-

4.1 Development costs

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved major crane projects. It is reasonably anticipated that the cost will be recovered through future commercial activity. The remaining amortisation period ranges from 1 year to 4 years (2008 - 1 year to 5 years).

Company No. 249243-W

4. Intangible assets (continued)

4.2 *Intellectual property*

Intellectual property represents the acquisition of know how, rights to industrial property and trade name by subsidiaries on new or substantially improved major crane projects in the previous years. It is reasonably anticipated that the intellectual property will be recovered through future commercial activity. The intellectual property was fully amortised during the year (2008 – 1 year).

4.3 Goodwill on consolidation

The goodwill arising from the acquisition of a subsidiary in cranes segment was fully written off during the year.

4.4 Amortisation and impairment charge

The amortisation and impairment charge are recognised as administrative expenses.

4.5 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill was allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill was monitored for internal management purposes.

The goodwill impairment test was based on value in use and was determined by the management. Value in use was determined by assessing the operating divisions' budgets and was based on certain key assumptions. The values assigned to the key assumptions represent management's assessment of future trends in the divisions' principal activities and were based on internal sources.

The value in use was determined by discounting the future cash flows of the subsidiary and was based on the following key assumptions:

a) cash flows were projected based on actual operating results
b) the subsidiary will continue its operations indefinitely
c) the size of operation will remain with at least not lower than the current results
d) revenue is projected to reduce by 10% in 2010, and subsequently to increase by 13% from 2010 onwards. The revenue for 2010 is projected based on existing order book
e) a post tax discount rate of 5.5 % is used to discount the projected cash flows
f) gross margin is assumed to be consistent with the historical margin

Company No. 249243-W

5. Investment property

	Company	
	2009 RM'000	**2008 RM'000**
Building		
Cost		
At 1 January/31 December	2,989	2,989
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	121	91
Accumulated impairment loss	1,494	1,494
	1,615	1,585
Depreciation for the year	30	30
At 31 December		
Accumulated depreciation	151	121
Accumulated impairment loss	1,494	1,494
	1,645	1,615
Carrying amounts		
At 31 December	1,344	1,374
The carrying amount comprises:		
Building	1,344	1,374
Fair value		
At 1 January	1,374	1,404
At 31 December	1,344	1,374

The investment property is located on a piece of land leased from the Port of Harlingen Authority at the Port of Harlingen, Texas, USA, and is occupied by a subsidiary at no charge. The land rental expenses are borne by the subsidiary. The Directors estimated the fair value of the investment property without involvement of independent valuers.

6. Investments in subsidiaries

	Company	
	2009 RM'000	**2008 RM'000**
Unquoted shares - at cost	113,673	113,673
Less: Impairment loss	(70,443)	(52,443)
	43,230	61,230

Company No. 249243-W

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2009 %	Effective ownership interest 2008 %
Favelle Favco Cranes (M) Sdn. Bhd.	Designing, manufacturing, supply, servicing, trading and renting of cranes	Malaysia	100	100
Favelle Favco Cranes Pte. Ltd. *	Supplying, servicing, trading and renting of cranes and sales of spare parts and services	Singapore	100	100
Favelle Favco Cranes (USA), Inc. #	Designing, manufacturing, supplying, servicing, trading and renting of cranes	United States of America	100	100
Favelle Favco Cranes Pty. Limited # and its subsidiaries	Design, manufacture, supply, renting and servicing of industrial cranes	Australia	100	100
FF Management Pty. Limited #	Management services	Australia	100	100
Milperra Blasting and Coating Pty. Limited #	Dormant	Australia	100	100
Kroll Cranes A/S #	Designing, manufacturing, servicing, trading and renting of cranes	Denmark	100	100
Favelle Favco Cranes International Ltd.	Dormant	Malaysia	100	100
Favelle Favco Equipment Services Sdn. Bhd. #	Supply of spare parts for cranes, provision of crane maintenance services and renting of cranes	Malaysia	100	100

* Audited by other member firm of KPMG International

\# Not audited by KPMG

Company No. 249243-W

7. Investments in associates

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Unquoted shares, at cost	256	256	256	256
Share of post-acquisition reserves	(172)	(220)	-	-
Less: Impairment loss	-	-	(234)	(234)
	84	36	22	22

Summarised financial information on associates:

	Country of incorporation	Effective ownership interest	Revenues (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2009						
FO*	Malaysia	30%	1,408	159	561	283
FFME**	Abu Dhabi, United Arab Emirates	49%	4,667	(55)	2,471	3,727
			6,075	104	3,032	4,010
2008						
FO*	Malaysia	30%	1,357	46	1,287	1,169
FFME**	Abu Dhabi, United Arab Emirates	49%	2,874	85	2,233	3,451
			4,231	131	3,520	4,620

* Favco Offshores Sdn. Bhd.
** Favelle Favco Machinery and Equipment LLC

The Group has not recognised losses relating to FFME totalling RM615,000 (2008 - RM588,000) as the Group`s share of losses had exceeded its interest in the associate and the Group has no obligation in respect of these losses.

Company No. 249243-W

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	
	2009	2008	2009	2008	2009	2008
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	-	-	6,843	3,230	6,843	3,230
Tax losses carry-forwards	-	(733)	-	-	-	(733)
(Deductible)/taxable temporary differences	(6,300)	(3,005)	1,977	2,696	(4,323)	(309)
Tax (assets)/ liabilities	(6,300)	(3,738)	8,820	5,926	2,520	2,188
Set off	4,740	3,738	(4,740)	(3,738)	-	-
Net tax (assets)/ liabilities	(1,560)	-	4,080	2,188	2,520	2,188

Unrecognised deferred tax assets

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Plant and equipment	(3,962)	1,930	-	-
Deductible temporary differences	17,974	800	-	-
Tax losses carry-forwards	67,203	59,208	-	-
	81,215	61,938	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carry forwards amounting to RM67,200,000 (2008 - RM59,200,000) shown above which can only be carried forward for 20 years from the year the losses were incurred. These tax losses will begin to expire from 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

Company No. 249243-W

8. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	At 1.1.2008 RM'000	Recognised in income statement (Note 21) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 21) RM'000	Recognised in equity (Note 13) RM'000	At 31.12.2009 RM'000
Property, plant and equipment	241	2,989	3,230	495	3,118	6,843
Tax losses carry-forwards	(801)	68	(733)	733	-	-
Other items	2,685	(2,994)	(309)	(4,014)	-	(4,323)
	2,125	63	2,188	(2,786)	3,118	2,520

9. Receivables, deposits and prepayments

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	15,084	15,196
Current					
Trade					
Trade receivables		189,397	166,815	-	-
Less: Allowance for doubtful debts		(7,889)	(3,452)	-	-
		181,508	163,363	-	-
Amount due from ultimate holding company	9.3	-	1,143	-	-
Amounts due from subsidiaries	9.4	-	-	682	532
Amounts due from related companies	9.5	207	7,451	-	-
Amounts due from associates	9.6	1,887	2,657	-	-
		2,094	11,251	682	532

Company No. 249243-W

9. Receivables, deposits and prepayments (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-trade					
Amount due from ultimate holding company	9.3	3,177	1,078	2	-
Amounts due from subsidiaries	9.4	-	-	49,456	32,160
Amounts due from related companies	9.5	36	35	-	-
Other receivables	9.7	1,306	4,122	86	84
Deposits		406	1,535	-	-
Prepayments		3,089	2,451	-	-
		8,014	9,221	49,544	32,244
		191,616	183,835	50,226	32,776

Group

9.1 Analysis of foreign currency exposure for significant receivables

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group 2009 RM'000	Group 2008 RM'000
RM	USD	42,261	22,863
RM	SGD	138	-
RM	AUD	4,602	1,948
RM	HKD	864	875
RM	EURO	3,821	13,455
RM	RMB	6,315	5,592
AUD	USD	798	707
USD	SGD	13,976	6,350

Company No. 249243-W

9. Receivables, deposits and prepayments (continued)

9.2 Advances to a subsidiary

The advances to a subsidiary are unsecured, interest free and are not expected to be repaid within the next twelve months.

9.3 Amount due from ultimate holding company

The trade receivables due from ultimate holding company are subject to normal trade terms.

The non-trade receivables due from the ultimate holding company are unsecured, interest free and repayable on demand.

9.4 Amounts due from subsidiaries

The trade receivables due from subsidiaries are subject to the normal trade terms.

The non-trade receivables due from subsidiaries are unsecured, interest free and repayable on demand.

9.5 Amounts due from related companies

The trade receivables due from related companies are subject to the normal trade terms.

The non-trade receivables due from related companies are unsecured, interest free and repayable on demand.

9.6 Amounts due from associates

The trade receivables from associates are subject to the normal trade terms.

Included in the amount due from associates is an allowance for doubtful debts amounting to RM767,688 (2008 – RM767,688).

9.7 Other receivables

Included in other receivables is an allowance for doubtful debts amounting to RM387,628 (2008 – Nil).

Company No. 249243-W

10. Contract work-in-progress/Amount due to contract customers

	Group	
	2009	**2008**
	RM'000	**RM'000**
Aggregate costs incurred to date	429,060	709,181
Add: Attributable profits less foreseeable losses	65,934	125,602
	494,994	834,783
Less: Progress billings	(518,875)	(805,894)
	(23,881)	28,889
Amount due to contract customers	125,202	112,930
	101,321	141,819
Contract work-in-progress	101,321	141,819
Amount due to contract customers	125,202	112,930

11. Inventories

	Group	
	2009	**2008**
	RM'000	**RM'000**
At cost:		
Cranes	4,512	4,237
Crane components	80,458	79,376
Work-in-progress	36,923	28,698
	121,893	112,311
At net realisable value:		
Cranes	19,338	13,563
Crane components	11,997	10,155
	153,228	136,029

Company No. 249243-W

12. Cash and cash equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	122,665	53,163	2,585	122
Deposits placed with licensed banks	3,844	-	3,076	-
	126,509	53,163	5,661	122

13. Share capital and reserves

13.1 Share capital

	Group and Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid				
At 1 January	85,514	171,028	85,178	170,355
Issued under ESOS scheme	661	1,321	336	673
At 31 December	86,175	172,349	85,514	171,028

The Company has also issued share options in accordance with its ESOS Scheme (see Note 17).

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.

13.2 Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above par value and the transfer of option reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

Company No. 249243-W

13. Share capital and reserves (continued)

13.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13.4 Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land. Deferred tax liabilities arising upon revaluation of freehold land are recognised directly in equity.

13.5 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

13.6 Treasury shares

This amount represents the acquisition cost for the repurchase of the Company's ordinary shares, by the Company, net of the proceeds received on their subsequent sale or issuance of the shares repurchased.

The Company repurchased 10,000 of its issued share capital from the open market in 2007. The total consideration paid was RM20,749 including transaction costs. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

13.7 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2009 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 2007 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.

Company No. 249243-W

14. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 25.

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured term loan	10,019	12,131	-	-
Finance lease liabilities	1,170	1,549	-	-
	11,189	13,680	-	-
Current				
Secured term loan	2,112	2,112	-	-
Bank overdraft - secured	-	5	-	-
Bank overdrafts - unsecured	105	4,267	-	-
Unsecured revolving credits	24,310	15,439	10,310	10,439
Unsecured insurance premium finance	1,633	853	-	-
Bills payable	105,125	118,469	-	-
Finance lease liabilities	484	446	-	-
	133,769	141,591	10,310	10,439
	144,958	155,271	10,310	10,439

14.1 Security

The secured term loan of a subsidiary is charged against its freehold land, building, plant and equipment (Note 3) and is supported by the corporate guarantee from the Company.

The secured bank overdraft of a subsidiary was charged against its freehold land, buildings, plant and equipment (Note 3).

The unsecured bank overdrafts of certain subsidiaries are supported by the corporate guarantee from the Company.

The revolving credit of the Company is supported by the corporate guarantee from the ultimate holding company.

The revolving credits of certain subsidiaries are supported by the corporate guarantee from the Company.

Company No. 249243-W

14. Loans and borrowings (continued)

14.2 Terms and debt repayment schedule

		2009					2008				
Group	**Year of maturity RM'000**	**Carrying amount RM'000**	**Under 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**Over 5 years RM'000**	**Carrying amount RM'000**	**Under 1 years RM'000**	**1 - 2 years RM'000**	**2 – 5 years RM'000**	**Over 5 years RM'000**
Secured term loan											
- RM	2015	12,131	2,112	2,112	6,336	1,571	14,243	2,112	2,112	6,336	3,683
Secured bank overdraft- DKK	-	-	-	-	-	-	5	5	-	-	-
Unsecured bank overdrafts											
- RM	2010	105	105	-	-	-	4,267	4,267	-	-	-
Unsecured revolving credits- USD	2010	24,310	24,310	-	-	-	15,439	15,439	-	-	-
Unsecured insurance premium finance - AUD	2010	1,633	1,633	-	-	-	853	853	-	-	-
Bills payable	2010	105,125	105,125	-	-	-	118,469	118,469	-	-	-
Finance lease liabilities											
- AUD	-	-	-	-	-	-	22	22	-	-	-
- RM	2010 -2014	458	211	146	101	-	529	167	181	181	-
- DKK	2010 -2011	1,196	273	923	-	-	1,444	257	1,187	-	-
		144,958	133,769	3,181	6,437	1,571	155,271	141,591	3,480	6,517	3,683
Company											
Unsecured revolving credits- USD	2010	10,310	10,310	-	-	-	10,439	10,439	-	-	-
		10,310	10,310	-	-	-	10,439	10,439	-	-	-

Company No. 249243-W

14. Loans and borrowings (continued)

14.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	514	(30)	484	472	(26)	446
Between one and five years	1,210	(40)	1,170	1,573	(24)	1,549
	1,724	(70)	1,654	2,045	(50)	1,995

15. Provision for warranties

Group	2009 RM'000	2008 RM'000
At 1 January	7,256	5,296
Provision made during the year	3,174	5,153
Provision used during the year	(133)	(84)
Provision reversed during the year	(2,129)	(2,984)
Effect of movements in exchange rates	286	(125)
At 31 December	8,454	7,256

The provision for warranties relates to provision for defect rectification costs for manufactured cranes sold. This provision is made based on historical data at a fixed rate.

Company No. 249243-W

16. Payables and accruals

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Trade					
Trade payables	16.1	149,879	105,953	-	-
Amount due to ultimate holding company	16.2	2,761	125	-	-
Amounts due to related companies	16.3	5,891	3,170	-	-
Amount due to associate	16.4	341	125	-	-
		158,872	109,373	-	-
Non-trade					
Amount due to ultimate holding company	16.2	1,287	2,031	-	-
Amount due to subsidiary	16.5	-	-	2,397	2,296
Amounts due to related companies	16.3	1,076	878	-	8
Other payables		17,267	21,563	-	3
Accrued expenses		24,186	33,438	40	40
		43,816	57,910	2,437	2,347
		202,688	167,283	2,437	2,347

16.1 Analysis of foreign currency exposure for significant payables

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

Functional currency	Foreign currency	Group 2009 RM'000	Group 2008 RM'000
RM	AUD	17,429	2,660
RM	SGD	579	455
RM	EUR	4,835	7,657
RM	USD	5,022	15,438
RM	RMB	8,637	3,558
USD	SGD	151	358
AUD	GBP	68	240
AUD	USD	703	664
AUD	EUR	632	-

16. Payables and accruals (continued)

16.2 Amount due to ultimate holding company

The trade payables due to ultimate holding company are subject to the normal trade terms.

The non-trade payables due to ultimate holding company are unsecured, interest free and repayable on demand.

16.3 Amounts due to related companies

The trade payables due to related companies are subject to the normal trade terms.

The non-trade payables due to related companies are unsecured, interest free and repayable on demand.

16.4 Amount due to associate

The trade payable due to an associate is subject to the normal trade terms.

16.5 Amount due to subsidiary

The non-trade payable due to a subsidiary is unsecured, interest free and repayable on demand.

17. Employee benefits

17.1 Share-based payments

An employees' share option scheme ("ESOS scheme") of the Company was established and approved by the shareholders of the ultimate holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006.

The main features of the ESOS scheme, details of share option offered and exercised during the financial year are as follows:

i) The maximum number of approved unissued new ordinary shares of RM0.50 each available for allotment under the ESOS scheme shall not exceed in aggregate ten per cent (10%) of the issued and paid-up share capital of Company at any point in time during the duration of the ESOS scheme;

ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least one (1) year;

Company No. 249243-W

17. Employee benefits (continued)

17.1 Share-based payments (continued)

iii) A grantee shall be allowed to exercise the options granted subject to the following percentage limits based on entitlement granted:

		Year option is granted				
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cumulative % of options exercisable during the option period in:	Year 1	-	-	-	-	-
	Year 2	33.33%	-	-	-	-
	Year 3	66.67%	33.33%	-	-	-
	Year 4	100%	66.67%	66.67%	-	-
	Year 5	100%	100%	100%	100%	100%

iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the offer date subject to a discount of not more than ten per cent (10%) or at the par value of the shares of the Company, whichever is higher.

The following options were granted under the ESOS scheme to take up the unissued ordinary shares of RM0.50 each:

Grant date	Exercise price	At 1.1.2009 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2009 '000	Expiry date
30.6.2006	RM 0.55	7,850	-	(1,321)	(8)	6,521	29.6.2011
30.6.2007	RM1.90	310	-	-	(36)	274	29.6.2011
30.6.2008	RM1.09	476	-	-	(102)	374	29.6.2011
30.6.2009	RM0.86	-	667	-	(99)	568	29.6.2011
		8,636	667	(1,321)	(245)	7,737	

Grant date	Exercise price	At 1.1.2008 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2008 '000	Expiry date
30.6.2006	RM 0.55	8,732	-	(673)	(209)	7,850	29.6.2011
30.6.2007	RM1.90	367	-	-	(57)	310	29.6.2011
30.6.2008	RM1.09	-	527	-	(51)	476	29.6.2011
		9,099	527	(673)	(317)	8,636	

Company No. 249243-W

17. Employee benefits (continued)

17.1 Share-based payments (continued)

The options outstanding at 31 December 2009 have an exercise price in the range of RM0.55 to RM1.90 and remaining contractual life of 1.5 years.

During the year, 1,321,000 (2008- 673,000) share options of RM0.55 each under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the year was RM0.83 (2008 - RM1.20).

Details relating to options exercised during the year

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Ordinary share capital at par	661	336
Share premium	66	33
Proceeds received on exercise of share options	727	369

	Group and Company	
	2009	**2008**
	RM	**RM**
Fair value of shares issued (based on average exercise price)	0.83	1.20

Value of employee services received for issue of share options

The value of employee services received for issue of share options is as follows:

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Share options granted in 2006	102	386
Share options granted in 2007	60	125
Share options granted in 2008	82	62
Share options granted in 2009	77	-
Total expense recognised as share-based payments	321	573

Company No. 249243-W

17. Employee benefits

17.1 Share-based payments (continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes Model with the following inputs:

	Group and Company	
	2009	**2008**
Fair value at grant date (RM)		
- Granted in Year 2006	RM0.17 - RM0.22	RM0.17 - RM0.22
- Granted in Year 2007	RM0.76 - RM1.03	RM0.76 - RM1.03
- Granted in Year 2008	RM0.30 - RM0.37	RM0.30 - RM0.37
- Granted in Year 2009	RM0.32	-
Weighted average share price		
- Granted in Year 2006	0.55	0.55
- Granted in Year 2007	2.04	2.04
- Granted in Year 2008	1.18	1.18
- Granted in Year 2009	0.98	-
	==========	==========
Exercise price		
- Granted in Year 2006	RM0.55	RM0.55
- Granted in Year 2007	RM1.90	RM1.90
- Granted in Year 2008	RM1.09	RM1.09
- Granted in Year 2009	RM0.86	-
Expected volatility (weighted average volatility)	33.67% - 59.24%	33.67% - 59.24%
Option life	2 years	3 years
Risk-free interest rate (based on Malaysian Government bonds)		
- Granted in Year 2006	4.48% - 4.57%	4.48% - 4.57%
- Granted in Year 2007	3.30% - 3.35%	3.30% - 3.35%
- Granted in Year 2008	4.04% - 4.12%	4.04% - 4.12%
- Granted in Year 2009	2.56%	-
Expected staff turnover	5%-15%	5%-15%
	==========	==========

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur.

Company No. 249243-W

18. Revenue

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Contract revenue	456,566	489,566	-	-
Sales of goods	57,993	68,629	-	-
Services rendered	20,188	22,930	-	-
Dividends	-	-	25,712	10,988
	534,747	581,125	25,712	10,988

19. Operating profit

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Operating profit is arrived at after crediting:					
Allowance for doubtful debts written back		765	-	-	11
Dividend income from subsidiaries (unquoted)		-	-	25,712	10,988
Net foreign exchange gain		-	11,794	2,165	974
Gain on disposal of property, plant and equipment		70	55	-	-
Rental income on:					
- premises		726	710	-	-
- cranes		9,067	9,939	-	-
Reversal of provision for warranties	15	2,129	2,984	-	-
and after charging:					
Allowance for doubtful debts		6,941	341	-	-
Allowance for slow moving inventories		2,882	2,069	-	-
Auditors' remuneration:					
- holding company's auditors		180	170	35	35
- other auditors		453	456	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	2,757	2,331	-	110
Contract costs		394,878	429,930	-	-
Depreciation of property, plant and equipment	3	8,598	8,012	99	99
Depreciation of investment property	5	-	-	30	30
Goodwill written off	4	572	-	-	-

Company No. 249243-W

19. Operating profit (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
and after charging (continued):					
Impairment loss on intangible assets	4	327	29	-	-
Impairment loss of investment in subsidiary		-	-	18,000	-
Intangible assets written off	4	210	-	-	-
Net foreign exchange loss		6,155	-	-	-
Property, plant and equipment written off	3	89	2,600	-	-
Provision for warranties	15	3,174	5,153	-	-
Rental expense on:					
- cranes		5,481	5,497	-	-
- premises		1,137	1,122	-	-
- equipment		973	1,337	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		4,551	3,922	127	90
- Share-based payments	17	321	573	321	573
- Wages, salaries and others		57,604	51,995	761	688
		=====	=====	=====	=====

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Directors				
- Fees	426	383	396	353
- Remuneration	944	831	942	830
	1,370	1,214	1,338	1,183
	=====	=====	=====	=====

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

Company No. 249243-W

21. Tax expense

Recognised in the income statements

Major components of tax expense include:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
Malaysia - current	656	785	250	-
- prior year	(20)	225	-	-
	636	1,010	250	-
Overseas - current	10,681	4,658	-	-
- prior year	(1,212)	(47)	-	-
	9,469	4,611	-	-
Total tax expense	10,105	5,621	250	-
Deferred tax expense				
Origination of temporary differences	(2,505)	943	-	-
Over provision in prior years	(281)	(1,006)	-	-
Total deferred tax	(2,786)	(63)	-	-
Total tax expense	7,319	5,558	250	-
Reconciliation of tax expense				
Profit for the year	27,783	21,824	8,042	7,417
Total tax expense	7,319	5,558	250	-
Profit excluding tax	35,102	27,382	8,292	7,417

Company No. 249243-W

21. Tax expense (continued)

Reconciliation of tax expense (continued)

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Tax at Malaysian tax rate of 25% (2008 - 26%)	8,776	7,119	2,073	1,929
Effect of different tax rates in foreign jurisdictions	649	3	-	-
Effect of change in tax rates	(95)	(43)	-	-
Non-deductible expenses	2,017	648	4,355	670
Tax exempt income	(5,786)	(60)	(6,178)	(2,599)
Tax incentives	(1,549)	(542)	-	-
Effect of utilisation of deferred tax assets previously not recognised	(160)	(4,719)	-	-
Effect of non-recognition of deferred tax benefits	4,980	3,980	-	-
Overprovision in prior years	(1,513)	(828)	-	-
Tax expense	7,319	5,558	250	-

The corporate tax rates are 26% for the year of assessment 2008, 25% for year of assessment 2009 and subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002.

22. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	**Total amount RM'000**	**Date of payment**
2009			
First and final 2008 ordinary	2.50	4,303	17 September 2009
2008			
First and final 2007 ordinary	2.40	4,112	18 September 2008

Company No. 249243-W

22. Dividends (continued)

After the balance sheet date, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial statements upon approval by the shareholders.

	Sen per share (tax exempt)	Total amount RM'000
First and final ordinary	4.00	6,894

Dividends per ordinary share

The calculation of dividends per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2009 of RM6,893,561 (2008 – RM4,302,950) on the issued and paid-up share capital (excluding treasury shares) of 172,339,020 ordinary shares of RM0.50 each (2008 – 171,018,020 ordinary shares of RM0.50 each) as at 31 December 2009.

23. Earnings per ordinary share

Basic earnings per ordinary share

	Group	
	2009 RM'000	**2008 RM'000**
Profit for the year attributable to ordinary shareholders	27,783	21,824

Weighted average number of ordinary shares

	Group	
	2009 '000	**2008 '000**
Number of ordinary shares in issue at 1 January	171,028	170,355
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	497	286
Total weighted average number of ordinary shares in issue (unit)	171,515	170,631

	Group	
	2009 Sen	**2008 Sen**
Basic earnings per ordinary share	16.20	12.79

Company No. 249243-W

23. Earnings per ordinary share (continued)

	Group	
	2009	**2008**
	RM'000	**RM'000**
Profit for the year attributable to ordinary shareholders	27,783	21,824
	=====	=====

Weighted average number of ordinary shares (diluted)

	Group	
	2009	**2008**
	'000	**'000**
Weighted average number of ordinary shares at 31 December	171,515	170,631
Effect of share options in issue	1,923	2,016
Weighted average number of ordinary shares (diluted) at 31 December	173,438	172,647
	======	======

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

	Group	
	2009	**2008**
	Sen	**Sen**
Diluted earnings per ordinary share	16.02	12.64
	====	====

24. Segment reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

The Group operates only in one business segment. Accordingly, information by business segments is not presented.

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 comprise mainly of loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Company No. 249243-W

24. Segment reporting (continued)

Geographical segments

The Group's business is managed on a worldwide basis with its head office in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Geographical segments								
Revenue from external customers	202,530	191,317	332,217	389,808	-	-	534,747	581,125
Inter-segment revenue	164,915	180,365	96,432	72,768	(261,347)	(253,133)	-	-
Total revenue	367,445	371,682	428,649	462,576	(261,347)	(253,133)	534,747	581,125
Operating profit							39,635	32,188
Interest income							447	1,377
Interest expense							(5,028)	(6,197)
Share of profit of associates							48	14
Profit before tax							35,102	27,382
Segment assets	558,733	505,169	400,532	381,985	(273,427)	(276,911)	685,838	610,243
Investments in associates	22	22	-	-	62	14	84	36
Total assets	558,755	505,191	400,532	381,985	(273,365)	(276,897)	685,922	610,279
Segment liabilities	398,797	358,540	311,889	309,172	(214,643)	(218,560)	496,043	449,152
Capital expenditure - Property, plant and equipment	6,543	2,982	20,998	4,991	-	-	27,541	7,973
Depreciation and amortisation	6,953	6,218	4,402	4,125	-	-	11,355	10,343

25. Financial instruments

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group and the Company's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association only to business partners with high creditworthiness.

At balance sheet date, there were no significant concentrations of credit risk other than trade receivables owing from two (2008 – one) major customers of RM61,200,000 (2008 – RM46,000,000). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group's and the Company's income and operating cash flows are exposed to a risk of change in their fair value due to changes in interest rates. Interest rate exposure arises from the Group's and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate debts.

Foreign currency

The Group and the Company are exposed to currency risk as a result of transactions entered into by subsidiaries in currencies other than Ringgit Malaysia.

The Group uses forward exchange contracts to hedge its foreign currency risk although the Group does not have a fixed policy to hedge its sales and purchases in forward contracts. The exposure to foreign currency risk of the Group is monitored by the management from time to time. The Group does not hold forward exchange contracts for trading purposes. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

The currencies giving rise to this risk are mainly US dollars, the EURO, AUD dollars, SGD dollars, DKK Krones, HK dollars, Japanese Yen, Pound Sterling and Renminbi.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. They are entered into with high credit quality financial institutions and monitoring procedures. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

Company No. 249243-W

25. 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 rate at the balance sheet date and the period in which they mature, or if earlier, reprice.

Group 2009	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Over 5 years RM'000
Fixed rate instruments								
Finance lease liabilities								
- RM	2.93	458	211	146	101	-	-	-
- DKK	5.00	1,196	273	923	-	-	-	-
Floating rate instruments								
Secured term loan - RM	2.93	12,131	12,131	-	-	-	-	-
Unsecured insurance premium finance - AUD	3.06	1,633	1,633	-	-	-	-	-
Unsecured revolving credits - USD	2.55	10,310	10,310	-	-	-	-	-
- RM	4.36	14,000	14,000	-	-	-	-	-
Unsecured bank overdrafts - RM	6.30	105	105	-	-	-	-	-
Bills payable	2.54	105,125	105,125	-	-	-	-	-
		144,958	143,788	1,069	101	-	-	-

Company No. 249243-W

25. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Group 2008	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Over 5 years RM'000
Fixed rate instruments								
Finance lease liabilities								
- AUD	4.25	22	22	-	-	-	-	-
- RM	2.81	529	167	181	102	79	-	-
- DKK	5.00	1,444	257	1,187	-	-	-	-
Floating rate instruments								
Secured term loans - RM	5.65	14,243	14,243	-	-	-	-	-
Unsecured insurance premium finance - AUD	3.20	853	853	-	-	-	-	-
Unsecured revolving credits - USD	5.96	10,439	10,439	-	-	-	-	-
- RM	5.32	5,000	5,000	-	-	-	-	-
Secured bank overdraft - DKK	7.00	5	5	-	-	-	-	-
Unsecured bank overdrafts - RM	7.47	4,267	4,267	-	-	-	-	-
Bills payable	4.37	118,469	118,469	-	-	-	-	-
		155,271	153,722	1,368	102	79	-	-
Company								
2009								
Floating rate instruments								
Unsecured revolving credits	2.55	10,310	10,310	-	-	-	-	-
2008								
Floating rate instruments								
Unsecured revolving credits	5.96	10,439	10,439	-	-	-	-	-

25. Financial instruments (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available. In addition, the Group and the Company ensure that the amount of debt maturing in any one year is not beyond the Group's and the Company's means to repay and/or refinance.

Fair values

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

It is not practicable to estimate the fair value of the Company's investments in subsidiaries and associates due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial liabilities, together with the carrying amounts shown in the balance sheet as at 31 December are as follows:

Group	**2009 Carrying amount RM'000**	**2009 Fair value RM'000**	**2008 Carrying amount RM'000**	**2008 Fair value RM'000**
Financial liabilities				
Secured term loans	12,131	12,131	14,243	14,243
Finance lease liabilities	1,654	1,654	1,995	1,841
	=====	=====	=====	=====

The fair values of secured term loans with variable interest rates approximate their carrying values as they are on floating rates and reprice to market interest rates for liabilities with similar risk profile.

The Company provides financial guarantees to financial institutions for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the subsidiaries are managed by the management team without an expectation of default on the credit lines.

Company No. 249243-W

26. Contingencies

Contingent liabilities – unsecured

	Group	
	2009	**2008**
	RM'000	**RM'000**
Corporate guarantee for credit facilities granted to subsidiaries	162,771	179,654
	======	======

In the ordinary course of business, the Group and the Company also issue bank and performance guarantees to customers who awarded contracts to the Group and the Company.

Contingent liabilities -litigation

The Directors are of the opinion that provisions are not required in respect of the following 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.

Litigation against the Company and Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York

A composition of personal injury actions, wrongful death actions, property damages actions, subrogation actions, and lien actions ("the Suits") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York have been filed against the Company and Favelle Favco Cranes (USA) Inc. ("FFCUSA").

The suit relates to an incident involving the collapse of a Favelle Favco crane said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration ("OSHA") found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The Company's and FFCUSA's inclusion in the suit is purported simply to be by reason that the crane was a Favelle Favco crane.

It is anticipated that this litigation will take between three and five years to resolve. The Directors are of the opinion that it is premature to assess the outcome of the actions at this point in time.

Kroll Cranes A/S "Kroll"

Toronto Crane Services Inc ("TCS") purchased a crane from Kroll in September 2003. The crane was subsequently sold by TCS to Abriaco Investments Ltd ("AIL"). In April 2007 an accident happened involving the crane. AIL is pursuing a claim for the alleged loss suffered estimated to be USD500,000 / RM1.7 million against Kroll and has instituted proceedings before the Canadian courts against Kroll. It is the opinion of Kroll`s Danish and Canadian counsels` that Kroll will have a good defence on this matter and management is of the opinion that it is unlikely that the case will result in any losses.

Company No. 249243-W

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its ultimate holding company, subsidiaries (see Note 6), related companies, associates (see Note 7) and Directors (see Note 20).

Significant transactions with related parties:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Ultimate holding company				
Purchase of property, plant and equipment	5,129	-	-	-
Rental expense payable	2,395	1,338	-	-
Rental income receivable	-	(261)	-	-
Sale of goods	(609)	(11,902)	-	-
Subcontract cost payable	911	45	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend income receivable	-	-	(25,712)	(10,988)
Interest expense payable	-	-	122	111
	=====	=====	=====	=====
Related companies				
Purchase of property, plant and equipment	9,251	54	-	-
Sale of goods	(928)	(3,939)	-	-
Rental expense payable	734	540	-	-
Subcontract cost payable	2,756	3,639	-	-
	=====	=====	=====	=====
Associates				
Sale of goods and services	(5,135)	(3,994)	-	-
Purchase of goods and services	296	12	-	-
Subcontract cost payable	-	153	-	-
	=====	=====	=====	=====

27. Related parties (continued)

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 9 and Note 16 respectively.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

There are no allowances for doubtful receivables as at 31 December 2009 in respect of the above related party balances.

Favelle Favco Berhad

(Company No. 249243-W)
(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 7 to 70 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 at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

……
Mac Ngan Boon @ Mac Yin Boon

……
Lee Poh Kwee

Klang,

Date: 27 April 2010

Favelle Favco Berhad
(Company No. 249243-W)
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Lee Poh Kwee**, the Director primarily responsible for the financial management of Favelle Favco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 70 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 Klang on 27 April 2010

……..
Lee Poh Kwee

Before me:

Sabbir B. Ali Hussin
Pesuruhjaya Sumpah Malaysia
(No. B369)

Independent auditors' report to the members of Favelle Favco Berhad

(Company No. 249243-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Favelle Favco Berhad, which comprise the balance sheets as at 31 December 2009 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 7 to 70.

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. 249243-W

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 at 31 December 2009 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) 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.

d) The 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

Foong Mun Kong
Approval Number: 2613/12/10(J)
Chartered Accountant

Petaling Jaya,

Date: 27 April 2010