Favelle Favco Berhad

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

and its subsidiaries

Financial statements for the year ended 31 December 2011

Favelle Favco Berhad

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

and its subsidiaries

Directors' report for the year ended 31 December 2011

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

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries and associates are as stated in Notes 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/(loss) attributable to:		
Owners of the Company	47,606	25,631
Non-controlling interests	(14)	-
Profit for the year	47,592	25,631

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 5.00 sen per ordinary share totalling RM8,957,851 in respect of the year ended 31 December 2010 on 3 August 2011.

The first and final ordinary tax exempt dividend recommended by the Directors in respect of the year ended 31 December 2011 is 6.00 sen per ordinary share totalling RM10,749,421 is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

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

Tuan Haji Mohamed Taib bin Ibrahim
Tan Sri A. Razak bin Ramli
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor

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Directors of the Company (continued)

Directors who served since the date of the last report are: (continued)

Mac Ngan Boon @ Mac Yin Boon
Mac Chung Hui
Lee Poh Kwee
Mazlan bin Abdul Hamid
Lim Teik Hin

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 the end of the financial 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 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Interests in the Company				
Tuan Haji Mohamed Taib bin Ibrahim				
- Own	2,845,671	-	-	2,845,671
- Spouse and Child	106,500	-	-	106,500
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
Mac Ngan Boon @ Mac Yin Boon				
- Own	8,192,913	-	-	8,192,913
- Spouse and Child	1,677,800	-	(50,000)	1,627,800
Mac Chung Hui	2,012,000	-	-	2,012,000
Lee Poh Kwee	1,085,000	-	-	1,085,000
Mazlan bin Abdul Hamid	2,115,000	-	-	2,115,000
Lim Teik Hin	100,000	-	-	100,000

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Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
Indirect interest in the Company				
Mac Ngan Boon @ Mac Yin Boon*	98,000,000	1,562,300	-	99,562,300

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
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	57,500	-	153,750
Mac Ngan Boon @ Mac Yin Boon				
- Own	68,808,916	1,832,500	-	70,641,416
- Spouse and Children	18,852,500	665,000	(50,000)	19,467,500
Mac Chung Hui	5,155,000	250,000	-	5,405,000
Lee Poh Kwee	3,196,272	2,000,000	(1,150,000)	4,046,272
Mazlan bin Abdul Hamid	110,000	280,000	-	390,000
Lim Teik Hin				
- Spouse	50,000	-	-	50,000

The options granted to eligible Directors over unissued ordinary shares in the Company and the ultimate holding company pursuant to the Company 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 1.1.2011	Granted	Exercised	At 31.12.2011
Company				
Mac Ngan Boon @ Mac Yin Boon	-	950,000	-	950,000
Mac Chung Hui	-	630,000	-	630,000
Lee Poh Kwee	-	630,000	-	630,000
Mazlan bin Abdul Hamid	-	630,000	-	630,000

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Directors' interests (continued)

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2011	Granted	Exercised	At 31.12.2011
Ultimate holding company				
- Muhibbah Engineering (M) Bhd.				
Mac Ngan Boon @ Mac Yin Boon	1,832,500	2,780,000	(1,832,500)	2,780,000
Mac Chung Hui	250,000	700,000	(250,000)	250,000
Lee Poh Kwee	2,000,000	2,000,000	(2,000,000)	2,000,000
Mazlan bin Abdul Hamid	250,000	300,000	(250,000)	250,000

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 except for any benefit which may be deemed to arise from transaction entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of options of the Company and the ultimate holding company pursuant to their respective ESOS.

Issue of shares

During the financial year, the Company issued 1,523,000, 126,000, 326,000 and 56,000 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, RM1.09, RM0.86 and RM0.75 per ordinary share respectively.

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 (continued)

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.

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 28 June 2011. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the ultimate holding company, Muhibbah Engineering (M) Bhd at the EGM held on 19 May 2006, had expired on 29 June 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme.

The main features of the ESOS, details of share options offered and exercised during the financial year are disclosed in Note 18.

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 less than 350,000 shares during the financial year under the ESOS scheme. This information has been separately filed with the Companies Commission of Malaysia.

The names of option holders granted options to subscribe for 350,000 or more ordinary shares of RM0.50 each during the financial year, other than the Directors of the Company which have been discussed above, are as follows:-

	Number of options over ordinary shares of RM0.50 each			
	Granted	**Exercised**	**Forfeited**	**At 31.12.2011**
Andrew Yan Hean Howe	350,000	-	-	350,000
Khoo Kok Eng	350,000	-	-	350,000
Ooi San Kooi	350,000	-	-	350,000
Shenandoah Chong Shin Kwek	350,000	-	-	350,000
Tew Siew Chong	350,000	-	-	350,000
Yap Eng Jin	350,000	-	-	350,000

Other statutory information

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

i) there are no known bad debts and adequate allowance had been made for impairment losses on receivables, and

ii) all current assets have been stated at the lower of cost and net realisable value.

Other statutory information (continued)

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 impairment loss on receivables, in the Group and in the Company inadequate to any substantial extent, or

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the Group and of the Company 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.

Company No. 249243-W

Auditors

The auditors, Messrs. Crowe Horwath, 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: 6 April 2012

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

Statements of financial position as at 31 December 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Assets					
Property, plant and equipment	3	105,113	98,214	-	-
Intangible assets	4	6,347	8,652	-	-
Investment property	5	-	-	-	-
Investments in subsidiaries	6	-	-	40,754	33,530
Investments in associates	7	5,732	6,316	6,636	6,538
Deferred tax assets	8	2,368	2,627	-	-
Receivables	9	-	-	17,001	13,881
Total non-current assets		119,560	115,809	64,391	53,949
Receivables, deposits and prepayments	9	138,938	163,943	57,981	48,945
Contract work-in-progress	10	120,052	78,344	-	-
Inventories	11	183,823	139,025	-	-
Current tax assets		307	1,077	175	175
Derivative assets	12	2,987	9,620	-	-
Cash and cash equivalents	13	114,896	84,430	11,625	11,359
Total current assets		561,003	476,439	69,781	60,479
Total assets		680,563	592,248	134,172	114,428
Equity and liabilities					
Equity					
Share capital		89,584	88,568	89,584	88,568
Reserves		23,325	22,144	3,889	3,581
Retained earnings		124,073	84,896	28,897	11,695
Total equity attributable to owners of the Company	14	236,982	195,608	122,370	103,844
Non-controlling interests		3,556	-	-	-
Total equity		240,538	195,608	122,370	103,844

Company No. 249243-W

Statements of financial position as at 31 December 2011

(continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Liabilities					
Loans and borrowings	15	5,999	8,450	-	-
Deferred tax liabilities	8	5,412	4,420	-	-
Total non-current liabilities		11,411	12,870	-	-
Provision for warranties	16	6,536	5,521	-	-
Payables and accruals	17	219,838	190,783	2,314	1,312
Amount due to contract customers	10	154,842	140,547	-	-
Loans and borrowings	15	45,247	43,553	9,488	9,272
Current tax liabilities		2,151	3,366	-	-
Total current liabilities		428,614	383,770	11,802	10,584
Total liabilities		440,025	396,640	11,802	10,584
Total equity and liabilities		680,563	592,248	134,172	114,428

The notes set on pages 18 to 93 are an integral part of these financial statements.

Favelle Favco Berhad

(Company No. 249243-W)
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Statements of comprehensive income for the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	19	482,353	385,468	22,037	22,220
Cost of sales		(376,581)	(311,234)	-	-
Gross profit		105,772	74,234	22,037	22,220
Other income		9,282	4,590	3,520	(539)
Distribution expenses		(9,550)	(8,912)	-	-
Administrative expenses		(48,522)	(36,952)	(1,481)	(974)
Other expenses		-	-	-	(9,700)
Results from operating activities		56,982	32,960	24,076	11,007
Finance income	20	2,092	3,686	2,288	206
Finance costs	21	(6,199)	(2,199)	(690)	(419)
Operating profit	22	52,875	34,447	25,674	10,794
Share of loss after tax and minority interest of equity accounted associates		(682)	(284)	-	-
Profit before tax		52,193	34,163	25,674	10,794
Income tax	24	(4,601)	(5,555)	(43)	(1,000)
Profit after tax		47,592	28,608	25,631	9,794
Other comprehensive income for the year, net of tax					
Foreign currency translation differences on foreign operations		867	(7,202)	-	-
Other comprehensive income for the year, net of tax		867	(7,202)	-	-

Company No. 249243-W

Statements of comprehensive income for the financial year ended 31 December 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Total comprehensive income for the year		48,459	21,406	25,631	9,794
Profit attributable to:					
Owners of the Company		47,606	28,608	25,631	9,794
Non-controlling interests		(14)	-	-	-
Profit for the year		47,592	28,608	25,631	9,794
Total comprehensive income attributable to:					
Owners of the Company		48,479	21,406	25,631	9,794
Non-controlling interests		(20)	-	-	-
Total comprehensive income for the year		48,459	21,406	25,631	9,794
Earnings per ordinary share (sen)					
- Basic	26	26.69	16.36		
- Diluted	26	26.18	16.27		

The notes set on pages 18 to 93 are an integral part of these financial statements.

Favelle Favco Berhad

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

		← *Attributable to owners of the Company* →							
		← *Non-distributable* →						*Distributable*	
Group	**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 2010		86,175	1,459	14,440	11,325	1,756	(21)	63,362	178,496
Profit for the year		-	-	-	-	-	-	28,608	28,608
Foreign currency translation differences for foreign operations		-	-	(7,202)	-	-	-	-	(7,202)
Total comprehensive income for the year		-	-	(7,202)	-	-	-	28,608	21,406
Contribution by and distribution to owners of the Company:									
-Share options exercised	18	2,393	251	-	-	-	-	-	2,644
-Transfer to share premium for share options exercised		-	915	-	-	(915)	-	-	-
-Share-based payments	18	-	-	-	-	136	-	-	136
-Dividend to shareholders	25	-	-	-	-	-	-	(7,074)	(7,074)
At 31 December 2010		88,568	2,625	7,238	11,325	977	(21)	84,896	195,608
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7	

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Statements of changes in equity for the year ended 31 December 2011 (continued)

		Attributable to owners 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 RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2011		88,568	2,625	7,238	11,325	977	(21)	84,896	195,608	-	195,608
Profit for the year		-	-	-	-	-	-	47,606	47,606	(14)	47,592
Foreign currency translation differences for foreign operations		-	-	873	-	-	-	-	873	(6)	867
Total comprehensive income for the year		-	-	873	-	-	-	47,606	48,479	(20)	48,459
Contribution by and distribution to owners of the Company:											
-Acquisition of a subsidiary		-	-	-	-	-	-	-	-	3,576	3,576
-Share options exercised	18	1,016	282	-	-	-	-	-	1,298	-	1,298
-Transfer to share premium for share options exercised	18	-	449	-	-	(449)	-	-	-	-	-
-Expiry of ESOS	18	-	-	-	-	(528)	-	528	-	-	-
-Share-based payments	18	-	-	-	-	554	-	-	554	-	554
-Dividend to shareholders	25	-	-	-	-	-	-	(8,957)	(8,957)	-	(8,957)
At 31 December 2011		89,584	3,356	8,111	11,325	554	(21)	124,073	236,982	3,556	240,538
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	Note 14.5	Note 14.6	Note 14.7			

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Statements of changes in equity for the year ended 31 December 2011 (continued)

Company	Note	← *Non-distributable* Share capital RM'000	Share premium RM'000	Share option reserve RM'000 →	*Distributable* Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2010		86,175	1,459	1,756	(21)	8,975	98,344
Profit for the year/Total comprehensive income for the year		-	-	-	-	9,794	9,794
Contribution by and distribution to owners of the Company:							
-Share options exercised	18	2,393	251	-	-	-	2,644
-Transfer to share premium for share options exercised		-	915	(915)	-	-	-
-Share-based payments	18	-	-	136	-	-	136
-Dividend to shareholders	25	-	-	-	-	(7,074)	(7,074)
At 31 December 2010/1 January 2011		88,568	2,625	977	(21)	11,695	103,844
Profit for the year/Total comprehensive income for the year		-	-	-	-	25,631	25,631
Contribution by and distribution to owners of the Company:							
-Share options exercised	18	1,016	282	-	-	-	1,298
-Transfer to share premium for share options exercised		-	449	(449)	-	-	-
-Expiry of ESOS	18	-	-	(528)	-	528	-
-Share-based payments	18	-	-	554	-	-	554
-Dividend to shareholders	25	-	-	-	-	(8,957)	(8,957)
At 31 December 2011		89,584	3,356	554	(21)	28,897	122,370
		Note 14.1	Note 14.2	Note 14.5	Note 14.6	Note 14.7	

The notes set on pages 18 to 93 are an integral part of these financial statements.

Favelle Favco Berhad
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Statements of cash flows for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		52,193	34,163	25,674	10,794
Adjustments for:					
Allowance for impairment losses on receivables		2,133	1,899	-	-
Allowance for impairment losses on receivables written back		(1,519)	(2,132)	-	-
Writedown of inventories		1,281	1,852	-	-
Amortisation of intangible assets		1,357	1,928	-	-
Depreciation of property, plant and equipment		13,449	10,217	-	-
Development costs written off		6,046	-	-	-
Dividend income from subsidiaries (unquoted)		-	-	(22,037)	(22,220)
(Gain)/Loss on disposal of property, plant and equipment		(142)	11	-	-
Impairment loss on investment in subsidiary		-	-	-	9,700
Finance costs	21	6,199	2,199	690	419
Provision for warranties		3,416	2,002	-	-
Finance income	20	(2,092)	(3,686)	(2,288)	(206)
Property, plant and equipment written off		50	3	-	-
Net unrealised gain on foreign exchange		(6,807)	(3,591)	(261)	(643)
Share-based payments		554	136	554	136
Share of loss of equity accounted associates		682	284	-	-
Reversal of provision for warranties		(2,420)	(4,195)	-	-
Operating profit/(loss) before changes in working capital changes		74,380	41,090	2,332	(2,020)

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

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating profit before changes in working capital changes (continued)		74,380	41,090	2,332	(2,020)
Changes in working capital:					
Development costs		(5,086)	(92)	-	-
Inventories		(45,248)	13,277	-	-
Payables and accruals		50,196	(77,646)	1,002	(426)
Receivables, deposits and prepayments		(7,095)	36,352	11,846	14,265
Dividends received		-	-	-	3,000
Interest received		1,158	712	336	206
Interest paid		(1,331)	(1,646)	-	-
Provisions paid		(56)	(255)	-	-
Taxes paid		(3,783)	(12,726)	(43)	-
Net cash generated from/(used in) operating activities		63,135	(934)	15,473	15,025
Cash flows from investing activities					
Acquisition of property, plant and equipment		(23,780)	(16,815)	-	-
Acquisition of subsidiary, net cash inflow	31	3,576	-	-	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		-	-	(5,724)	-
Acquisition of an associate		(98)	(6,517)	(98)	(6,517)
Increase of investment in subsidiary		-	-	(1,500)	-
Proceeds from disposal of property, plant and equipment		4,021	2,887	-	1,841
Net cash used in investing activities		(16,281)	(20,445)	(7,322)	(4,676)
Cash flows from financing activities					
Dividend paid to shareholders of the Company		(8,957)	(7,074)	(8,957)	(7,074)
Interest paid		(711)	(552)	(226)	(221)
Proceeds from issue of shares under ESOS scheme		1,298	2,644	1,298	2,644
Net proceeds from/(repayment of) revolving credit		216	(15,038)	-	-
Payment of finance lease liabilities		(386)	(872)	-	-
Repayment of term loans		(2,695)	(594)	-	-
Net cash used in financing activities		(11,235)	(21,486)	(7,885)	(4,651)

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

		Group		Company	
	Note	2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Exchange difference on translation of the financial statements of foreign operations		(504)	4,625	-	-
Net increase/(decrease) in cash and cash equivalents		35,115	(38,240)	266	5,698
Effect of exchange rate fluctuations on cash held		90	(8,473)	-	-
Cash and cash equivalents at 1 January	(i)	79,691	126,404	11,359	5,661
Cash and cash equivalents at 31 December	(i)	114,896	79,691	11,625	11,359

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

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

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	13	107,725	66,795	5,355	3,721
Deposits with licensed banks	13	7,171	17,635	6,270	7,638
Bank overdrafts repayable on demand	15	-	(4,739)	-	-
		114,896	79,691	11,625	11,359

The notes set on pages 18 to 93 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 listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business are as follows:

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 2011 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 2011 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 Notes 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 authorised for issue by the Board of Directors on 6 April 2012.

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.

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

This would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ended 31 December 2011 in accordance with MFRS which would form the MFRS comparatives for the first quarter ending 31 March 2012 and the financial year ending 31 December 2012 respectively.

The MFRSs and IC Interpretations expected to be adopted are as follows:

MFRSs, Interpretations	***Effective date***
• MFRS 1 *First-time Adoption of Financial Reporting Standards*	1 January 2012
• MFRS 2 *Share-based Payment*	1 January 2012
• MFRS 3 *Business Combination*	1 January 2012
• MFRS 4 *Insurance Contracts*	1 January 2012
• MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
• MFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2012
• MFRS 7 *Financial Instruments: Disclosures*	1 January 2013
• MFRS 8 *Operating Segments*	1 January 2013
• MFRS 9 *Financial Instruments*	1 January 2013
• MFRS 10 *Consolidated Financial Statements*	1 January 2013
• MFRS 11 *Joint Arrangements*	1 January 2013
• MFRs 12 *Disclosure of Interests in Other Entities*	1 January 2013
• MFRS 13 *Fair Value Measurement*	1 January 2013
• MFRS 101 *Presentation of Financial Statements*	1 January 2012
• Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
• MFRS 102 *Inventories*	1 January 2012
• MFRS 107 *Statement of Cash Flows*	1 January 2012
• MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2012
• MFRS 110 *Events After the Reporting Period*	1 January 2012
• MFRS 111 *Construction Contacts*	1 January 2012
• MFRS 112 *Income Taxes*	1 January 2012
• MFRS 116 *Property, Plant and Equipment*	1 January 2012
• MFRS 117 *Leases*	1 January 2012
• MFRS 118 *Revenue*	1 January 2012
• MFRS 119 *Employee Benefits*	1 January 2012

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations	***Effective date***
• MFRS 119 *Employee Benefits (revised)*	1 January 2013
• MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*	1 January 2012
• MFRS 121 The Effects of Changes in Foreign Exchange Rates	1 January 2012
• MFRS 123 Borrowing Costs	1 January 2012
• MFRS 124 Related Party Disclosures	1 January 2012
• MFRS 126 *Accounting and Reporting by Retirement Benefit Plans*	1 January 2012
• MFRS 127 *Separate Financial Statements*	1 January 2013
• MFRS 128 *Investments in Associates*	1 January 2012
• MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
• MFRS 129 *Financial Reporting in Hyperinflationary Economies*	1 January 2012
• MFRS 131 *Interests in Joint Ventures*	1 January 2012
• MFRS 132 *Financial Instruments: Presentation*	1 January 2012
• MFRS 133 *Earnings Per Share*	1 January 2012
• MFRS 134 *Interim Financial Reporting*	1 January 2012
• MFRS 136 *Impairment of Assets*	1 January 2012
• MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2012
• MFRS 138 *Intangible Assets*	1 January 2012
• MFRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2012
• MFRS 140 *Investment Property*	1 January 2012
• MFRS 141 *Agriculture*	1 January 2012
• Improvements to MFRSs	1 January 2012
• IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 January 2012
• IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*	1 January 2012
• IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*	1 January 2012
• IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 January 2012
• IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*	1 January 2012

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations	*Effective date*
• IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies*	1 January 2012
• IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2012
• IC Interpretation 10 *Interim Financial Reporting and Impairment*	1 January 2012
• IC Interpretation 12 *Service Concession Arrangements*	1 January 2012
• IC Interpretation 13 *Customer Loyalty Programmes*	1 January 2012
• IC Interpretation 14 *MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2012
• IC Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2012
• IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 January 2013
• IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 January 2012
• IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2012
• IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2012
• IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• IC Interpretation 107 *Introduction of the Euro*	1 January 2012
• IC Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*	1 January 2012
• IC Interpretation 112 *Consolidation – Special Purpose Entities*	1 January 2012
• IC Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	1 January 2012
• IC Interpretation 115 *Operating Leases – Incentives*	1 January 2012
• IC Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	1 January 2012
• IC Interpretation 129 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2012
• IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*	1 January 2012
• IC Interpretation 132 *Intangible Assets – Web Site Costs*	1 January 2012

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Technical Release 3 *Guidance on Disclosures of Transition to IFRSs* ('TR 3') provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is in the process of preparing the opening statement of financial statements and is only able to assess the potential impact as follows:

(i) FRS 116 contains an additional disclosure to require an entity to disclose if it had applied the transitional provision provided by the MASB when FRS 116 was first adopted in 1998. The said transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 116 does not have similar requirements for such a transition.

(ii) FRS 117 contains two transitional provisions, one of which is in relation to the transition from MASB 10 *Leases* to FRS 117:

(a) An entity that had previously classified its leasehold land as property, plant and equipment shall reclassify the unamortised carrying amount as operating lease.

If the entity had previously revalued such leasehold land, the entity shall retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

However, MFRS 117 does not have this transitional provision as the requirement to treat leasehold land as operating lease was already prescribed in IAS 17 *Leases*.

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 *Accounting Policies, Changes in Estimates and Errors* when it first applied the revised Standard.

However, MFRS 117 does not have similar requirements for such a transition.

(iii) FRS 121 mandates the use of Ringgit Malaysia as the presentation currency in accordance with the Companies Act, 1965. However, MFRS 121 does not have such a similar requirement.

(iv) FRS 139 contains three transitional provisions, namely:

(a) Transitional provision for first-time adoption of FRS 139 which prohibits retrospective application and instead, requires an initial application of the recognition, classification and measurement on the effective date of the Standard.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(v) FRS 139 contains three transitional provisions, namely:

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the revised Standard.

However, MFRS 139 does not have similar requirements for such a transition.

(vi) FRS 140 contains an additional disclosure to require an entity to disclose that it had applied the transitional provision provided by the MASB in 1998. The same transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 140 does not have similar requirements for such a transition.

(vii) FRS 7 contains two transitional provisions:

(a) An entity is not required to present any comparative disclosures required by the Standard when it first applied the Standard.

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, MFRS 7 does not have similar requirements for such a transition.

(viii) IC Interpretation 12 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard. IC Interpretation 12 has removed these transitional provisions in IC Interpretation 12.

(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 currencies

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.

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1. Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2 (c) – financial instruments
- Note 2 (d)(iii) – depreciation
- Note 2 (e) – leased assets
- Note 2 (g) – investment property
- Note 2 (q) – interest income and borrowing costs
- Note 2 (r) – income tax
- Note 2 (t) – segment reporting

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 acquisition method of accounting.

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

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

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2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The changes in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011
For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions before 1 January 2011
For acquisitions prior to 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquired. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

The Group applied FRS127, Consolidated and Separate Financial Statement (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

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

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

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

(vi) 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.

(vii) Non-controlling interests

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests (continued)

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements (revised)* where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in the accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(viii) 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 associates are eliminated against the investment to the extent of the Group's interest in the associates. 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 transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting period 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 from retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising from acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorises financial instruments as follows:

Financial assets

(a) ***Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) ***Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition (continued)

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

The Group revalue its freehold land and leasehold 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 with in 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 statements of comprehensive income.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in profit or loss. When 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) 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 to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

• buildings	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 end of each reporting period.

(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.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses. In respect of equity accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

Goodwill is not amortised but is tested for impairment at the end of each reporting period and whenever there is an indication that goodwill may be impaired.

2. Significant accounting policies (continued)

(f) Intangible assets

(ii) Research and development

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

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised only if development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Other development expenditure which does not meet the criteria is recognised in profit or loss as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Intellectual property

Intellectual property consists of rights to trade name, knowhow 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 profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

2. Significant accounting policies (continued)

(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).

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determined, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

(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 overheads. 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.

2. Significant accounting policies (continued)

(i) 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 statements of financial position. 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 statements of financial position.

(j) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

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

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured in fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, 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 reporting date.

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 profit or loss 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.

2. Significant accounting policies (continued)

(k) Impairment

(ii) Non-financial assets (continued)

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

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised, unless it is credited directly to revaluation surplus.

(l) 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.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, 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 that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(m) Loans and borrowings

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

2. Significant accounting policies (continued)

(n) 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 profit or loss 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.

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2. Significant accounting policies (continued)

(o) 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.

2. Significant accounting policies (continued)

(p) Revenue recognition

(i) Contracts

As soon as the outcome of a contract from the manufacture of cranes can be estimated reliably, contract revenue and contract cost are recognised in profit or loss 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 profit or loss.

(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 profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to the value of work performed.

(iii) Rental income

Rental income from cranes is recognised in profit or loss as it accrues.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the group or the Company's right to receive payment is established.

2. Significant accounting policies (continued)

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

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

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

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

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

2. Significant accounting policies (continued)

(r) Income tax

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

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

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

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 the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

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

(t) Segment reporting

An operating segment is a component of the Group that operating results are reviewed regularly by the Group Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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3. Property, plant and equipment

Group	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 2010	23,760	41,874	67,841	56,718	623	190,816
Additions	280	1,649	9,575	5,192	119	16,815
Disposals	-	(3,487)	(6,859)	(3,626)	-	(13,972)
Written off	-	-	-	(3)	-	(3)
Effect of movements in exchange rates	(2,241)	(3,222)	(8,097)	(1,693)	-	(15,253)
At 31 December 2010/ 1 January 2011	21,799	36,814	62,460	56,588	742	178,403
Additions	-	1,397	12,933	9,450	-	23,780
Reclassification	-	-	-	142	(142)	-
Disposals	-	-	(5,495)	(1,853)	(139)	(7,487)
Written off	-	-	-	(147)	-	(147)
Effect of movements in exchange rates	132	221	449	387	-	1,189
At 31 December 2011	21,931	38,432	70,347	64,567	461	195,738
Representing items at:						
Cost	9,640	38,432	70,347	64,567	461	183,447
Valuation - 2008	12,291	-	-	-	-	12,291
	21,931	38,432	70,347	64,567	461	195,738

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3. Property, plant and equipment (continued)

Group	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 2010	-	18,301	35,735	36,935	-	90,971
Depreciation for the year	-	881	4,581	4,755	-	10,217
Disposals	-	(2,143)	(5,981)	(2,950)	-	(11,074)
Effect of movements in exchange rates	-	(2,508)	(6,061)	(1,356)	-	(9,925)
At 31 December 2010						
Accumulated depreciation	-	13,037	27,738	36,391	-	77,166
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2010/ 1 January 2011	-	14,531	28,274	37,384	-	80,189
Depreciation for the year	5	1,317	5,286	6,841	-	13,449
Disposals	-	-	(2,673)	(935)	-	(3,608)
Written off	-	-	-	(97)	-	(97)
Effect of movements in exchange rates	-	152	211	329	-	692
Accumulated depreciation	5	14,506	30,562	42,529	-	87,602
Accumulated impairment losses	-	1,494	536	993	-	3,023
At 31 December 2011	5	16,000	31,098	43,522	-	90,625
Carrying amounts						
At 1 January 2010	23,760	23,573	32,106	19,783	623	99,845
At 31 December 2010/ 1 January 2011	21,799	22,283	34,186	19,204	742	98,214
At 31 December 2011	21,926	22,432	39,249	21,045	461	105,113

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3. Property, plant and equipment (continued)

Company	Plant, equipment and motor vehicles RM'000	Total RM'000
Cost		
At 1 January 2010	1,984	1,984
Disposals	(1,984)	(1,984)
At 31 December 2010/1 January 2011		
31 December 2011	-	-
Depreciation and impairment loss		
At 1 January 2010		
Accumulated depreciation	494	494
Accumulated impairment loss	993	993
	1,487	1,487
Disposals	(1,487)	(1,487)
At 31 December 2010/1 January 2011		
31 December 2011		
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
	-	-
Carrying amounts		
At 1 January 2010	497	497
At 31 December 2010/1 January 2011		
31 December 2011	-	-

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 a net book value of RM379,000 (2010 – RM850,000).

3.2 Security

The freehold land and buildings of a subsidiary with total net book value of RM42,067,000 (2010 - RM43,730,000) have been pledged to certain licensed bank as security for bank loan facilities granted to the subsidiary (See Note 15).

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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 (2010 - RM9,221,000).

4. Intangible assets

Group	**Development costs RM'000**	**Intellectual property RM'000**	**Total RM'000**
Cost			
At 1 January 2010	21,611	2,519	24,130
Addition	92	-	92
Effect of movements in exchange rates	(671)	-	(671)
At 31 December 2010/1 January 2011	21,032	2,519	23,351
Addition	5,086	-	5,086
Written off	(12,397)	-	(12,397)
Effect of movements in exchange rates	81	-	81
At 31 December 2011	13,802	2,519	16,321
	=====	=====	=====
Amortisation and impairment loss			
At 1 January 2010			
Accumulated amortisation	10,099	2,490	12,589
Accumulated impairment loss	327	29	356
	10,426	2,519	12,945
Amortisation for the year	1,928	-	1,928
Effect of movements in exchange rates	26	-	26
At 31 December 2010/1 January 2011			
Accumulated amortisation	12,053	2,490	14,543
Accumulated impairment loss	327	29	356
	12,380	2,519	14,899
	=====	=====	=====

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4. Intangible assets (continued)

Group	Development costs RM'000	Intellectual property RM'000	Total RM'000
At 31 December 2010/1 January 2011	12,380	2,519	14,899
Amortisation for the year	1,357	-	1,357
Written off	(6,351)	-	(6,351)
Effect of movements in exchange rates	69	-	69
At 31 December 2011			
Accumulated amortisation	7,128	2,490	9,618
Accumulated impairment loss	327	29	356
	7,455	2,519	9,974
Carrying amounts			
At 1 January 2010	11,185	-	11,185
At 31 December 2010/1 January 2011	8,652	-	8,652
At 31 December 2011	6,347	-	6,347

Company	Intellectual property 2011 RM'000	Intellectual property 2010 RM'000
Cost		
At 1 January/31 December	1,098	1,098
Amortisation		
At 1 January/31 December	1,098	1,098
Carrying amounts		
At 1 January/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 range from 1 year to 2 years (2010 - 1 year to 3 years).

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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 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 of 2009.

4.3 Amortisation and impairment charges

The amortisation and impairment charges are recognised as administrative expenses.

5. Investment property

	Company	
	2011	**2010**
	RM'000	**RM'000**
Building		
Cost		
At 1 January	-	2,989
Disposals	-	(2,989)
At 31 December	-	-
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	-	151
Accumulated impairment loss	-	1,494
	-	1,645
Disposals	-	(1,645)
At 31 December		
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
	-	-

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5. Investment property (continued)

	Company	
	2011 RM'000	2010 RM'000
Carrying amounts		
At 31 December	-	-
The carrying amount comprises:		
Building	-	-
Fair value		
At 1 January	-	1,344
At 31 December	-	-

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	
	2011 RM'000	2010 RM'000
Unquoted shares - at cost	120,897	113,673
Less: Impairment loss	(80,143)	(80,143)
	40,754	33,530

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6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2011 %	Effective ownership interest 2010 %
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
Favelle Favco Winches Pte. Ltd. #	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	100	-

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Favelle Favco Management Services Sdn. Bhd. #	Dormant	Malaysia	100	-
Shanghai Favco Engineering Machinery Manufacturing Co Ltd #	Manufacturing of cranes	China	60	-

Not audited by Messrs Crowe Horwath

7. Investments in associates

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares, at cost	6,870	6,772	6,870	6,772
Share of post-acquisition reserves	(1,138)	(456)	-	-
Less: Impairment loss	-	-	(234)	(234)
	5,732	6,316	6,636	6,538

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
2011						
FO*	Malaysia	30%	501	(205)	444	315
FFME**	Abu Dhabi, United Arab Emirates	49%	15,893	467	5,936	6,667
FE***	China	50%	1,213	(1,240)	12,278	35
			17,607	(978)	18,658	7,017

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7. Investments in associates (continued)

Summarised financial information on associates (continued):

	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
2010						
FO*	Malaysia	30%	2,484	61	926	589
FFME**	Abu Dhabi, United Arab Emirates	49%	6,387	(60)	2,573	3,762
FE***	China	50%	259	(1,223)	13,010	643
			9,130	(1,222)	16,509	4,994

* Favco Offshores Sdn. Bhd.
** Favelle Favco Machinery and Equipment LLC
*** Favco Equipment (Shanghai) Co., Ltd

The Group has not recognised losses relating to FFME totalling RM358,000 (2010 – RM582,000) 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.

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	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Property, plant and equipment	-	-	5,914	3,776	5,914	3,776
(Deductible)/taxable temporary differences	(5,190)	(3,885)	2,320	1,902	(2,870)	(1,983)
Tax (assets)/ liabilities	(5,190)	(3,885)	8,234	5,678	3,044	1,793
Set off	2,822	1,258	(2,822)	(1,258)	-	-
Net tax (assets)/ liabilities	(2,368)	(2,627)	5,412	4,420	3,044	1,793

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

Unrecognised deferred tax assets

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	(6,299)	(2,990)	-	-
Deductible temporary differences	22,421	18,630	-	-
Tax losses carry-forwards	65,926	60,563	-	-
	82,048	76,203	-	-

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carried forward amounting to RM65,926,000 (2010 - RM60,563,000) 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 2019. 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.

Movement in temporary differences during the year

Group	At 1.1.2010 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2010 RM'000	Recognised in statement of comprehensive income (Note 24) RM'000	Recognised in equity (Note 14) RM'000	At 31.12.2011 RM'000
Property, plant and equipment	6,843	-	(539)	6,304	(390)	-	5,914
Tax losses carry-forward	-	-	-	-	-	-	-
Other items	(4,323)	(188)	-	(4,511)	1,605	36	(2,870)
	2,520	(188)	(539)	1,793	1,215	36	3,044

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9. Receivables, deposits and prepayments

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current					
Non-trade					
Advances to a subsidiary	9.2	-	-	17,001	13,881
		======	======	=====	=====
Current					
Trade					
Trade receivables		121,670	151,826	-	-
Less: Allowance for impairment losses		(7,678)	(7,038)	-	-
		113,992	144,788	-	-
Amounts due from subsidiaries	9.4	-	-	659	607
Amounts due from related companies	9.5	628	300	-	-
Amounts due from associates	9.6	4,763	2,501	-	-
		5,391	2,801	659	607
Non-trade					
Amount due from ultimate holding company	9.3	1,886	1,663	3	2
Amounts due from subsidiaries	9.4	-	-	57,230	48,249
Amounts due from related companies	9.5	111	42	-	-
Other receivables	9.7	13,827	10,521	89	87
Deposits		656	414	-	-
Prepayments		3,075	3,714	-	-
		19,555	16,354	57,322	48,338
		138,938	163,943	57,981	48,945
		======	======	=====	=====

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:

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9. Receivables, deposits and prepayments (continued)

Group

9.1 Analysis of foreign currency exposure for significant receivables (continued)

		Group	
Functional currency	**Foreign currency**	**2011 RM'000**	**2010 RM'000**
RM	USD	27,999	24,835
RM	SGD	292	327
RM	AUD	13,797	17,062
RM	HKD	793	774
RM	EURO	1,080	28,949
RM	RMB	6,472	6,324
AUD	USD	940	927
AUD	RMB	808	-
USD	SGD	5,939	13,373
USD	EURO	13	-
		=====	=====

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 amount due from the ultimate holding company is non-trade in nature, 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. Receivables, deposits and prepayments (continued)

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 impairment losses amounting to RM685,955 (2010 – RM767,688).

9.7 Other receivables

Other receivables mainly comprise an insurance claim of RM4,761,000 (2010 – RM5,358,000), an advance to a supplier amounting RM3,966,279 (2010 – RM3,400,000) and an allowance for impairment losses amounting to RM387,628 (2010 – RM387,628).

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Aggregate costs incurred to date	793,832	821,822
Add: Attributable profits less foreseeable losses	125,448	164,100
	919,280	985,922
Less: Progress billings	(954,070)	(1,048,125)
	(34,790)	(62,203)
Amount due to contract customers	154,842	140,547
	120,052	78,344
Amount due from contract customers	120,052	78,344
Amount due to contract customers	154,842	140,547

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11. Inventories

	Group 2011 RM'000	Group 2010 RM'000
At cost:		
Cranes	3,276	4,058
Crane components	86,426	67,737
Work-in-progress	61,233	37,981
	150,935	109,776
At net realisable value:		
Cranes	22,303	20,695
Crane components	10,585	8,554
	183,823	139,025

12. Derivative assets

Group	2011 Contract/ Notional amount RM'000	2011 Derivative Assets RM'000	2010 Contract/ Notional amount RM'000	2010 Derivative Assets RM'000
Forward foreign currency contracts	332,660	2,987	235,934	9,620

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group.

13. Cash and cash equivalents

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash and bank balances	107,725	66,795	5,355	3,721
Deposits placed with licensed banks	7,171	17,635	6,270	7,638
	114,896	84,430	11,625	11,359

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14. Share capital and reserves

14.1 Share capital

	Group and Company			
	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '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	88,568	177,136	86,175	172,349
Issued under ESOS scheme	1,016	2,031	2,393	4,787
At 31 December	89,584	179,167	88,568	177,136
	======	=======	======	=======

The Company has also issued share options in accordance with its ESOS Scheme (see Note 18).

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.

14.2 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 an issue price above par value and the transfer of share 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.

14.3 Translation reserve

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

14.4 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.

14. Share capital and reserves (continued)

14.5 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.

14.6 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.

14.7 Section 108 tax credit

Subject to the agreement of 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 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier 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.

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15. 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 and the Company's exposure to interest rate and foreign currency risk, see Note 28.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Secured term loan	5,795	7,907	-	-
Finance lease liabilities	204	543	-	-
	5,999	8,450	-	-
Current				
Secured term loan	2,112	2,112	-	-
Bank overdrafts - unsecured	-	4,739	-	-
Unsecured revolving credits	9,488	9,272	9,488	9,272
Unsecured insurance premium finance	2,569	3,152	-	-
Bills payable	30,886	24,039	-	-
Finance lease liabilities	192	239	-	-
	45,247	43,553	9,488	9,272
	51,246	52,003	9,488	9,272

15.1 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 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.

15. Loans and borrowings (continued)

15.2 Terms and debt repayment schedule

Group	Year of maturity RM'000	2011 Carrying amount RM'000	2011 Under 1 year RM'000	2011 1 - 2 years RM'000	2011 2 - 5 years RM'000	2011 Over 5 years RM'000	2010 Carrying amount RM'000	2010 Under 1 years RM'000	2010 1 - 2 years RM'000	2010 2 – 5 years RM'000	2010 Over 5 years RM'000
Secured term loan											
- RM	2015	7,907	2,112	2,112	3,683	-	10,019	2,112	2,112	5,795	-
Unsecured bank overdrafts											
- RM	2011	-	-	-	-	-	4,739	4,739	-	-	-
Unsecured revolving credits- USD	2012	9,488	9,488	-	-	-	9,272	9,272	-	-	-
Unsecured insurance											
premium finance - AUD	2012	2,569	2,569	-	-	-	3,152	3,152	-	-	-
Bills payable	2012	30,886	30,886	-	-	-	24,039	24,039	-	-	-
Finance lease liabilities											
- DKK	2013	396	192	204	-	-	782	239	543	-	-
		51,246	45,247	2,316	3,683	-	52,003	43,553	2,655	5,795	-
Company											
Unsecured revolving credits- USD	2012	9,488	9,488	-	-	-	9,272	9,272	-	-	-
		9,488	9,488	-	-	-	9,272	9,272	-	-	-

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15. Loans and borrowings (continued)

15.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2011 RM'000	Interest 2011 RM'000	Principal 2011 RM'000	Minimum lease payments 2010 RM'000	Interest 2010 RM'000	Principal 2010 RM'000
Less than one year	215	(23)	192	274	(35)	239
Between one and five years	219	(15)	204	570	(27)	543
	434	(38)	396	844	(62)	782

16. Provision for warranties

Group	2011 RM'000	2010 RM'000
At 1 January	5,521	8,454
Provision made during the year	3,416	2,002
Provision used during the year	(56)	(255)
Provision reversed during the year	(2,420)	(4,195)
Effect of movements in exchange rates	75	(485)
At 31 December	6,536	5,521

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.

17. Payables and accruals

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade					
Trade payables	17.1	169,423	150,202	-	-
Amount due to ultimate holding company	17.2	2,762	622	-	-
Amounts due to related companies	17.3	8,100	3,466	-	-
Amount due to associate	17.4	-	268	-	-
		180,285	154,558	-	-
Non-trade					
Amount due to ultimate holding company	17.2	945	238	-	-
Amount due to subsidiary	17.5	-	-	2,263	1,242
Amounts due to related companies	17.3	1,760	1,754	-	-
Other payables		14,254	6,970	-	-
Accrued expenses		22,594	27,263	51	70
		39,553	36,225	2,314	1,312
		219,838	190,783	2,314	1,312

17.1 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 2011 RM'000	Group 2010 RM'000
RM	AUD	8,443	11,603
RM	SGD	1,470	717
RM	EUR	9,836	3,119
RM	USD	6,957	5,324
RM	RMB	16,950	9,151
RM	GBP	315	120
USD	SGD	76	6,679
AUD	GBP	-	16
AUD	USD	664	908
AUD	EUR	407	340
AUD	RMB	5,859	-

17. Payables and accruals (continued)

17.2 Amount due to ultimate holding company

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

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

17.3 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.

17.4 Amount due to associate

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

17.5 Amount due to subsidiary

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

18. Employee benefits

18.1 Share-based payments

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the ultimate holding company at an Extraordinary General Meeting ("EGM") held on 19 May 2006, had expired on 29 June 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme.

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

The main features of the New ESOS scheme, and details of the share options 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 the 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;

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 %	Year 1	-	-	-	-	-
of options	Year 2	33.33%	-	-	-	-
exercisable	Year 3	66.67%	33.33%	-	-	-
during the	Year 4	100%	66.67%	33.33%	-	-
option period in:	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.

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

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 1.1.2011 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2011 '000	Expiry date
Former ESOS Scheme							
30.6.2006	RM0.55	1,767	-	(1,523)	(244)	-	29.6.2011
30.6.2007	RM1.90	239	-	-	(239)	-	29.6.2011
30.6.2008	RM1.09	227	-	(126)	(101)	-	29.6.2011
30.6.2009	RM0.86	403	-	(326)	(77)	-	29.6.2011
30.6.2010	RM0.75	107	-	(56)	(51)	-	29.6.2011
New ESOS Scheme							
28.9.2011	RM0.80	-	10,128	-	(113)	10,015	27.9.2016
		2,743	10,128	(2,031)	(825)	10.015	

Grant date	Exercise price	At 1.1.2010 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2010 '000	Expiry date
Former ESOS Scheme							
30.6.2006	RM0.55	6,521	-	(4,738)	(16)	1,767	29.6.2011
30.6.2007	RM1.90	274	-	-	(35)	239	29.6.2011
30.6.2008	RM1.09	374	-	-	(147)	227	29.6.2011
30.6.2009	RM0.86	568	-	(13)	(152)	403	29.6.2011
30.6.2010	RM0.75	-	227	(36)	(84)	107	29.6.2011
		7,737	227	(4,787)	(434)	2,743	

The options outstanding at 31 December 2011 have an exercise price of RM0.80 and remaining contractual life of 4 3/4 years.

During the year, 1,523,000, 126,000, 326,000 and 56,000 (2010 – 4,787,000) share options of RM0.55, RM1.09, RM0.86 and RM0.75 each respectively under the ESOS scheme of the Company were exercised. The weighted average share price of the Company for the year was RM1.18 (2010 – RM0.86).

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

Details relating to options exercised during the year

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Ordinary share capital at par	1,016	2,393
Share premium	282	251
Proceeds received on exercise of share options	1,298	2,644

	Group and Company 2011 RM	Group and Company 2010 RM
Fair value of shares issued (based on average exercise price)	1.18	0.86

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 2011 RM'000	Group and Company 2010 RM'000
Share options granted in 2006	-	-
Share options granted in 2007	-	7
Share options granted in 2008	-	11
Share options granted in 2009	-	77
Share options granted in 2010	-	41
Share options granted in 2011	554	-
Total expense recognised as share-based payments	554	136

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18. Employee benefits (continued)

18.1 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	
	2011	**2010**
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	RM0.32
- Granted in Year 2010	RM0.25	RM0.25
- Granted in Year 2011	RM0.34 - RM0.42	-
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	0.98
- Granted in Year 2010	0.84	0.84
- Granted in Year 2011	0.88	-
	==============	==============

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18. Employee benefits (continued)

18.1 Share-based payments (continued)

Fair value of share options and assumptions (continued)

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	
	2011	**2010**
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	RM0.86
- Granted in Year 2010	RM0.75	RM0.75
- Granted in Year 2011	RM0.80	-
Expected volatility (weighted average volatility)	31.99% - 59.24%	31.99% - 59.24%
Option life	5 years	1 year
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%	2.56%
- Granted in Year 2010	2.79%	2.79%
- Granted in Year 2011	3.23% - 3.41%	-
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.

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19. Revenue

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Contract revenue	382,510	310,523	-	-
Sales of goods	78,982	48,654	-	-
Services rendered	20,861	26,291	-	-
Dividends	-	-	22,037	22,220
	482,353	385,468	22,037	22,220

20. Finance income

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Interest income:				
- fixed deposit	1,159	712	336	206
Interest income of financial asset that are not at fair value through profit or loss	933	2,974	1,952	-
	2,092	3,686	2,288	206

21. Finance costs

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Interest expenses:				
- bankers' acceptances	1,321	1,553	-	-
- bank overdrafts	10	93	-	-
- hire purchase	-	44	-	-
- revolving credit	225	222	226	222
- term loan	486	544	-	-
- inter-company	-	(257)	217	197
Interest expenses of financial liabilities that are not at fair value through profit or loss	4,157	-	247	-
	6,199	2,199	690	419

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22. Operating profit

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating profit is arrived at after crediting:					
Allowance for impairment losses on receivables written back		1,519	2,132	-	-
Dividend income from subsidiaries (unquoted)		-	-	22,037	22,220
Realised foreign exchange gain		3,093	2,182	128	-
Unrealised foreign exchange gain		8,097	7,266	261	643
Gain/(loss) on disposal of property, plant and equipment		142	(11)	-	-
Interest income arising on financial assets/ liabilities measured at amortised cost		-	2,974	-	
Rental income on:					
- premises		611	618	-	-
- cranes		8,932	6,354	-	-
Reversal of provision for warranties	16	2,420	4,195	-	-
		=====	=====	=====	=====
and after charging:					
Allowance for impairment losses on receivables		2,133	1,899	-	-
Writedown of inventories		1,281	1,852	-	-
Auditors' remuneration:					
- holding company's auditors		100	131	40	35
- other auditors		516	315	-	-
Other services					
- holding company's auditors		10	10	10	10
Amortisation of intangible assets	4	1,357	1,928	-	-
Contract costs		316,692	273,266	-	-
Depreciation of property, plant and equipment	3	13,449	10,217	-	-

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22. Operating profit (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
and after charging (continued):					
Impairment loss on investment in subsidiary		-	-	-	9,700
Intangible assets written off	4	6,046	-	-	-
Realised foreign exchange loss		21	30	-	1,183
Unrealised foreign exchange loss		1,290	3,675	-	-
Property, plant and equipment written off	3	50	3	-	-
Provision for warranties	16	3,416	2,002	-	-
Rental expense on:					
- cranes		5,872	5,932	-	-
- premises		3,202	1,149	50	-
- equipment		1,606	885	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		5,454	4,481	137	128
- Share-based payments	18	554	136	554	136
- Wages, salaries and others		61,360	52,667	865	790
		=====	=====	=====	=====

23. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Directors				
- Fees	426	426	396	396
- Remuneration	1,059	972	1,057	969
	1,485	1,398	1,453	1,365
	=====	=====	=====	=====

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.

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24. Tax expense

Recognised in the income statements

Major components of tax expense include:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current tax expense				
Malaysia - current	1,950	2,194	43	1,000
- prior year	(196)	123	-	-
	1,754	2,317	43	1,000
Overseas - current	2,920	3,453	-	-
- prior year	(1,288)	(27)	-	-
	1,632	3,426	-	-
Total tax expense	3,386	5,743	43	1,000
Deferred tax expense				
Origination of temporary differences	740	(1,393)	-	-
Overprovision in prior years	475	1,205	-	-
Total deferred tax	1,215	(188)	-	-
Total tax expense	4,601	5,555	43	1,000

Reconciliation of tax expense

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit for the year	47,592	28,608	25,631	9,794
Total tax expense	4,601	5,555	43	1,000
Profit excluding tax	52,193	34,163	25,674	10,794

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24. Tax expense (continued)

Reconciliation of tax expense (continued)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax at Malaysian tax rate of 25%	13,048	8,540	6,419	2,698
Effect of different tax rates in foreign jurisdictions	(625)	(705)	-	-
Non-deductible expense	4,533	3,132	338	2,857
Non taxable gain	(1,461)	-	(1,191)	-
Tax exempt income	(8,986)	(7,478)	(5,523)	(4,555)
Tax incentives	(1,599)	(1,792)	-	-
Effect of utilisation of deferred tax assets previously not recognised	(1,322)	(1,472)	-	-
Effect of non-recognition of deferred tax benefits	2,099	4,029	-	-
(Over)/Underprovision in prior years	(1,009)	1,301	-	-
Other	(77)	-	-	-
Tax expense	4,601	5,555	43	1,000

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.

25. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2011			
First and final 2010 ordinary	5.00	8,957	03 August 2011
2010			
First and final 2009 ordinary	4.00	7,074	28 July 2010

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25. Dividends (continued)

After the end of the reporting period, 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	6.00	10,749
	===	====

Dividend per ordinary share

The calculation of dividend per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2011 of RM10,749,421 (2010 – RM8,856,301) on the issued and paid-up share capital (excluding treasury shares) of 177,157,020 ordinary shares of RM0.50 each (2010 – 177,126,020 ordinary shares of RM0.50 each) as at 31 December 2011.

26. Earnings per ordinary share

Basic earnings per ordinary share

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

	Group	
	2011 RM'000	2010 RM'000
Profit for the year attributable to owners of the Company	47,606	28,608
	=====	=====

Weighted average number of ordinary shares

	Group	
	2011 '000	2010 '000
Number of ordinary shares in issue at 1 January	177,136	172,349
Effect of shares repurchased	(10)	(10)
Effect of ordinary shares issued under ESOS	1,252	2,534
Total weighted average number of ordinary shares in issue (unit)	178,378	174,873
	======	======

26. Earnings per ordinary share (continued)

	Group 2011 Sen	Group 2010 Sen
Basic earnings per ordinary share	26.69	16.36
	====	====

Diluted earnings per share

The Group has potential diluted ordinary shares from the options granted to eligible employees of the Group.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group 2011 RM'000	Group 2010 RM'000
Profit for the year attributable to owners of the Company	47,606	28,608
	=====	=====

Weighted average number of ordinary shares (diluted)

	Group 2011 '000	Group 2010 '000
Weighted average number of ordinary shares at 31 December	178,378	174,873
Effect of share options in issue	3,466	957
Weighted average number of ordinary shares (diluted) at 31 December	181,844	175,830
	======	======

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 2011 Sen	Group 2010 Sen
Diluted earnings per ordinary share	26.18	16.27
	====	====

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27. 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.

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**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Geographical segments								
Revenue from external customers	228,966	149,920	253,387	235,548	-	-	482,353	385,468
Inter-segment revenue	139,587	143,996	69,515	58,988	(209,102)	(202,984)	-	-
Total revenue	368,553	293,916	322,902	294,536	(209,102)	(202,984)	482,353	385,468
Operating profit							56,982	32,960
Interest income							2,092	3,686
Interest expense							(6,199)	(2,199)
Share of profit/(loss) of associates							(682)	(284)
Profit before tax							52,193	34,163
Segment assets	609,394	519,455	352,968	300,627	(287,531)	(234,150)	674,831	585,932
Investments in associates	22	22	6,614	6,516	(904)	(222)	5,732	6,316
Total assets	609,416	519,477	359,582	307,143	(288,435)	(234,372)	680,563	592,248

27. Segment reporting (continued)

Geographical segments (continued)

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Segment liabilities	387,555	341,773	263,774	219,389	(211,304)	(164,522)	440,025	396,640
	======	======	======	======	======	======	======	======
Capital expenditure - Property, plant and equipment	13,945	9,708	9,835	7,107	-	-	23,780	16,815
	======	======	======	======	======	======	======	======
Depreciation and amortisation	5,982	4,921	8,824	7,224	-	-	14,806	12,145
	======	======	======	======	======	======	======	======

28. 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. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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 the end of the reporting period, there were no significant concentrations of credit risk other than trade receivables owing from a (2010 – one) major customer amounting to RM29,006,000 (2010 – RM28,899,000). 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 statements of financial position.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Asia	67,542	81,356
Europe	15,340	34,313
America	31,110	29,119
	113,992	144,788
	=====	=====

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28. Financial instruments (continued)

Credit risk (continued)

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

Group	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2011			
Not past due	30,113	-	30,113
Past due 0 – 90 days	17,882	-	17,882
Past due 91 – 180 days	1,940	-	1,940
Past due more than 180 days	71,735	(7,678)	64,057
	121,670	(7,678)	113,992

Group	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2010			
Not past due	43,951	-	43,951
Past due 0 – 90 days	41,250	-	41,250
Past due 91 – 180 days	9,194	-	9,194
Past due more than 180 days	57,431	(7,038)	50,393
	151,826	(7,038)	144,788

Impairment losses

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

	Group	
	2011 RM'000	**2010 RM'000**
At 1 January	7,038	7,889
Impairment loss recognised	2,133	1,899
Impairment loss written back	(1,519)	(2,132)
Exchange difference	26	(618)
At 31 December	7,678	7,038

The Group's trade receivables as at 31 December 2011 which is past due but not impaired amounted to RM83,879,000 (2010 – RM100,837,000). Trade receivables which are past due and impaired as at 31 December 2011 amounted to RM7,678,000 (2010 – RM7,038,000). For those trade receivables which are past due but not impaired, the Group is satisfied that these debtors are recoverable.

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28. 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.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

Group 2011	**Effective interest rate %**	**Carrying amount RM'000**	**Contractual cash flows RM'000**	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**
Secured term loan	5.57	7,907	8,723	2,487	6,236	-
Unsecured revolving credit	2.47	9,488	9,510	9,510	-	-
Unsecured insurance premium finance	2.95	2,569	2,629	2,629	-	-
Bills payable	3.61	30,886	31,109	31,109	-	-
Finance lease liabilities	5.00	396	434	215	219	-
Unsecured payables and accruals	-	219,838	219,838	219,838	-	-
		271,084	272,243	265,788	6,455	-

Group 2010	**Effective interest rate %**	**Carrying amount RM'000**	**Contractual cash flows RM'000**	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**
Secured term loan	5.07	10,019	11,208	2,559	8,649	-
Unsecured bank overdrafts	7.48	4,739	4,752	4,752	-	-
Unsecured revolving credit	2.26	9,272	9,288	9,288	-	-
Unsecured insurance premium finance	7.82	3,152	3,229	3,229	-	-
Bills payable	3.07	24,039	24,039	24,039	-	-
Finance lease liabilities	5.00	782	844	274	570	-
Unsecured payables and accruals	-	190,783	190,783	190,783	-	-
		242,786	244,143	234,924	9,219	-

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28. Financial instruments (continued)

Liquidity risk (continued)

		Less		**Over**		
Company	**Effective**	**Carrying**	**Contractual**	**than**	**1 - 5**	**5**
2011	**interest rate**	**amount**	**cash flows**	**1 year**	**years**	**years**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Unsecured revolving credit	2.47	9,488	9,510	9,510	-	-
Unsecured payables and accruals	-	2,314	2,314	2,314	-	-
		11,802	11,824	11,824	-	-

	Less		**Over**			
Company	**Effective**	**Carrying**	**Contractual**	**than**	**1 - 5**	**5**
2010	**interest rate**	**amount**	**cash flows**	**1 year**	**years**	**years**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Unsecured revolving credit	2.26	9,272	9,288	9,288	-	-
Unsecured payables and accruals	-	1,312	1,312	1,312	-	-
		10,584	10,600	10,600	-	-

Interest rate risk

The Group 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 and the Company's borrowings and deposits, and is managed through the use of fixed and floating rate debts.

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28. 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 end of the reporting period and the period in which they mature, or if earlier, reprice.

Group 2011	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								
Deposit placed with licensed banks	2.50 – 5.85	7,171	7,171	-	-	-	-	-
		======	======	=====	=====	=====	=====	=====
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	396	192	204	-	-	-	-
Unsecured insurance premium finance - AUD	2.95	2,569	2,569	-	-	-	-	-
Floating rate instruments								
Secured term loan - RM	5.57	7,907	2,112	2,112	2,112	1,571	-	-
Unsecured revolving credits - USD	2.47	9,488	9,488	-	-	-	-	-
Bills payable	3.61	30,886	30,886	-	-	-	-	-
		51,246	45,247	2,316	2,112	1,571	-	-
		======	======	=====	=====	=====	=====	=====

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28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Group 2010	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								
Deposit placed with licensed banks	4.07 – 5.60	17,635	17,635	-	-	-	-	-
		======	======	=====	=====	=====	=====	=====
Fixed rate instruments								
Finance lease liabilities - DKK	5.00	782	239	543	-	-	-	-
Unsecured insurance premium finance - AUD	7.82	3,152	3,152	-	-	-	-	-
Floating rate instruments								
Secured term loan - RM	5.07	10,019	2,112	2,112	2,112	2,112	1,571	-
Unsecured revolving credits - USD	2.26	9,272	9,272	-	-	-	-	-
Unsecured bank overdrafts - RM	7.48	4,739	4,739	-	-	-	-	-
Bills payable	3.07	24,039	24,039	-	-	-	-	-
		52,003	43,553	2,655	2,112	2,112	1,571	-
		======	======	=====	=====	=====	=====	=====

28. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company	2011 Effective interest rate %	2011 Total RM'000	2011 Less than 1 year RM'000	2010 Effective interest rate %	2010 Total RM'000	2010 Less than 1 year RM'000
Fixed rate instruments						
Deposits placed with licensed banks	2.50	6,270	6,270	4.07	7,638	7,638
Floating rate instruments						
Unsecured revolving credits	2.47	9,488	9,488	2.26	9,272	9,272

Interest rate risk sensitivity analysis

If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group's profit after taxation would have decreased by RM408,000. A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

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 end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

The currencies giving rise to this risk are mainly US Dollar, Euro, Australian Dollar, Singapore Dollar, Danish Krone, Hong Kong Dollar, Japanese Yen, Pound Sterling and Chinese 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.

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28. Financial instruments (continued)

Foreign currency (continued)

The Group's exposure to major foreign currency is as follows:

Group 2011	**USD RM'000**	**AUD RM'000**	**SGD RM'000**
Financial assets	107,677	73,215	11,676
Financial liabilities	(49,328)	(68,647)	(3,247)
Net financial assets/(liabilities)	58,349	4,568	8,429
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(32,245)	8,162	1,116
Less: Forward foreign currency contracts (contracted notional principal)	(167,855)	-	(162,499)
Net currency exposure	(141,751)	12,730	(152,954)

Group 2010	**USD RM'000**	**AUD RM'000**	**SGD RM'000**
Financial assets	94,076	65,895	21,807
Financial liabilities	(49,736)	(68,099)	(9,745)
Net financial assets/(liabilities)	44,340	(2,204)	12,062
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(45,537)	27,907	-
Less: Forward foreign currency contracts (contracted notional principal)	(139,803)	-	(72,152)
Net currency exposure	(141,000)	25,703	(60,090)

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation			
2011			
- strengthened by 5%	(5,316)	477	(5,736)
- weakened by 5%	5,316	(477)	5,736
2010			
- strengthened by 5%	(5,288)	964	(2,253)
- weakened by 5%	5,288	(964)	2,253

28. Financial instruments (continued)

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 statements of financial position as at 31 December are as follows:

Group	**2011 Carrying amount RM'000**	**2011 Fair value RM'000**	**2010 Carrying amount RM'000**	**2010 Fair value RM'000**
Financial liabilities				
Secured term loans	7,907	7,907	10,019	10,019
Finance lease liabilities	396	396	782	782
	=====	=====	=====	=====

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.

28. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group 2011	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Derivative assets	2,987	-	-	2,987
	======	======	======	======

29. Contingencies

Contingent liabilities – unsecured

	Group	
	2011 RM'000	**2010 RM'000**
Corporate guarantee for credit facilities granted to subsidiaries	86,822	76,489
	======	======

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.

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 6).

29. Contingencies (continued)

Contingent liabilities - litigation

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 Suit") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York has 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.

The Suit remains ongoing and Company's and FFCUSA's management 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")

The case instituted by Abriaco Investments Ltd ("AIL") for alleged losses suffered against Kroll before the Canadian courts, has been fully and finally settled.

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

The Company's subsidiary, Favelle Favco Cranes (USA) Inc. ("FFCUSA") has been named as a defendant in connection with a lawsuit placed by Mr. Robert Paranella, who is claiming personal injuries resulting from an accident while descending a ladder on a crane. The plaintiff has alleged claims of general negligence and Labor Law claims. Based on the claim as it is, the management believes FFCUSA cannot be held liable.

The case is currently in its discovery phase and it is too early to determine whether or not Mr. Paranella's claims have any merit.

30. 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 23).

Significant transactions with related parties:

	Group		**Company**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ultimate holding company				
Purchase of property, plant and equipment	138	-	-	-
Rental expense payable	2,283	2,151	-	-
Rental income receivable	(198)	(2)	-	-
Sale of goods and services	(1,865)	(460)	-	-
Subcontract cost payable	21	730	-	-
	=====	=====	=====	=====
Subsidiaries				
Dividend income receivable	-	-	(22,037)	(22,220)
Interest expense payable	-	-	217	197
	=====	=====	=====	=====
Related companies				
Purchase of property, plant and equipment	4,231	-	-	-
Sale of goods	-	-	-	-
Rental expense payable	2,175	1,805	-	-
Subcontract cost payable	3,587	1,854	-	-
	=====	=====	=====	=====

30. Related parties (continued)

Significant transactions with related parties: (continued)

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Associates				
Sale of goods and services	(14,743)	(9,953)	-	-
Purchase of goods and services	67	111	-	-
	=====	=====	=====	=====

The outstanding net amounts due from/(to) subsidiaries, related companies and associates as at 31 December are disclosed in Note 9 and Note 17 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 impairment losses on receivables as at 31 December 2011 in respect of the above related party balances.

31. Acquisition of subsidiary

During the financial year, the Group acquired a 60% equity interest in Shanghai Favco Engineering Machinery Manufacturing Co Ltd.

The cash inflow on acquisition is as follows:-

	Fair value recognised on acquisition RM'000
Purchase consideration satisfied by cash	5,364
Cash and cash equivalent of subsidiary acquired	(8,940)
Net cash inflow of the Group	3,576
	======

32. Realised and unrealised profits/losses

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	2011 RM'000	**2010 RM'000**
Total retained profits / (accumulated losses) of Favelle Favco Berhad and its subsidiaries:		
- Realised	54,854	40,983
- Unrealised	14,497	(4,191)
	69,351	36,792
Total retained profits / (accumulated losses) from associated companies:		
- Realised	(868)	(473)
- Unrealised	-	(2)
	68,483	36,317
Less: Consolidation adjustments	55,590	48,579
Total Group retained profits	124,073	84,896

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 8 to 93 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 2011 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

…………………………………………………………

Mac Chung Hui

Klang,

Date: 6 April 2012

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 8 to 93 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 6 April 2012.

…………………..
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 statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 93.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Independent auditors' report to the members of Favelle Favco Berhad (continued)

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

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 2010 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.

The supplementary information set out on page 94 in Note 32 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent auditors' report to the members of Favelle Favco Berhad (continued)

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

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.

Crowe Horwath
Firm Number: AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/12 (J/PH)
Chartered Accountant

6 April 2012

Kuala Lumpur