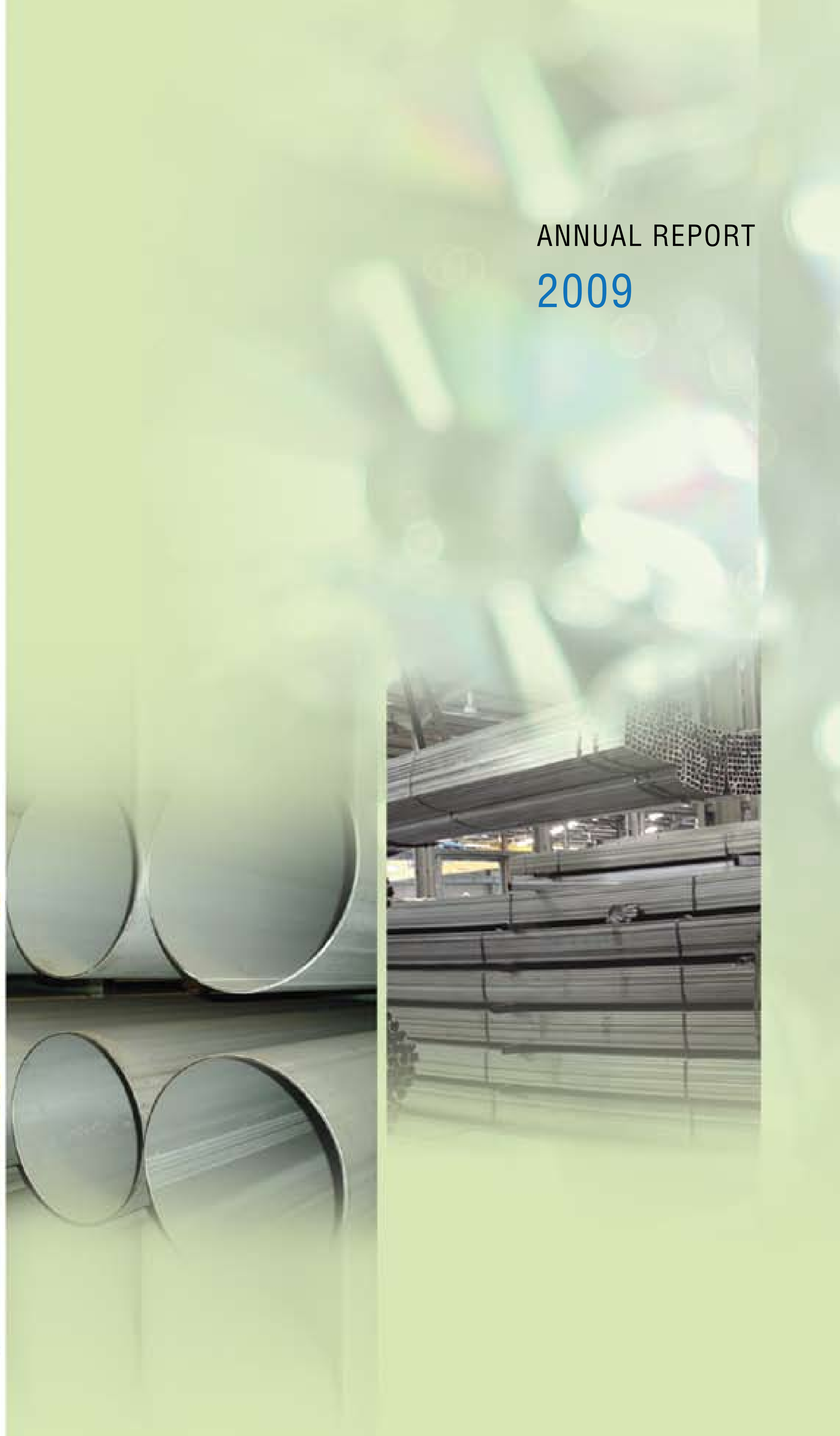
FACB Industries Incorporated Berhad 48850-K

Annual Report **2009**

*Delivering On Commitment*



# ANNUAL REPORT 2009

FACB Industries Incorporated Berhad 48850-K

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Sri Dato' Sulaiman bin Sujak
Chairman

Tan Sri Dr. Chen Lip Keong

Puan Sri Lee Chou Sarn

Dato' Dr. Abdul Razak bin Abdul

Datuk Wan Kassim bin Ahmed

Mr Chen Yiy Hwuan

Mr Chen Yiy Fon

Mr Lim Mun Kee

## CHIEF EXECUTIVE OFFICER

Dr. Loh Yee Feei

## GROUP COMPANY SECRETARY

Mr Lee Boo Tian
LS 0007987

## AUDIT COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

## NOMINATION COMMITTEE

Tan Sri Dato' Sulaiman bin Sujak
Chairman, Non-Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

## REMUNERATION COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

## REGISTERED OFFICE

Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur
Tel : 603 2162 0060
Fax : 603 2162 0062
Website : www.facbi.com

## SHARE REGISTRAR

Semangat Corporate Resources Sdn. Bhd.
Ground Floor, 118 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7968 1001
Fax : 603 7958 8013

## AUDITORS

Moore Stephens AC
8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

## PRINCIPAL BANKERS

Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

## STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

# RECOGNITION OF QUALITY

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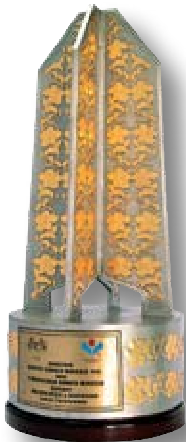

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1 TUV Certificate, awarded in 1995, certifies our stainless steel products according to DIN Standard. It serves as a competitive advantage for marketing our products internationally.

2 Kanzen Tetsu Sdn Bhd ("KTSB")'s Quality System Registration Certificate awarded by Sirim QAS International Sdn. Bhd. for compliance with the requirements of MS ISO 9001 : 2000 Quality Management Systems.

3 Pressure Equipment Directive Certification by TUV in 2002 for compliance with the directive requirements on stainless steel products, especially for the European Union market.

4 Suruhanjaya Perkhidmatan Air Negara (SPAN) Product Registration Approval Certificate 2008 - Testimony of our high quality stainless steel pipes and fittings for water related industries such as water piping distribution system, water treatment plants, wastewater & sewerage treatment projects.

5 KTSB's Certificate of Appreciation under Large Employers – Manufacturing Sector category awarded by Ministry of Human Resources in October 2008.

6 Product Excellence Award 2001 by Ministry of International Trade and Industry in recognition of KTSB's excellent product range with superior international quality.

7 NPC Productivity Award 2001 awarded by National Productivity Corporation for KTSB's outstanding productivity achievement, high efficiency, well trained human resource and management dedication.

8 Selangor Product Excellence Award 2002 by Selangor State Government in recognition of Kanzen Kagu Sdn. Bhd. ("KKSB")'s quality products in Selangor State Industries.

9 Human Resource Minister Award 2003 by Pembangunan Sumber Manusia Berhad in recognition of KKSB's significant contributions in human resource development throughout the year 2002.

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company will be held at Dewan Seri Pinang, Etiqa Twins, Level 3, 11 Jalan Pinang, 50450 Kuala Lumpur on Wednesday, 9 December 2009 at 10.30 a.m. for the following purposes:

**AGENDA**

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2009 together with the Reports of Directors and Auditors thereon. **Resolution 1**

2. To approve Directors' fees of RM213,000/- for the year ended 30 June 2009. **Resolution 2**

3. To consider and, if thought fit, pass a resolution that pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Sulaiman bin Sujak be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. **Resolution 3**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association:

   (i) Datuk Wan Kassim bin Ahmed **Resolution 4**

   (ii) Mr Chen Yiy Hwuan **Resolution 5**

   (iii) Mr Lim Mun Kee **Resolution 6**

5. To re-appoint Messrs Moore Stephens AC as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, pass the following Ordinary Resolutions:

   a. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 8**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the Issued Share Capital of the Company for the time being."

   b. Proposed Renewal of Authority for Share Buy-Back **Resolution 9**

   (The text of the resolution and the details of the proposal are set out in the Circular to Shareholders dated 16 November 2009 which is enclosed together with this Annual Report.)

7. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

Lee Boo Tian, LS 0007987
Group Company Secretary

Kuala Lumpur
16 November 2009

**NOTES**

PROXY

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Subject to the Companies Act, 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.

(iv) The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution pursuant to Section 132D of the Companies Act, 1965
The Ordinary Resolution 8 proposed under Agenda 6(a) above if passed will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

2. Resolution pursuant to Proposed Renewal of Authority for Share Buy-Back
The Ordinary Resolution 9 proposed under Agenda 6(b) above if passed is to give authority to the Directors to purchase the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution of the Company at a general meeting. Further information is set out in the Circular to Shareholders which is despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-appointment / re-election

The Directors who are standing for re-appointment / re-election at the Thirtieth Annual General Meeting of the Company on 9 December 2009 are as follows:

| | | |
|---|---|---|
| Tan Sri Dato' Sulaiman bin Sujak | - | Resolution 3 |
| Datuk Wan Kassim bin Ahmed | - | Resolution 4 |
| Mr Chen Yiy Hwuan | - | Resolution 5 |
| Mr Lim Mun Kee | - | Resolution 6 |

Information on the above Directors is set out on pages 6 and 7 of this Annual Report.

Details of attendance of Board Meetings held during the financial year ended 30 June 2009 for the above Directors are as set out on page 24 of this Annual Report.

# DIRECTORS/CEO'S PROFILES

### TAN SRI DATO' SULAIMAN BIN SUJAK

- *Chairman, Non-Independent Non-Executive Director*
- *Malaysian, aged 75*

Tan Sri Dato' Sulaiman bin Sujak was appointed to the Board on 1 October 1988. On 26 September 2008, Tan Sri Dato' Sulaiman was appointed as Chairman. He also serves as Chairman of the Nomination Committee.

Tan Sri Dato' Sulaiman is a graduate of Royal Air Force College, Cranwell, England and Royal College of Defence Studies, London. He has served the Royal Air Force and the Royal Malaysian Air Force and is the first Malaysian Air Force Chief.

He was an Advisor (now known as Assistant Governor) to Bank Negara Malaysia and was a Director, Commercial Division of Kumpulan Guthrie. He was also the Deputy Chairman of Malaysian Airlines System Berhad.

Tan Sri Dato' Sulaiman is currently a Director of HSBC Bank Malaysia Berhad. He is also a Director of Nationwide Express Courier Services Berhad and Cycle & Carriage Bintang Berhad.

### TAN SRI DR. CHEN LIP KEONG

- *Executive Director*
- *Malaysian, aged 62*

Tan Sri Dr. Chen Lip Keong was appointed to the Board and as President and Chief Executive Officer on 3 August 1994. On 1 August 2007, Tan Sri Dr. Chen stepped down as Chief Executive Officer and assumed the position of President and Chairman. On 26 September 2008, Tan Sri Dr. Chen stepped down as President and Chairman.

Tan Sri Dr. Chen graduated with Bachelor of Medicine and Surgery in 1973 from University of Malaya. He has extensive corporate, managerial and business experience since 1976.

Currently, Tan Sri Dr. Chen is also the President and Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

### PUAN SRI LEE CHOU SARN

- *Executive Director*
- *Malaysian, aged 62*

Puan Sri Lee Chou Sarn was appointed to the Board on 17 March 1997 and as Acting Chief Executive Officer on 1 August 2007. On 15 December 2008, Puan Sri Lee stepped down as Acting Chief Executive Officer.

After graduating from the University of Malaya with Bachelor of Economics in 1971, Puan Sri Lee worked for 13 years in the Statistics Department for the Government of Malaysia before she ventured into business. She has been a shareholder and a Director of Lipkland Holdings Sdn. Bhd., an investment holding company since December 1982. She was also a Director of Karambunai Corp Bhd. from 1994 to 2001.

### DATO' DR. ABDUL RAZAK BIN ABDUL

- *Independent Non-Executive Director*
- *Malaysian, aged 59*

Dato' Dr. Abdul Razak bin Abdul was appointed to the Board on 12 April 1994. Dato' Dr. Abdul Razak also serves as a member of Audit and Remuneration Committees.

After graduating with Master of Business Administration (Finance) in 1973, Dato' Dr. Abdul Razak obtained his Ph.D (International Business) in 1979. He commenced his career as a lecturer in Institut Teknologi MARA ("ITM") in 1973 and became the Head of ITM's School of Business in 1981. He has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. He was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000.

Currently, Dato' Dr. Abdul Razak is also a Director of TAP Resources Berhad.

## DATUK WAN KASSIM BIN AHMED

- *Independent Non-Executive Director*
- *Malaysian, aged 60*

Datuk Wan Kassim bin Ahmed was appointed to the Board on 29 March 2002. Datuk Wan Kassim also serves as Chairman of both Audit and Remuneration Committees and as a member of the Nomination Committee.

Datuk Wan Kassim graduated with Bachelor of Economics from University of Malaya in 1973. He began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. He then joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn. Bhd. in 1984. He served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996.

Currently, Datuk Wan Kassim is also a Director of Karambunai Corp Bhd., Petaling Tin Berhad and Octagon Consolidated Berhad.

## CHEN YIY HWUAN

- *Executive Director*
- *Malaysian, aged 29*

Mr Chen Yiy Hwuan was appointed to the Board on 1 August 2007.

Mr Chen graduated with Bachelor of Arts (Honours) in Accounting with Business Economics from Middlesex University, United Kingdom in 2002. He joined Petaling Tin Berhad in 2003 and subsequently moved to Alliance Merchant Bank in Kuala Lumpur in 2004 specialising in the area of corporate finance. He returned to Petaling Tin Berhad in 2004 and has been involved in corporate finance and management areas of the company.

Currently, Mr Chen is also a Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

## CHEN YIY FON

- *Executive Director*
- *Malaysian, aged 28*

Mr Chen Yiy Fon was appointed to the Board on 1 August 2007.

Mr Chen graduated from the University of Southern California, Los Angeles with B.A. (Hons) in Economics. He has previously worked in Morgan Stanley, Los Angeles, California as a Financial Advisor Assistant. Most recently he was an intern in Credit Suisse First Boston. Currently, he serves as a director for several subsidiaries of Karambunai Corp Bhd. and Petaling Tin Berhad.

Currently, Mr Chen is also a Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

## LIM MUN KEE

- *Independent Non-Executive Director*
- *Malaysian, aged 42*

Mr Lim Mun Kee was appointed to the Board on 1 August 2007. Mr Lim also serves as a member of Audit, Remuneration and Nomination Committees.

Mr Lim is a qualified accountant registered with the Malaysian Institute of Accountants ("MIA") and the Malaysian Institute of Certified Public Accountants ("MICPA") since 1995. He started his career in KPMG Peat Marwick in 1989. He has over 15 years of experience in auditing, finance and accountancy field where he worked in several listed companies as Accountant, Group Financial Controller and Head of Internal Audit.

Currently, Mr Lim is also a Director of Petaling Tin Berhad.

## DR. LOH YEE FEEI

- *Chief Executive Officer*
- *Malaysian, aged 47*

Dr. Loh Yee Feei was appointed as Chief Executive Officer on 28 October 2009.

Graduated with Bachelor of Applied Science (B.A.Sc) Degree in Electrical Engineering from University of Ottawa, Canada and Doctorate in Business Administration from Paramount University of Technology, USA, Dr. Loh is a member of ACPM (Association of Certified Professional Managers), United Kingdom.

Dr. Loh has more than 25 years experience in manufacturing based industry. Prior to joining FACB Industries Incorporated Berhad, he held senior management positions in both local conglomerates and American multinational companies such as TSH/Ekowood, Hong Leong Group and Western Digital. He has been instrumental in profit-and-loss management, large-scale product manufacturing, business development, process engineering and materials management.

### *Other Information*

a. *Family Relationship*
   *Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.*

   *Save as disclosed above, none of the Directors/CEO have any family relationship with any Director of the Company.*

b. *Conflict of Interest*
   *Save as disclosed in item 12 under Other Compliance Statements on page 26, none of the Directors/CEO have any conflict of interest with the Company.*

c. *Conviction of offences*
   *None of the Directors/CEO have any conviction for offences within the past 10 years other than traffic offences, if any.*

# CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of FACB Industries Incorporated Berhad ("Company" or "Group") for the financial year ended 30 June 2009 (FY2009).

**FINANCIAL REVIEW**

The Group had a tumultuous year as the operating environment was adversely affected by the global economic downturn. The resulted slow-down in steel demand caused steel sales volume and prices to collapse. The hardest hit period was the three months from September to November 2008 which saw prices dropped by more than 50%. This crisis badly affected the performance of the major companies within the Group. The normal stock level that the Group's companies maintained had increased to a higher monthly equivalent due to the sharply lower sales volume. Due to the much lower prices, the stock at hand and progressive incoming stock took an RM44.32 million write-down to its inventory cost.

The Group registered loss before taxation of RM53.81 million in FY2009 compared to a profit before taxation of RM3.43 million in the financial year ended 30 June 2008 (FY2008), and the Group's revenue registered a decrease of 27.5% from RM442.08 million to RM320.55 million.

The Group registered a net loss attributable to shareholders of RM36.72 million in FY2009 which is translated into loss per share of 43.78 sen. Shareholders' funds decreased from RM208.20 million to RM169.80 million while net assets per share reduced from RM2.48 to RM2.02 at end of FY2009. Net cash generated from operating activities amounted to RM94.68 million. Group consolidated gearing ratio dropped sharply to 0.19 as compared to 0.50 at end of FY2008.

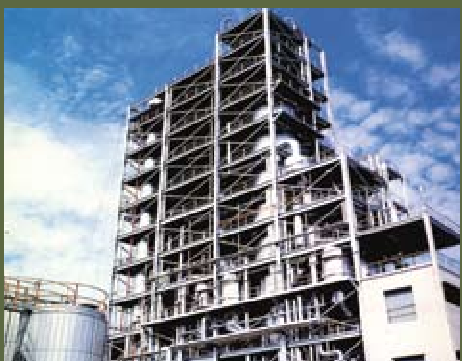
For FY2009, the Group's steel division in manufacturing and sales of stainless steel welded pipes and butt-weld fittings, manufacturing and sale of carbon steel pipes, provision of slitting and shearing services and trading of stainless steel plates contributed 80% of the Group's revenue; and the bedding division (Malaysia) in manufacturing and sales of Dreamland range of mattresses and the China division contributed the remaining 20%.

*Topmost finishing of quality pipes and tubes.*

*Butt – weld fittings.*

In the face of this severe downturn in steel prices and demand, the Group cut its production output during FY2009. Inventory level was trimmed down and various cost cutting measures were implemented. Product quality and manufacturing efficiency continued to be emphasized and financial policies were adjusted to adapt to tight credit market.

The Malaysia's bedding division revenue and profitability were lower due to the weak consumer spending on slow moving consumer goods like mattress in the economy downturn. China division managed to achieve favourable financial performance in terms of both revenue growth and profitability with prudent management and the stimulus packages provided by the government of China.



*Stainless steel industrial applications.*

*Stainless steel commercial applications.*

# CHAIRMAN'S STATEMENT


*China Division – Dreamland Outlet.*

*China Division – Power Plant Operation.*

## DIVIDEND

In view of the challenging operating environment, the Board of Directors does not recommend any dividend in respect of the financial year ended 30 June 2009.

## SHARE BUYBACK

The Company did not execute any share buyback during the financial year under review.

## CORPORATE DEVELOPMENT

There was no major corporate exercise conducted during the financial year except the Group has completed the disposal of its 60% equity interest in Beribu Ukiran Sdn. Bhd. ("BUSB") to Karambunai Corp Bhd. and BUSB ceased to be a subsidiary of the Company with effect from 7 October 2008. The BUSB disposal resulted in a gain of RM5.04 million.

## FUTURE OUTLOOK

Looking ahead, FY2010 will be very challenging for our Group. While there are signs that this exceptionally difficult period affected FY2009 is coming to an end, there is no quick and easy solutions to bring us back to pre-crisis level.

We feel optimistic about the steel industry in the medium and long term. The increase in consumption in the future will be sustained by a higher development levels globally.


*Dreamland Malaysia clinched the top spot in Mattress Category with a Gold Trusted Brand award.*


*Presenting the Gold Trusted Brand award to Dreamland Malaysia, the winner in the 11th Reader's Digest Trusted Brands Survey.*

The Group will continue to adopt a prudent and dynamic approach in its financial management. Financial policies will be implemented to ensure maximum cash generation and preservation together with tighter credit and cost controls. The Group's healthy balance sheet and liquidity position will enable it to make a faster recovery and seize emerging opportunities.

The steel division will continue to focus on products with consistent demand and margin and increase its product range. The demand for our quality steel products shall be driven by industries in oil and gas, bio-diesel, oleo-chemical, petro-chemical and construction. We will endeavour to maintain our leading stainless steel pipe manufacturer position in both local and overseas markets including North America, South Africa and Australia.

For the bedding operations in Malaysia and China, innovative products as well as effective distribution networks will be introduced. Tighter credit and cost control will be further emphasized to improve profit margin.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our heartfelt thanks to our shareholders, customers, bankers, business associates and regulatory authorities for their continued support, guidance and assistance to the Group. The Board would like to express its appreciation to the management and staff of the Group for their hard work and dedication.

**Tan Sri Dato' Sulaiman bin Sujak**
Chairman
22 October 2009

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

*Fire prevention and safety courses conducted by Bomba Malaysia.*

*In October 2008, Kanzen Tetsu received a Certificate of Appreciation under Large Employers - Manufacturing Sector category during National PSMB Conference & Exhibition 2008.*

## INTRODUCTION

For the current financial year, FACB Industries Incorporated Berhad ("FACB Industries") has expanded its CSR framework to include marketplace responsibility, besides environmental and social responsibility, the two major themes which were accorded the same level of priority in the previous financial year.

## AN ENVIRONMENT FRIENDLY AND RESPONSIBLE RECYCLING POLICY

As part of our effort to achieve a responsible recycling policy, our bedding manufacturing operations has constantly searched for innovative ways to optimise the usage of residual materials generated from the manufacturing process. Over the years, Dreamland Malaysia has combined repurchased usable scrap from external buyers with internally produced foam scrap to produce sellable re-bond mattresses. These initiatives have not only reduced consumption of new raw materials, but also enabled us to reduce solid waste disposal to the environment. Our initiatives are in line with worldwide environmental programmes in preserving a cleaner environment and practising sustainable manufacturing for our future generation.

## EMPHASIS ON HEALTH & SAFETY STANDARDS

Where issues of Safety, Health and Environment are concerned, FACB Industries believes that there is neither room for complacency or compromise. Safety campaigns and continuous training programmes are part and parcel of our corporate culture. The Steel Division hosted the Annual Safety and Health Week in March 2009. Our commitment in providing employees with a healthy and safe working environment had resulted in a significant reduction of industrial accidents in the Steel Division, from 29 cases in 2006 to a combined 19 cases in 2007 and 2008 respectively. We always strive to reduce lost man-hours to a minimum level in every phase of our production process.

Industrial hygiene and safety measures remain our top priorities in our steel products production process. To avoid our employees from excessive exposure to toxic and hazardous chemicals, each hazardous chemical is frequently examined and assessed in terms of the quantity of chemical usage, its exposure method and control measures or practices, etc. We also ensure that our Shah Alam plant's exhaust ventilation systems are functioning properly to avoid our employees from over exposure to dust and hazardous emissions by monitoring the velocity of ducting and capacity of filters. We ensure our chemical health risk assessments are conducted in accordance with Use of Chemical Hazardous to Health Regulations under the Occupational, Health and Safety Act.

Besides implementing noise exposure monitoring system to determine noise pollution composition at various plants, we also engaged a hygiene technician to conduct Audiometric Hearing Test to all employees in November of every year. All these were conducted in compliance to Noise Exposure Regulations as stipulated under the Factories & Machinery Act.

In respect of the bedding division, rigorous chemical risk assessment tests are the norm. Being an annual event, various types of assessment tests were conducted in the different manufacturing plants in Johor. Besides jointly conducting these annual tests with our joint venture partner i.e. Pacific Brand Australia, we collaborate closely with the Department of Environment to identify, control and maintain chemical risks to comply with environmental regulations.

Throughout the year, our bedding division has conducted safety courses for its employees. These courses, conducted by credible institutions, included training on proper usage of industrial apparatus, machinery, safety equipment and proper handling of hazardous chemicals. The types of training courses comprise Safety & Health by SMIDEC Malacca and Austive Training Centre, Basic Fire Prevention and Safety by Bomba Malaysia, Muar District and Forklift Safety by M Harvest Consultancy. In addition, standard courses on the application of personal protective equipment also form an inevitable part of our holistic safety modules.

## CONTRIBUTION IN TRAINING AND EDUCATIONAL INITIATIVES

As one of the key players in water resources, we forge close working relationships with water authorities from the various states by regularly participating in their training programmes. For instance, in August 2008, our stainless steel division participated in the Technician and Plumber Training Programme organised by SYABAS. The event took place at IKRAM Training & Infrastructure Development Institute located at IKRAM Park, Kajang-Serdang. These external programmes form part of our overall initiative in providing continuous educational and training programmes to the water industry.

The provision of Industrial Attachment Training to future engineers and technicians is deeply embedded into our corporate culture. Over the years, our steel division had provided numerous opportunities to undergraduates from various local colleges and universities to undergo their practical training at our manufacturing plants. One of the most practical experiences that have benefited them is the experience in managing challenges in an actual working environment to enhance their employability upon their graduation.

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

*In August 2008, a group of undergraduates from the Faculty of Mechanical Engineering, Universiti Teknologi Mara, Shah Alam visited our Shah Alam steel manufacturing plants.*

*In April 2009, we arranged a steel plant visit cum educational tour for students from the Master of International Business, University of Paris Dauphine, in collaboration with ArcelorMittal Stainless International.*

In August 2008, a small group of undergraduates from the Faculty of Mechanical Engineering, Universiti Teknologi Mara, Shah Alam visited our steel manufacturing plants. Similarly, two separate groups of students from the Mechanical Engineering Society of Tunku Abdul Rahman College Kuala Lumpur visited our plants in November and December 2008 respectively. These plant visits have enriched the knowledge of our future engineers on the manufacturing process, besides demonstrating to them the essentials of quality control, sheet metal working process, extrusion, technical drawing, etc. where all these are crucial to fulfill their engineering course requirements.

In addition, our steel division also encouraged cross cultural and regional exchange programmes to promote Malaysia to global varsities. In collaboration with ArcelorMittal Stainless International, we arranged a plant visit cum educational tour, in April 2009, to 39 students from the Master of International Business, University of Paris Dauphine. These initiatives have facilitated global scholars to understand and experience first hand, the manufacturing environment and business practices in different countries including Malaysia.

To reflect our continuous emphasis on staff training and development affairs as a caring employer of choice, we congratulate Kanzen Tetsu, our stainless steel manufacturing unit as a proud recipient of a Certificate of Appreciation under the Human Resource Development Awards in October 2008. This award was in recognition of our active involvement in providing numerous training sessions to upgrade employees' skills under the Human Resource Development Fund scheme. We were honoured to receive this award under Large Employers - Manufacturing Sector category, held in conjunction with National PSMB Conference & Exhibition 2008 by Pembangunan Sumber Manusia Berhad (PSMB), Ministry of Human Resources.

## UPHOLD IN PRODUCT QUALITY ASSURANCE AND WARRANTY

Our strong commitment towards quality has resulted in Dreamland being voted as the most Trusted Brand in Malaysia 2009 under the Mattress Category by Reader's Digest Asia. Reader's Digest had engaged prominent market survey firm, AC Nielsen, to conduct an independent survey recently amongst targeted Malaysian consumers. The independent survey clearly demonstrated that Dreamland has been voted by Malaysian consumers as a credible brand.

Our stainless steel products division is one of the best quality product exporters in Malaysia over the past two decades. We have received numerous quality assurance and audit commendations by prominent local agencies and globally renowned bodies endorsing our product quality attributes. We first obtained our quality certification in compliance to ISO 9001:1994 Quality Management Systems requirements in 1996. It was further upgraded to ISO 9001:2000 in 2002. We treat this recognition as an indirect endorsement and a vote of confidence in delivering our quality products beyond our customers' expectations.

## CONCLUSION

As a responsible corporate entity, we continue to adopt best business practices which are beneficial to the society, environment and marketplace. Our CSR framework has been progressively reviewed to reflect our corporate values which are synchronous with the ever changing market environment.

# AUDIT COMMITTEE REPORT

(Pursuant to paragraph 15.15 of Bursa Securities Main Market Listing Requirements)

## COMPOSITION

The current members of the Audit Committee, their respective designations and directorships are as follows:

Chairman

| | |
|---|---|
| Datuk Wan Kassim bin Ahmed | *Independent Non-Executive Director* |

Members

| | |
|---|---|
| Dato' Dr. Abdul Razak bin Abdul | *Independent Non-Executive Director* |
| Mr Lim Mun Kee | *Independent Non-Executive Director* |

The composition of the Audit Committee reflects the requirements of both the Listing Requirements and the Code, wherein all members must be non-executive directors with a majority being independent directors.

## TERMS OF REFERENCE

### PURPOSE

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

### REPORTING RESPONSIBILITIES

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

### ATTENDANCE AT MEETINGS

The Head of Finance, the Head of Internal Audit and a representative of the External Auditors should normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda. The Committee should meet with the external auditors, the internal auditors or both without executive board members and employees of the Group present, whenever deemed necessary.

### FREQUENCY OF MEETINGS

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

### QUORUM

The quorum for a meeting shall be two (2) members of whom a majority shall be independent Directors.

## AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

## DUTIES

The duties of the Audit Committee include the following:

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
- To review the quarterly and year end financial statements of the Board, focusing on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservation arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary).
- To review the external auditor's management letter and management's response.
- To do the following in relation to the internal audit function:
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff members an opportunity to submit his reasons for resigning.
- To consider any related party transactions or conflict of interest situation that may arise within the Group.
- To consider the major findings of internal investigations and management's response.
- To consider other topics as defined by the Board.

## DETAILS OF MEETINGS

The Audit Committee met four times during the financial year ended 30 June 2009 and details of attendance are as follows:

| | |
|---|---|
| Datuk Wan Kassim bin Ahmed | 4/4 |
| Dato' Dr. Abdul Razak bin Abdul | 4/4 |
| Mr Lim Mun Kee | 3/4 |

# AUDIT COMMITTEE REPORT

### SUMMARY OF AUDIT COMMITTEE ACTIVITIES

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- Reviewed the quarterly and year end financial statements and made recommendation to the Board.
- Reviewed the overall coverage of internal audit.
- Deliberated over the internal audit and compliance reports, ensuring that recommendations are carried out.
- Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems.
- Reviewed the Risk Advisory Committee report, ensuring adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their auditor's report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Group's compliance with regards to the Bursa Securities Main Market Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

### SUMMARY OF INTERNAL AUDIT ACTIVITIES

The Audit Committee of the Board is supported by an Internal Audit Department. The department reports directly to the Audit Committee and is independent of the activities they audit. The cost incurred on this function which includes risk management and corporate governance was approximately RM137,500 for the financial year. During the financial year, the Internal Audit Department conducted, inter-alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system.
- Analysed and assessed key business systems, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit recommendations to ensure adequate implementation.
- Advised on the implementation of the Malaysian Code on Corporate Governance, Bursa Securities Main Market Listing Requirements and other regulatory requirements.
- Performed investigations and special review as requested by the Audit Committee and Management.
- Facilitated and reviewed the Group's risk management framework for adequacy and effectiveness in tandem with the business environment.

This report is made in accordance with resolution(s) of the Board of Directors dated 22 October 2009.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibility for sound corporate governance in its business management practices. Accordingly, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance ("the Code") wherein disclosures pursuant to the Code is mandated under paragraph 15.25 of the Bursa Securities Main Market Listing Requirements.

In particular, the Company has complied with Part 2, "Best Practices in Corporate Governance", of the Code except for individual disclosure of directors' remuneration packages (as detailed in Other Compliance Statement of this Annual Report), whereas the ensuing paragraphs narrates how the Company has applied Part I, "Principles of Corporate Governance", of the Code.

## DIRECTORS

### THE BOARD

An effective Board leads and controls the Company. Board members' judgement has a bearing on strategies, performances, resources and standards. Four (4) Board Meetings were held during the financial year ended 30 June 2009 with details of attendance presented under Other Compliance Statements of this Annual Report. In between scheduled meetings and where appropriate, Board decisions may be effected via circular resolutions.

### DIRECTORS' TRAINING

Subject to individual circumstances, directors are required to attend the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. With the repeal of the Continuing Education Programme, the directors are now subject to a Group Training Programme inclined towards auditing, accounting, regulatory and industry issues. In particular, an in-house seminar on Blue Ocean Strategy conducted by the Institute of Global Management was held during the financial year.

Apart from the above, Board members are regularly updated on global developments and trends in Corporate Governance principles and best practices besides local regulatory and risk management framework.

### BOARD BALANCE

The Board currently consists of eight (8) members; comprising four (4) Executive Directors and four (4) Non-Executive Directors. Among the Non-Executive Directors three (3) are independent, hence, the Board's composition meets the Bursa Securities Main Market Listing Requirements. Meanwhile, the Board's composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out under Directors' Profiles of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the Senior Independent Non-Executive Director, to whom concerns may be conveyed.

### SUPPLY OF INFORMATION

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company's expense, in furtherance of their duties.

### APPOINTMENTS TO THE BOARD

A Nomination Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee, currently comprising wholly of Non-Executive Directors, a majority of whom are independent, are as follows:

1. Tan Sri Dato' Sulaiman bin Sujak, *Chairman*
2. Datuk Wan Kassim bin Ahmed
3. Mr Lim Mun Kee

During the financial year, the Committee met once on 27 May 2009.

This Committee is responsible, inter-alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

### RE-ELECTION

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years, but shall be eligible for re-election. This provision is consistent with the underlying principles of the Code and in line with para 7.26 (2) of the Bursa Securities Main Market Listing Requirements.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965.

## DIRECTORS' REMUNERATION

### PROCEDURE

A Remuneration Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee, currently comprising wholly Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed, *Chairman*
2. Dato' Dr. Abdul Razak bin Abdul
3. Mr Lim Mun Kee

During the financial year, the Committee met once on 26 August 2008.

### THE LEVEL AND MAKE-UP OF REMUNERATION

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration framework for all Executive Directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration package is structured to commensurate with corporate and individual performance.

In respect of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and is a matter for consideration by the Board as a whole. The Non-Executive Directors abstain from discussions pertaining to their own remuneration.

### DISCLOSURE

The details of Directors' Remuneration for the financial year are summarized under Other Compliance Statements of this Annual Report.

## SHAREHOLDERS

### DIALOGUE BETWEEN COMPANY AND INVESTORS

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

### THE AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out under Other Compliance Statements of this Annual Report.

### INTERNAL CONTROL

The Statement on Internal Control set out in this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

### RELATIONSHIP WITH THE AUDITORS

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors in particular, and corporate governance in general, is detailed in the Audit Committee Report of this Annual Report.

This statement is made in accordance with resolution(s) of the Board of Directors dated 22 October 2009.

# INTERNAL CONTROL STATEMENT

(Pursuant to paragraph 15.26(b) of Bursa Securities Main Market Listing Requirements)

The Malaysian Code on Corporate Governance ("the code") states that the Board of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. The Bursa Securities Main Market Listing Requirements requires the Board of listed companies to include in its Annual Report, a statement on the state of internal controls of the Group. In making this statement on internal control it is essential to specifically address the Principles and Best Practices in the code which relate to internal control.

## RESPONSIBILITY

The Board has overall stewardship responsibility for the Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Group for the purpose of this statement.

## INTERNAL CONTROL SYSTEMS

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, control procedures, communication and monitoring processes which manifests as follows:

- Organisational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Board has delegated to Executive Management the implementation of the systems of internal control but still maintain full control and direction over appropriate strategic, financial, organisational and compliance issues. The Executive Management convenes periodically to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Well documented internal operating policies and procedures have been established, periodically reviewed and kept updated in accordance with changes in the operating environment.

- Comprehensive budgeting process for major operating units with periodical monitoring of performance so that major variances are followed up and management action taken.

- Functional limits of authority in respect of revenue and capital expenditure for all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.

- Detailed justification and approval process for major expenditures to ensure congruence with company's strategic objectives.

- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures and legislations whilst assessing the effectiveness of the Group's system of financial, operational and compliance controls.

## RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognizes its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has established an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

A Risk Advisory Committee ("RAC") comprising senior management personnel responsible, inter-alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1 March 2002.

During the financial year, the RAC monitored the Group's significant risks and recommended appropriate treatments. The resultant RAC report is reviewed quarterly by the Audit Committee to ensure the adequacy and effectiveness of the Group's Risk Management Framework.

## INTERNAL AUDIT

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

## INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

This statement is made in accordance with resolution(s) of the Board of Directors dated 22 October 2009 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Bursa Securities Main Market Listing Requirements.

# OTHER COMPLIANCE STATEMENTS

## 1. DIRECTORS' RESPONSIBILITY STATEMENT

PURSUANT TO PARAGRAPH 15.26(A) OF BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of their operations and cashflows for that period.

In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 2. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held four (4) formal meetings. The attendance of Directors at the Board Meetings is as follows:

| | Board Meetings | | | |
|---|---|---|---|---|
| **Directors** | **26.8.2008** | **24.11.2008** | **23.2.2009** | **27.5.2009** |
| Tan Sri Dato' Sulaiman bin Sujak | √ | √ | √ | √ |
| Tan Sri Dr. Chen Lip Keong | √ | √ | √ | √ |
| Puan Sri Lee Chou Sarn | √ | √ | √ | √ |
| Dato' Dr. Abdul Razak bin Abdul | √ | √ | √ | √ |
| Datuk Wan Kassim bin Ahmed | √ | √ | √ | √ |
| Chen Yiy Hwuan | √ | √ | √ | √ |
| Chen Yiy Fon | √ | √ | √ | √ |
| Lim Mun Kee | X | √ | √ | √ |
| **Alternate Director** | | | | |
| Chua Tiam Wee<br>(Alternate Director to Puan Sri Lee Chou Sarn)<br>(Retired on 1 February 2009) | √ | √ | N/A | N/A |

N/A Not Applicable √ Attended X Not attended

## 3. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors for the financial year is categorized as follows:

| In RM | Executive | Non-Executive |
|---|---|---|
| Fees | - | 213,000 |
| Salaries & Other Emoluments | 1,308,697 | - |
| Benefits In Kind | 57,688 | - |
| **Total** | **1,366,385** | **213,000** |

The number of Directors whose remuneration fall within the following bands are as follows:

| Range of remuneration (In RM) | No. of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| Below 50,000 | - | 1 |
| 50,001 to 100,000 | 1 | 3 |
| 100,001 to 150,000 | 1 | - |
| 150,001 to 300,000 | - | - |
| 300,001 to 350,000 | 1 | - |
| 350,001 to 400,000 | 1 | - |
| 400,001 to 450,000 | - | - |
| 450,001 to 500,000 | 1 | - |
| **Total** | **5** | **4** |

The above disclosure is in compliance with the Bursa Securities Main Market Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

## 4. UTILISATION OF PROCEEDS

The Securities Commission vide its letter dated 8 April 2003 approved the utilisation of the balance proceeds of RM29.1 million arising from the previous rights issue exercise for the purpose of working capital and investment in Kanzen TPCO Ltd ("KTPCO"), and a sum of RM19.9 million has thereafter been used. KTPCO was principally involved in the manufacturing and sale of stainless steel welded pipes and butt-welded fittings.

With effect from 1 October 2007, KTPCO ceased to be a subsidiary of the Company. The Securities Commission vide its letter dated 18 August 2008 to the Company approved the utilisation of the remaining of the balance proceeds for the purpose of working capital, repayment of borrowings and future investments.

### 5. SHARE BUY-BACK

During the financial year, the Company did not exercise any share buy-back.

As at 22 October 2009, the Company has bought back a total of 1,279,700 shares and these are presently held as treasury shares.

The Company has neither made any resale nor cancellation of its treasury shares.

### 6. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company did not issue any option, warrant or convertible securities.

### 7. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

### 8. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

### 9. NON-AUDIT FEES

The non-audit fees payable to the external auditors for the financial year amounts to RM48,000/-.

### 10. VARIATION IN RESULTS

There is no material variance between the results for the financial year and the unaudited results previously announced.

### 11. PROFIT GUARANTEE

During the year, there was no profit guarantee given by the Company.

### 12. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. (i) On 31 March 1997, a subsidiary Beribu Ukiran Sdn. Bhd. ("BUSB") entered into an agreement with Dapan Holdings Sdn. Bhd. ("DHSB"), a subsidiary of Karambunai Corp Bhd. ("KCB"), to acquire a portion of land for development measuring 127.64 acres at RM45,280,000 in the District of Kota Kinabalu, Sabah.

On the same date, the Company and KCB entered into a shareholders agreement and they hold 60% and 40% equity interests respectively in BUSB.

(ii) On 13 November 2002, BUSB entered into a Project Management and Marketing Agreement with DHSB for the development of Bandar Sierra Phase 3A1 ("Project"). The Project covered an area measuring approximately 13.47 acres of the land in item (i) above.

The total consideration for the appointment of DHSB as the project manager was based on 2% of the total construction cost of the Project. As for the concurrent appointment of marketing manager, the total consideration was based on 2% of the total selling price of the Project.

DHSB acted as the project and marketing manager to construct the residential properties and conduct the necessary marketing activities to market and sell all units in respect of the Project.

B. On 7 August 2008, the Company entered into the following proposals:

(i) Proposed Disposal of 600,000 ordinary shares of RM1.00 each representing 60% equity interest in BUSB to KCB for a total cash consideration of RM3,160,934 ("Proposed Disposal");

(ii) Proposed Novation to DHSB, a wholly owned subsidiary of KCB, of RM33,373,382 being the amount due and owing by BUSB to the Company and to be paid by DHSB to the Company and the repayment thereto to be guaranteed by KCB ("Proposed Novation"); and

(iii) Proposed Termination of the Shareholders Agreement dated 31 March 1997 made between KCB and the Company in relation to BUSB ("Proposed Termination");

(Collectively the "Proposals")

via the following agreements:

(i) a Settlement Agreement with KCB, DHSB and BUSB in respect of the Proposals;

(ii) a Share Sale and Purchase Agreement with KCB in respect of the Proposed Disposal;

(iii) a Novation Agreement with DHSB and BUSB in respect of the Proposed Novation;

(iv) a Corporate Guarantee with KCB whereby KCB guaranteed and secured the payment by DHSB to the Company under the Proposed Novation; and

(v) a Termination Deed with KCB in respect of the Proposed Termination.

With the completion of the Proposed Disposal, BUSB ceased to be a subsidiary of FACBII effective 7 October 2008.

C. Tan Sri Dr. Chen Lip Keong, Datuk Wan Kassim bin Ahmed, Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are directors of KCB whereas Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn. Accordingly, these directors who are Directors of the Company are deemed interested in items (A) and (B) above.

There were no other material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests other than as disclosed above.

## 13. REVALUATION POLICY

The Company does not have a policy of regular revaluation of its landed properties.

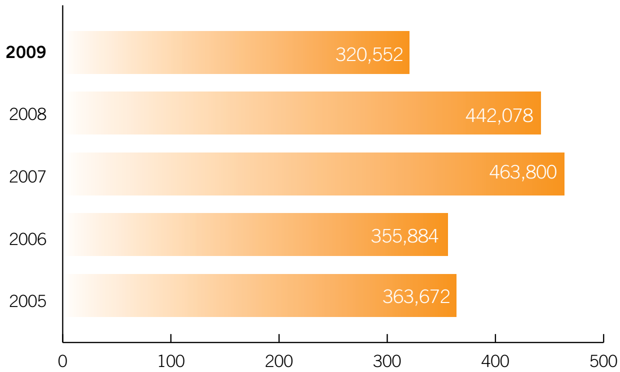
## 14. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

There were no material recurrent related party transactions of a revenue nature during the year.

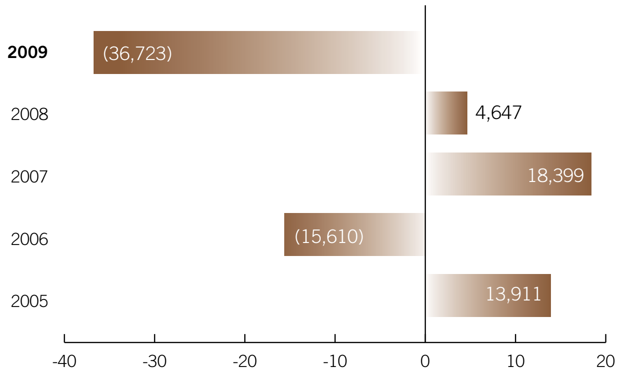
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

| In RM'000 | 2005 | 2006 | 2007 | Restated 2008 | 2009 |
|---|---|---|---|---|---|
| Revenue from continuing operations | 363,672 | 355,884 | 463,800 | 442,078 | **320,552** |
| (Loss)/Profit from continuing operations before taxation | 21,608 | (17,453) | 27,161 | 3,433 | **(53,815)** |
| Profit/(Loss) from discontinued operations before taxation | (1,941) | 1,283 | 330 | 2,005 | **201** |
| (Loss)/Profit attributable to equity holders | 13,911 | (15,610) | 18,399 | 4,647 | **(36,723)** |
| Total assets | 460,162 | 445,261 | 497,435 | 439,535 | **258,814** |
| Shareholders' equity | 194,901 | 178,117 | 207,835 | 208,203 | **169,802** |
| **In RM** | | | | | |
| Net assets per share | 2.46 | 2.24 | 2.48 | 2.48 | **2.02** |
| **In Sen** | | | | | |
| (Loss)/Earnings per share | 16.56 | (18.61) | 21.93 | 5.54 | **(43.78)** |

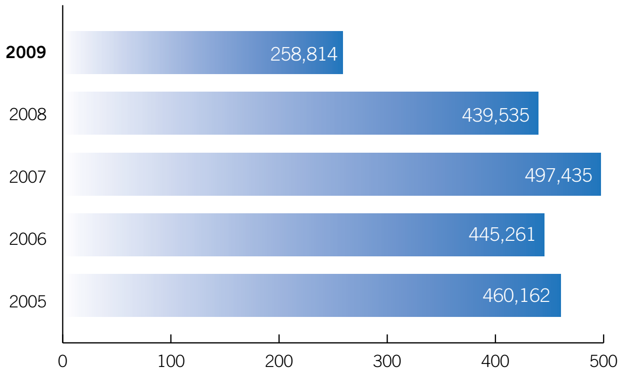
REVENUE FROM CONTINUING OPERATIONS
(RM'Million)



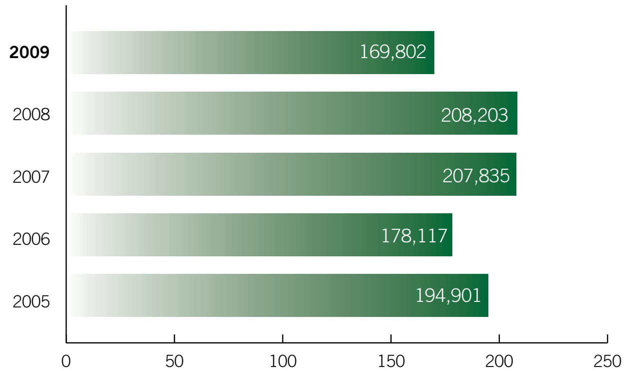

(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
(RM'Million)




TOTAL ASSETS
(RM'Million)




SHAREHOLDERS' EQUITY
(RM'Million)



# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the Group are:-

(i) manufacture and sale of stainless steel welded pipes and butt-weld fittings;
(ii) manufacture and sale of carbon steel pipes;
(iii) slitting and shearing services; and
(iv) manufacture and wholesale dealership of mattresses, furniture and related accessories.

There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of the property development division as disclosed in note 33 to the financial statements.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| (Loss)/Profit for the year from continuing operations | **(38,712,117)** | **15,360,847** |
| Profit for the year from discontinued operation | **160,640** | **-** |
| (Loss)/Profit for the year | **(38,551,477)** | **15,360,847** |
| Attributable to:- | | |
| Equity holders of the Company | **(36,722,856)** | **15,360,847** |
| Minority interest | **(1,828,621)** | **-** |
| | **(38,551,477)** | **15,360,847** |

## DIVIDENDS

During the financial year, the Company paid a final dividend of 2% per share less 25% taxation on 83,882,800 ordinary shares of RM1 each amounting to RM1,258,242 in respect of the financial year ended 30 June 2008 as reported in Directors' Report of that financial year.

The Directors do not recommend any dividend for the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and, the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

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

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

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

No contingent liability or other liability of the Group or of the Company 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 or of the Company to meet their obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the change in accounting policy which has resulted in the increase in the loss for the year by RM2,461,500 as disclosed in notes 43 and 44 to the financial statements.

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

## TREASURY SHARES

During the financial year, the Company did not repurchase any of its issued and fully paid ordinary shares.

As at 30 June 2009, the Company held as treasury shares a total of 1,279,700 of its 85,162,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,225,544 and are disclosed in note 22 to the financial statements.

## DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

- TAN SRI DATO' SULAIMAN BIN SUJAK
- TAN SRI DR. CHEN LIP KEONG
- PUAN SRI LEE CHOU SARN
- DATO' DR. ABDUL RAZAK BIN ABDUL
- DATUK WAN KASSIM BIN AHMED
- CHEN YIY HWUAN
- CHEN YIY FON
- LIM MUN KEE
- CHUA TIAM WEE
  (Alternate director to Puan Sri Lee Chou Sarn)
  (Retired on 1.2.09)

## DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interests of the Directors in office as at the end of the financial year in the shares of the Company during the financial year were as follows:-

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| | At 1.7.08 | Bought | Sold | **At 30.6.09** |
| **Direct Interest** | | | | |
| Tan Sri Dr. Chen Lip Keong | 16,925,000 | - | - | **16,925,000** |
| Puan Sri Lee Chou Sarn | 505,493 | - | - | **505,493** |

## DIRECTORS' INTERESTS (CONT'D)

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| | At 1.7.08 | Bought | Sold | **At 30.6.09** |
| **Indirect Interest** | | | | |
| Tan Sri Dr. Chen Lip Keong* | 505,493 | - | - | **505,493** |
| Puan Sri Lee Chou Sarn* | 16,925,000 | - | - | **16,925,000** |
| Chen Yiy Hwuan** | 17,430,493 | - | - | **17,430,493** |
| Chen Yiy Fon** | 17,430,493 | - | - | **17,430,493** |

* Deemed interested by virtue of the shares held by his/her spouse.

** Deemed interested by virtue of the shares held by their parents, i.e. Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

By virtue of their interests in the shares of the Company, the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiary companies to the extent of the shareholdings of the Company.

None of the other Directors held any shares whether directly or indirectly in the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration and benefits-in-kind in note 31(a) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SIGNIFICANT EVENT

Significant event arising during the financial year is disclosed in note 42 to the financial statements.

## AUDITORS

The auditors, Messrs. Moore Stephens AC, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 October 2009.

**PUAN SRI LEE CHOU SARN** **DATO' DR. ABDUL RAZAK BIN ABDUL**

# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 37 to 106, are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 October 2009.

**PUAN SRI LEE CHOU SARN**

**DATO' DR. ABDUL RAZAK BIN ABDUL**

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Bong Shee Cheng, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 37 to 106, 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 at
Kuala Lumpur in the Federal Territory
on 8 October 2009

**BONG SHEE CHENG**

Before me

**TENGKU FARIDDUDIN BIN TENGKU SULAIMAN** (W533)
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FACB INDUSTRIES INCORPORATED BERHAD (Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of FACB Industries Incorporated Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 106 to the financial statements.

**Directors' Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in note 8 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies 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 auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

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

**MOORE STEPHENS AC**
Chartered Accountants
AF 001826

**CHONG KWONG CHIN**
707/04/10 (J/PH)
Partner

Kuala Lumpur
8 October 2009

# CONSOLIDATED BALANCE SHEET
## AS AT 30 JUNE 2009

| | Note | 2009 RM | Restated 2008 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **50,814,909** | 56,024,550 |
| Prepaid land lease payments | 5 | **15,801,264** | 16,009,966 |
| Capital work-in-progress | 6 | **65,871** | - |
| Land held for property development | 7 | **-** | 50,363,301 |
| Investment in associated companies | 9 | **16,848,304** | 16,102,099 |
| Other investments | 10 | **41,010** | 41,010 |
| Deferred tax assets | 11 | **7,372,000** | 1,458,100 |
| Amount owing by a related party | 12 | **19,873,382** | - |
| | | **110,816,740** | 139,999,026 |
| **Current assets** | | | |
| Property development costs | 13 | **-** | 12,005,413 |
| Inventories | 14 | **49,157,499** | 144,002,942 |
| Trade receivables | 15 | **35,520,227** | 108,121,707 |
| Other receivables, deposits and prepayments | 16 | **12,376,259** | 4,501,688 |
| Tax assets | 17 | **6,693,383** | 1,235,379 |
| Amounts owing by associated companies | 19 | **2,731,154** | 1,789,060 |
| Deposits with licensed financial institutions | 20 | **34,831,356** | 11,018,485 |
| Cash and bank balances | | **6,687,460** | 16,861,788 |
| | | **147,997,338** | 299,536,462 |
| **TOTAL ASSETS** | | **258,814,078** | 439,535,488 |

# CONSOLIDATED BALANCE SHEET
## AS AT 30 JUNE 2009

| | Note | 2009<br>RM | Restated<br>2008<br>RM |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 21 | **85,162,500** | 85,162,500 |
| Reserves | 22 | **84,639,615** | 123,040,334 |
| Equity attributable to equity holders of the Company | | **169,802,115** | 208,202,834 |
| Minority interest | | **24,029,002** | 28,194,169 |
| **Total equity** | | **193,831,117** | 236,397,003 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Term loans | 23 | **4,511,157** | 7,552,600 |
| Hire purchase payables | 24 | **39,458** | 59,622 |
| Deferred tax liabilities | 11 | **1,880,000** | 6,371,000 |
| | | **6,430,615** | 13,983,222 |
| **Current liabilities** | | | |
| Trade payables | 25 | **7,822,936** | 30,708,134 |
| Other payables and accruals | 26 | **11,074,705** | 43,367,576 |
| Provision | 27 | **6,300,000** | 3,018,000 |
| Other borrowings | 28 | **32,834,851** | 110,533,957 |
| Taxation | | **519,854** | 1,527,596 |
| | | **58,552,346** | 189,155,263 |
| **Total liabilities** | | **64,982,961** | 203,138,485 |
| **TOTAL EQUITY AND LIABILITIES** | | **258,814,078** | 439,535,488 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 RM | Restated 2008 RM |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 29 | **320,551,979** | 442,077,970 |
| Direct operating costs | 30 | **(342,209,625)** | (407,680,054) |
| **Gross (loss)/profit** | | **(21,657,646)** | 34,397,916 |
| Other operating income | | **9,952,163** | 5,840,812 |
| Selling and distribution costs | | **(9,750,303)** | (10,170,557) |
| Administrative costs | | **(15,658,784)** | (15,994,086) |
| Other operating costs | | **(14,025,813)** | (6,319,604) |
| **(Loss)/Profit from operations** | | **(51,140,383)** | 7,754,481 |
| Finance costs | | **(4,675,182)** | (5,180,044) |
| Share of associated companies results after tax | | **2,000,999** | 858,754 |
| **(Loss)/Profit before taxation** | 31 | **(53,814,566)** | 3,433,191 |
| Taxation | 32 | **15,102,449** | (103,452) |
| **(Loss)/Profit for the year from continuing operations** | | **(38,712,117)** | 3,329,739 |
| **Discontinued Operations** | | | |
| Profit for the year from discontinued operations | 33 | **160,640** | 1,622,316 |
| **(Loss)/Profit for the year** | | **(38,551,477)** | 4,952,055 |
| Attributable to:- | | | |
| Equity holders of the Company | | **(36,722,856)** | 4,647,148 |
| Minority interest | | **(1,828,621)** | 304,907 |
| | | **(38,551,477)** | 4,952,055 |
| **(Loss)/Earnings per share attributable to equity holders of the Company (sen):-** | | | |
| Basic, for (loss)/profit from continuing operations | | **(43.89)** | 4.38 |
| Basic, for profit from discontinued operations | | **0.11** | 1.16 |
| Basic, for (loss)/profit for the year | 34 | **(43.78)** | 5.54 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2009

| | | ← Non-Distributable | | → | Distributable | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital RM | Share Premium RM | Reserves of Subsidiary Companies* RM | Translation Reserve RM | Retained Earnings RM | Treasury Shares RM | Sub Total RM | Minority Interest RM | Total Equity RM |
| At 1.7.07 | 85,162,500 | 28,989,335 | 192,937 | 3,234,455 | 91,481,378 | (1,225,544) | 207,835,061 | 35,342,309 | 243,177,370 |
| Transfer | - | - | 19,801 | - | (19,801) | - | - | - | - |
| Translation gain | - | - | - | 597,765 | - | - | 597,765 | - | 597,765 |
| Income/(expenses) recognised directly in equity | - | - | 19,801 | 597,765 | (19,801) | - | 597,765 | - | 597,765 |
| Profit for the year (restated) | - | - | - | - | 4,647,148 | - | 4,647,148 | 304,907 | 4,952,055 |
| Total income/(expense) recognised for the year | - | - | 19,801 | 597,765 | 4,627,347 | - | 5,244,913 | 304,907 | 5,549,820 |
| Dividends (note 35) | - | - | - | - | (3,355,312) | - | (3,355,312) | (2,185,487) | (5,540,799) |
| Subscription of shares in a subsidiary company | - | - | - | - | - | - | - | 3,600,000 | 3,600,000 |
| Disposal of a subsidiary company (note 36(a)) | - | - | - | (1,521,828) | - | - | (1,521,828) | (8,867,560) | (10,389,388) |
| At 30.6.08 (restated) | 85,162,500 | 28,989,335 | 212,738 | 2,310,392 | 92,753,413 | (1,225,544) | 208,202,834 | 28,194,169 | 236,397,003 |
| At 1.7.08 | | | | | | | | | |
| As previously reported | **85,162,500** | **28,989,335** | **212,738** | **2,310,392** | **95,016,413** | **(1,225,544)** | **210,465,834** | **28,194,169** | **238,660,003** |
| Effect of change in accounting policy (note 43) | **-** | **-** | **-** | **-** | **(2,263,000)** | **-** | **(2,263,000)** | **-** | **(2,263,000)** |
| As restated | **85,162,500** | **28,989,335** | **212,738** | **2,310,392** | **92,753,413** | **(1,225,544)** | **208,202,834** | **28,194,169** | **236,397,003** |
| Transfer | **-** | **-** | **29,385** | **-** | **(29,385)** | **-** | **-** | **-** | **-** |
| Translation (loss)/gain | **-** | **-** | **-** | **(419,621)** | **-** | **-** | **(419,621)** | **430,325** | **10,704** |
| Income/(expenses) recognised directly in equity | **-** | **-** | **29,385** | **(419,621)** | **(29,385)** | **-** | **(419,621)** | **430,325** | **10,704** |
| Loss for the year | **-** | **-** | **-** | **-** | **(36,722,856)** | **-** | **(36,722,856)** | **(1,828,621)** | **(38,551,477)** |
| Total income/(expense) recognised for the year | **-** | **-** | **29,385** | **(419,621)** | **(36,752,241)** | **-** | **(37,142,477)** | **(1,398,296)** | **(38,540,773)** |
| Dividends (note 35) | **-** | **-** | **-** | **-** | **(1,258,242)** | **-** | **(1,258,242)** | **(997,715)** | **(2,255,957)** |
| Disposal of a subsidiary company (note 36(a)) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,769,156)** | **(1,769,156)** |
| **At 30.6.09** | **85,162,500** | **28,989,335** | **242,123** | **1,890,771** | **54,742,930** | **(1,225,544)** | **169,802,115** | **24,029,002** | **193,831,117** |

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements and are not distributable as cash dividends.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 RM | Restated 2008 RM |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| (Loss)/Profit before taxation | | | |
| - Continuing operations | | **(53,814,566)** | 3,433,191 |
| - Discontinued operations | | **200,800** | 2,004,749 |
| Adjustments for:- | | | |
| Allowance for doubtful debts | | **820,204** | 708,511 |
| Amortisation of prepaid land lease payments | | **208,702** | 209,971 |
| Bad debts written off | | **44,540** | 31,829 |
| Depreciation of property, plant and equipment | | **6,208,886** | 6,883,682 |
| Impairment loss on property, plant and equipment | | **746,598** | - |
| Interest expense | | **4,256,752** | 4,059,253 |
| Interest income | | **(1,896,932)** | (347,967) |
| Property, plant and equipment written off | | **1,743** | 8 |
| Write down of inventories | | **44,316,176** | 3,789,085 |
| Gain on disposal of property, plant and equipment | | **(51,854)** | (50,339) |
| Share of associated companies results after tax | | **(2,000,999)** | (858,754) |
| Reversal of allowance for doubtful debts | | **(310,376)** | (316,429) |
| Gain on disposal of subsidiary companies | | **(5,042,458)** | (3,186,592) |
| Reversal of inventories written down | | **(147,028)** | (41,183) |
| Provision for losses on structured foreign exchange contract | | **3,282,000** | 3,018,000 |
| Unrealised (gain)/loss on foreign exchange | | **(1,147,958)** | 1,508,545 |
| Operating (loss)/profit before working capital changes | | **(4,325,770)** | 20,845,560 |
| Decrease in property development costs | | **1,650,457** | 7,781,063 |
| Decrease/(Increase) in inventories | | **51,539,639** | (24,825,049) |
| Decrease in trade and other receivables | | **67,053,413** | 5,783,721 |
| Decrease in trade and other payables | | **(16,045,880)** | (23,744,202) |
| Cash generated from/(used in) operations | | **99,871,859** | (14,158,907) |
| Interest received | | **560,202** | 354,882 |
| Income tax paid | | **(1,125,058)** | (2,934,966) |
| Income tax refund | | **-** | 203,295 |
| Interest paid | | **(4,624,241)** | (3,834,426) |
| Net cash generated from/(used in) operating activities | | **94,682,762** | (20,370,122) |

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 RM | Restated 2008 RM |
|---|---|---|---|
| **Cash Flows from Investing Activities** | | | |
| Proceeds from disposal of an unquoted investment | | **-** | 1,200,000 |
| Dividend received from associated companies | | **581,364** | 2,760,695 |
| Purchase of property, plant and equipment | | **(1,416,741)** | (3,499,359) |
| Proceeds from disposal of property, plant and equipment | | **66,440** | 51,643 |
| Capital work-in-progress incurred | | **(65,871)** | - |
| Repayments from/(to) associated companies | | **2,921** | (2,920) |
| Effect of disposal of subsidiary companies, net of cash disposed | 36 | **2,108,778** | 6,773,380 |
| Net cash generated from investing activities | | **1,276,891** | 7,283,439 |
| **Cash Flows from Financing Activities** | | | |
| Drawdown of trade financing facilities | | **133,002,229** | 260,888,937 |
| Dividend paid | | **(1,258,242)** | (3,355,312) |
| Proceeds from minority shareholder on subscription of shares in a subsidiary company | | **-** | 3,600,000 |
| Repayments of hire purchase payables | | **(56,795)** | (127,573) |
| Repayments of term loans | | **(2,928,299)** | (14,364,444) |
| Repayments of trade financing facilities | | **(210,777,848)** | (224,932,766) |
| Repayment of other short term borrowing | | **-** | (7,500,000) |
| Dividend paid to minority shareholders by subsidiary companies | | **(997,715)** | (2,185,487) |
| Net cash (used in)/generated from financing activities | | **(83,016,670)** | 12,023,355 |
| **Net increase/(decrease) in cash and cash equivalents** | | **12,942,983** | (1,063,328) |
| Effect of exchange rate changes | | **695,560** | (3,552) |
| Cash and cash equivalents at beginning of the year | | **27,880,273** | 28,947,153 |
| **Cash and cash equivalents at end of the year** | 37 | **41,518,816** | 27,880,273 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# BALANCE SHEET
## AS AT 30 JUNE 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **12,843** | 19,325 |
| Investment in subsidiary companies | 8 | **29,070,022** | 28,356,102 |
| Other investments | 10 | **41,010** | 41,010 |
| Amount owing by a related party | 12 | **19,873,382** | - |
| | | **48,997,257** | 28,416,437 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | 16 | **7,949,633** | 109,037 |
| Tax assets | 17 | **5,348,917** | - |
| Amounts owing by subsidiary companies | 18 | **57,052,623** | 87,761,288 |
| Deposits with licensed financial institutions | 20 | **14,003,535** | 2,474,953 |
| Cash and bank balances | | **81,765** | 50,751 |
| | | **84,436,473** | 90,396,029 |
| **TOTAL ASSETS** | | **133,433,730** | 118,812,466 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 21 | **85,162,500** | 85,162,500 |
| Reserves | 22 | **45,067,945** | 30,965,340 |
| **Total equity** | | **130,230,445** | 116,127,840 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other payables and accruals | 26 | **258,209** | 271,539 |
| Amount owing to subsidiary companies | 18 | **2,945,076** | 2,140,423 |
| Taxation | | **-** | 272,664 |
| | | **3,203,285** | 2,684,626 |
| **TOTAL EQUITY AND LIABILITIES** | | **133,433,730** | 118,812,466 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# INCOME STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| Revenue | 29 | **22,525,000** | 4,696,125 |
| Other operating income | | **4,939,294** | 98,219 |
| Administrative costs | | **(971,985)** | (751,498) |
| Other operating costs | | **(11,133,043)** | (1,079,142) |
| **Profit from operations** | | **15,359,266** | 2,963,704 |
| Finance costs | | **-** | (242,076) |
| **Profit before taxation** | 31 | **15,359,266** | 2,721,628 |
| Taxation | 32 | **1,581** | (17,118) |
| **Profit for the year** | | **15,360,847** | 2,704,510 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

| | Share Capital RM | Non-Distributable Share Premium RM | Distributable Retained Earnings RM | Treasury Shares RM | Total Equity RM |
|---|---|---|---|---|---|
| At 1.7.07 | 85,162,500 | 28,989,335 | 3,852,351 | (1,225,544) | 116,778,642 |
| Profit for the year | - | - | 2,704,510 | - | 2,704,510 |
| Dividends (note 35) | - | - | (3,355,312) | - | (3,355,312) |
| At 30.6.08 | **85,162,500** | **28,989,335** | **3,201,549** | **(1,225,544)** | **116,127,840** |
| Profit for the year | **-** | **-** | **15,360,847** | **-** | **15,360,847** |
| Dividends (note 35) | **-** | **-** | **(1,258,242)** | **-** | **(1,258,242)** |
| **At 30.6.09** | **85,162,500** | **28,989,335** | **17,304,154** | **(1,225,544)** | **130,230,445** |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 RM | 2008 RM |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Profit before taxation | | **15,359,266** | 2,721,628 |
| Adjustments for:- | | | |
| Depreciation of property, plant and equipment | | **6,482** | 11,400 |
| Dividend revenue | | **(22,525,000)** | (4,696,125) |
| Interest expense | | **-** | 59,075 |
| Interest income | | **(1,541,074)** | (66,220) |
| Allowance for doubtful debts | | **11,132,769** | - |
| Gain on disposal of property, plant and equipment | | **-** | (31,999) |
| Gain on disposal of a subsidiary company | | **(2,559,854)** | - |
| Unrealised (gain)/loss on foreign exchange | | **(838,366)** | 1,043,825 |
| Operating loss before working capital changes | | **(965,777)** | (958,416) |
| Increase in receivables | | **(26,377,363)** | (25,862) |
| (Decrease)/Increase in payables | | **(13,330)** | 22,109 |
| Cash used in operations | | **(27,356,470)** | (962,169) |
| Interest received | | **204,459** | 73,135 |
| Tax paid | | **(120,000)** | - |
| Interest paid | | **-** | (97,603) |
| Net cash used in operating activities | | **(27,272,011)** | (986,637) |
| **Cash Flows from Investing Activities** | | | |
| Addition to investment in a subsidiary company | | **(1,315,000)** | - |
| Dividend received | | **17,025,000** | 4,637,658 |
| Repayments from subsidiary companies | | **20,413,579** | 2,683,305 |
| Proceed from disposal of a subsidiary company | | **3,160,934** | - |
| Proceeds from disposal of property, plant and equipment | | **-** | 32,000 |
| Proceeds from disposal of an unquoted investment | | **-** | 1,200,000 |
| Net cash generated from investing activities | | **39,284,513** | 8,552,963 |

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | **2009 RM** | 2008 RM |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Advances from/(Repayments to) subsidiary companies | | **804,653** | (1,545,620) |
| Dividends paid | | **(1,258,242)** | (3,355,312) |
| Repayments of other short term borrowing | | **-** | (7,500,000) |
| Net cash used in financing activities | | **(453,589)** | (12,400,932) |
| **Net increase/(decrease) in cash and cash equivalents** | | **11,558,913** | (4,834,606) |
| Effect of exchange rate changes | | **683** | (191) |
| Cash and cash equivalents at beginning of the year | | **2,525,704** | 7,360,501 |
| **Cash and cash equivalents at end of the year** | 37 | **14,085,300** | 2,525,704 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

## 1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Etiqa Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The Company is principally engaged in investment holding and provision of management services. The principal activities of the Group are:-

(i) manufacture and sale of stainless steel welded pipes and butt-weld fittings;
(ii) manufacture and sale of carbon steel pipes;
(iii) slitting and shearing services; and
(iv) manufacture and wholesale dealership of mattresses, furniture and related accessories.

There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of the property development division as disclosed in note 33 to the financial statements.

The financial statements were authorised for issue in accordance with the Board of Directors' resolution dated 8 October 2009.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and complied with the provisions of the Companies Act, 1965.

**New and revised FRSs, Amendments to FRS and Issues Committee ("IC") Interpretations issued but not yet effective**
At the date of authorisation of these financial statements, the following new and revised FRSs, Amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company.

| | | Effective for financial periods beginning on or after |
|---|---|---|
| FRS 4 | Insurance Contracts | 1 January 2010 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| FRS 101 | Presentation of Financial Statements | 1 January 2010 |
| FRS 123 | Borrowing Costs | 1 January 2010 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| Amendments to FRS 2 | Share-based Payment: Vesting Conditions and Cancellations | 1 January 2010 |
| Amendments to FRS 132 | Financial Instruments: Presentation | 1 January 2010 |
| Amendments to FRS 139 | Financial Instruments: Recognition and Measurement and FRS 7 Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives | 1 January 2010 |

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (cont'd)

| | | Effective for financial periods beginning on or after |
|---|---|---|
| IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 10 | Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |

The adoption of FRS 8, FRS 101, Amendments to FRS 132 and FRS 139 are not expected to have any material impact on the financial statements of the Group and of the Company upon initial application except for certain extended disclosures.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The adoption of FRS 123, Amendments to FRS 1, FRS 127 and IC Interpretation 10 are not expected to have any material impact on the financial statements of the Group and of the Company upon initial application.

FRS 4, Amendments to FRS 2, IC Interpretations 9, 11, 13 and 14 are not relevant to the operations of the Group and of the Company and hence no further disclosure is warranted.

### (b) Basis of measurement

The measurement bases applied in the preparation of the financial statements include cost, recoverable amount and realisable value. Estimates are used in measuring these values.

### (c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

### (d) Significant accounting estimates and judgements

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:-

(i) testing for impairment of property, plant and equipment – the measurement of the recoverable amount of cash generating units ("CGU") are determined based on the value in use and resale value;

(ii) depreciation of property, plant and equipment – the cost of property, plant and equipment is depreciated on a straight line method over the assets useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised;

## 2. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting estimates and judgements (cont'd)

(iii) construction contracts / property development – significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the subsidiary company relied on past experience and work of specialists;

(iv) revenue recognition – the percentage-of-completion method requires the subsidiary company to estimate the works performed to-date bears to the proportion of the total works to be performed;

(v) allowance for doubtful debts – the Group and the Company make allowance for doubtful debts based on an assessment of the recoverability of the receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable in full. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables;

(vi) deferred tax asset – it is recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based on the future financial performance of the Group; and

(vii) provision for losses on structured foreign exchange contract – the Group make provision for losses on structured foreign exchange contract when the assessment of expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A considerable amount of judgement is required when assessing the expected unavoidable costs and the corresponding provision.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies which are disclosed in note 8 made up to the end of the financial year.

Intragroup balances, transactions and resulting unrealised gains or losses are eliminated on consolidation. Consolidated financial statements reflect external transactions only. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The results of the subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements using the purchase method from the effective date of acquisition or up to the effective date of disposal respectively. The assets, liabilities and the contingent liabilities assumed from a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

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

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

Minority interest represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since then.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Subsidiary Company

A subsidiary company is a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is impairment in the value of the investments determined on an individual basis and is charged to the income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to income statement upon disposal of the investment.

### (c) Associated Company

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies of the company.

Investment in associated companies are stated at cost less accumulated impairment losses, if any, in the Group's financial statements.

The Group's investment in associated companies are stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of post-acquisition results of the associated companies is accounted for using the equity method of accounting.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in associated companies. Should the associated companies subsequently report profits, the Group will only resume to recognise its share of profits after its share of profits equals to its share of losses previously not recognised.

### (d) Goodwill

Goodwill acquired in a business combination is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary company, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary company in the consolidated income statement.

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation on property, plant and equipment is calculated on the straight line method to write off the cost or revalued amount of the property, plant and equipment over their estimated useful lives.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Property, Plant and Equipment and Depreciation (cont'd)

The principal annual rates used for this purpose are:-

| | |
|---|---|
| Buildings | 2% |
| Plant and machinery | 9% - 18% |
| Office equipment, furniture, fittings, renovations and motor vehicles | 10% - $33^{1}/_{3}$% |

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Buildings stated at valuation are based on a valuation by professional valuers on an open market basis. The Directors do not adopt a policy of regular revaluation of such properties.

The valuations of the buildings have not been updated and continue to be stated at their last revalued amount less accumulated depreciation and accumulated impairment losses, if any. This is in accordance with the transitional provisions issued by MASB on adoption of International Accounting Standard No. 16 (Revised) on Property, Plant and Equipment.

### (f) Impairment of Assets

The carrying amounts of assets other than inventories, deferred tax assets and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to the discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for CGU to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised as income in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve of the same asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Capital Work-In-Progress

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which take a substantial period of time to be ready for their intended use.

This expenditure is stated at cost and no depreciation is provided. Upon completion of construction, the cost will be transferred to property, plant and equipment.

### (h) Land Held for Property Development

Land held for property development are carried at cost less accumulated impairment losses, if any, and classified as non-current assets where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development are reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### (i) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs consist of land and construction costs and other development expenditure including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, property development revenue and costs are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date. The stage of completion is measured by reference to the proportion of property development costs incurred for work performed to-date bears to the estimated total property development costs.

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

Any expected loss on a development project is recognised as an expense immediately.

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

Accrued billings, as trade receivables, represents the excess of revenue recognised in the income statement over billings to purchasers. Progress billings, as trade payables, represents the excess of billings to purchasers over revenue recognised in the income statement.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, spare parts and consumables are determined on the weighted average basis. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour and appropriate production overheads, determined on first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Disposal Group Held for Sale and Discontinued Operation

Disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of all the assets and liabilities in a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are included in the income statement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale.

### (l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

A provision for losses on structured foreign exchange contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

### (m) Leases

**i. Finance Lease**

Assets acquired by way of hire purchase or finance lease where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

**ii. Operating Leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease. In the case of the lease of land, the minimum lease payments or the up-front payments representing the prepaid lease payments are amortised on a straight-line basis over the lease term.

The Group had previously revalued its leasehold land and have retained the unamortised revalued amount as the surrogate cost of prepaid land lease payments in accordance with the transitional provisions in FRS 117.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Borrowing costs

Interest incurred on borrowings is capitalised during the period when activities to plan, develop and construct the assets are in progress. Capitalisation of borrowing costs ceases when the assets are ready for their intended use or sale.

All other interests are recognised in income statement in the period in which they are incurred.

### (o) Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

### (p) Segment Reporting

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

### (q) Foreign Currencies

#### i. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period in which they arise. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the company's net investment in foreign operations are recognised in profit or loss in the company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Foreign Currencies (cont'd)

**ii. Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

### (r) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for prior year's tax.

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

### (s) Employee Benefits

**i. Short Term Benefits**

Wages, salaries and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**ii. Defined Contribution Plans**

As required by law, companies in Malaysia and The People's Republic of China make contributions to the relevant social securities or state pension scheme. Such contributions are recognised as an expense in the income statement when incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Revenue Recognition

#### i. Goods sold

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

#### ii. Rental income

Rental income is recognised on accrual basis.

#### iii. Services

Revenue from services is recognised as and when services are performed.

#### iv. Interest income

Interest income is recognised on an accrual basis using the effective interest method.

#### v. Dividend revenue

Dividend revenue is recognised when the rights to receive payment is established.

#### vi. Revenue from property development

Revenue from property development sold is recognised based on the percentage of completion method which is measured by reference to the proportion of property development costs incurred for work performed to-date bears to the estimated total property development costs when the financial outcome of the development activity can be reliably estimated.

### (u) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, other non-current investments, bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments comprise financial guarantees given for banking facilities granted to the subsidiary companies and derivative financial instruments such as foreign exchange contracts. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable. The derivatives are recognised only when underlying transactions occur or when settled.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) Financial Instruments (cont'd)

**i. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash and bank balances, demand deposits and bank overdrafts which are subject to an insignificant risk of changes in value.

**ii. Receivables**

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection. In addition, general allowances are made to cover possible losses which are not specifically identified.

**iii. Payables**

Payables are stated at cost which are the fair values of the considerations to be paid in the future for goods and services received.

**iv. Other Non-Current Investments**

Non-current investments other than investments in subsidiary companies and associated companies are stated at cost less impairment loss, if any.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**v. Marketable Securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in income statement. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is recognised in income statement.

**vi. Interest Bearing Bank Borrowings**

Interest bearing bank borrowings including overdrafts, bankers' acceptances, hire purchase payables and loans are stated at the amount of proceeds received, net of transaction costs.

**vii. Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

**viii. Derivative Financial Instruments**

Derivative financial instruments are not recognised in the financial statements on inception.

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RM | Plant & Machinery RM | Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM | Total RM |
|---|---|---|---|---|
| Group | | | | |
| **Cost/Valuation** | | | | |
| At 1.7.08 | 38,721,952 | 104,692,820 | 8,658,873 | 152,073,645 |
| Additions | - | 707,359 | 709,382 | 1,416,741 |
| Disposals | - | - | (479,387) | (479,387) |
| Written off | - | (686,207) | (39,191) | (725,398) |
| Exchange differences | - | 725,936 | 139,133 | 865,069 |
| **At 30.6.09** | 38,721,952 | 105,439,908 | 8,988,810 | 153,150,670 |
| **Accumulated Depreciation** | | | | |
| At 1.7.08 | 12,543,067 | 76,928,681 | 6,577,347 | 96,049,095 |
| Charge for the year | 774,439 | 4,746,695 | 687,752 | 6,208,886 |
| Disposals | - | - | (464,801) | (464,801) |
| Written off | - | (685,222) | (38,433) | (723,655) |
| Exchange differences | - | 430,068 | 89,570 | 519,638 |
| **At 30.6.09** | 13,317,506 | 81,420,222 | 6,851,435 | 101,589,163 |
| **Accumulated Impairment Losses** | | | | |
| At 1.7.08 | - | - | - | - |
| Charge for the year | - | 746,598 | - | 746,598 |
| **At 30.6.09** | - | 746,598 | - | 746,598 |
| **Net Carrying Amount** | | | | |
| **At 30.6.09** | 25,404,446 | 23,273,088 | 2,137,375 | 50,814,909 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Buildings RM | Plant & Machinery RM | Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM | Total RM |
|---|---|---|---|---|
| Group | | | | |
| **Cost/Valuation** | | | | |
| At 1.7.07 | 38,721,952 | 102,012,802 | 8,059,223 | 148,793,977 |
| Additions | - | 2,654,318 | 835,445 | 3,489,763 |
| Disposals | - | - | (508,492) | (508,492) |
| Transfer from capital work-in-progress (note 6) | - | 25,700 | 288,333 | 314,033 |
| Written off | - | - | (15,636) | (15,636) |
| At 30.6.08 | 38,721,952 | 104,692,820 | 8,658,873 | 152,073,645 |
| **Accumulated Depreciation** | | | | |
| At 1.7.07 | 11,768,628 | 71,596,587 | 6,450,245 | 89,815,460 |
| Charge for the year | 774,439 | 5,332,094 | 649,918 | 6,756,451 |
| Disposals | - | - | (507,188) | (507,188) |
| Written off | - | - | (15,628) | (15,628) |
| At 30.6.08 | 12,543,067 | 76,928,681 | 6,577,347 | 96,049,095 |
| **Net Carrying Amount** | | | | |
| At 30.6.08 | 26,178,885 | 27,764,139 | 2,081,526 | 56,024,550 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Buildings RM | Plant & Machinery RM | Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM | Total RM |
|---|---|---|---|---|
| Group | | | | |
| Analysis of cost and valuation:- | | | | |
| **2009** | | | | |
| **Cost/Valuation** | | | | |
| At valuation | **27,290,000** | **-** | **-** | **27,290,000** |
| At cost | **11,431,952** | **105,439,908** | **8,988,810** | **125,860,670** |
| | **38,721,952** | **105,439,908** | **8,988,810** | **153,150,670** |
| **Net Carrying Amount** | | | | |
| At valuation | **17,653,548** | **-** | **-** | **17,653,548** |
| At cost | **7,750,898** | **23,273,088** | **2,137,375** | **33,161,361** |
| | **25,404,446** | **23,273,088** | **2,137,375** | **50,814,909** |
| 2008 | | | | |
| **Cost/Valuation** | | | | |
| At valuation | 27,290,000 | - | - | 27,290,000 |
| At cost | 11,431,952 | 104,692,820 | 8,658,873 | 124,783,645 |
| | 38,721,952 | 104,692,820 | 8,658,873 | 152,073,645 |
| **Net Carrying Amount** | | | | |
| At valuation | 18,199,349 | - | - | 18,199,349 |
| At cost | 7,979,536 | 27,764,139 | 2,081,526 | 37,825,201 |
| | 26,178,885 | 27,764,139 | 2,081,526 | 56,024,550 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Office Equipment RM | Renovation RM | Furniture & Fittings RM | Motor Vehicles RM | Total RM |
|---|---|---|---|---|---|
| Company | | | | | |
| **Cost** | | | | | |
| At 1.7.08/**30.6.09** | **71,041** | **190,182** | **141,671** | **588,000** | **990,894** |
| **Accumulated Depreciation** | | | | | |
| At 1.7.08 | **69,788** | **175,910** | **137,872** | **587,999** | **971,569** |
| Charge for the year | **1,232** | **4,165** | **1,085** | **-** | **6,482** |
| **At 30.6.09** | **71,020** | **180,075** | **138,957** | **587,999** | **978,051** |
| **Net Carrying Amount** | | | | | |
| **At 30.6.09** | **21** | **10,107** | **2,714** | **1** | **12,843** |
| **Cost** | | | | | |
| At 1.7.07 | 71,041 | 190,182 | 141,671 | 877,246 | 1,280,140 |
| Disposal | - | - | - | (289,246) | (289,246) |
| At 30.6.08 | 71,041 | 190,182 | 141,671 | 588,000 | 990,894 |
| **Accumulated Depreciation** | | | | | |
| At 1.7.07 | 63,639 | 171,744 | 136,787 | 877,244 | 1,249,414 |
| Charge for the year | 6,149 | 4,166 | 1,085 | - | 11,400 |
| Disposal | - | - | - | (289,245) | (289,245) |
| At 30.6.08 | 69,788 | 175,910 | 137,872 | 587,999 | 971,569 |
| **Net Carrying Amount** | | | | | |
| At 30.6.08 | 1,253 | 14,272 | 3,799 | 1 | 19,325 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Property, plant and equipment of the Group pledged to licensed banks for banking facilities as disclosed in notes 23 and 28 are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Net Carrying Amount** | | |
| Plant and machinery | **13,031,138** | 15,383,270 |

(b) The buildings of the Group were separately revalued by professional valuers on an open market basis in the following years:-

| | Valuation Amount RM |
|---|---|
| Group | |
| November 1991 | 3,690,000 |
| March 1992 | 23,600,000 |
| | 27,290,000 |

The net carrying amount of buildings of the Group had no revaluation been made would be RM17,292,946 (2008 : RM17,821,036).

(c) Motor vehicles acquired under hire purchase instalment plan are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Cost | **386,042** | 733,375 |
| Net Carrying Amount | **61,350** | 119,503 |

## 5. PREPAID LAND LEASE PAYMENTS

| | Group 2009 RM | 2008 RM |
|---|---|---|
| At beginning of the year | **16,009,966** | 16,218,668 |
| Amortisation for the year | **(208,702)** | (208,702) |
| At end of the year | **15,801,264** | 16,009,966 |
| Analysed as follows:- | | |
| Long term leasehold land | **14,953,714** | 15,136,646 |
| Short term leasehold land | **847,550** | 873,320 |
| | **15,801,264** | 16,009,966 |

The short term leasehold land of the Group has an unexpired lease period of less than 50 years whereas the long term leasehold land of the Group has an unexpired lease period of more than 50 years.

The leasehold land of the Group were revalued in 1991 and 1992 by independent professional valuers to reflect the market value on existing use basis. As allowed by the transitional provisions of FRS 117, where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate cost of prepaid land lease payments and is amortised over the remaining lease term of the leasehold land.

## 6. CAPITAL WORK-IN-PROGRESS

| | Group 2009 RM | 2008 RM |
|---|---|---|
| At cost, | | |
| At beginning of the year | **-** | 314,033 |
| Additions | **65,871** | - |
| Transfer to property, plant and equipment (note 4) | **-** | (314,033) |
| At end of the year | **65,871** | - |

The capital work-in-progress incurred was in respect of acquisition and construction of plant and machinery by a subsidiary company.

## 7. LAND HELD FOR PROPERTY DEVELOPMENT

| | Group 2009 RM | 2008 RM |
|---|---|---|
| At cost, | | |
| Leasehold land | **40,501,544** | 40,501,544 |
| Development costs | **9,861,757** | 9,861,757 |
| | **50,363,301** | 50,363,301 |
| Disposal of a subsidiary company | **(50,363,301)** | - |
| | **-** | 50,363,301 |

The disposal of a subsidiary company is made up of the following:-

| | Group 2009 RM | 2008 RM |
|---|---|---|
| Leasehold land and development costs (note 36) | **54,898,558** | - |
| Less: Interest charged to a former subsidiary company (note 36) | **(4,535,257)** | - |
| | **50,363,301** | - |

This represents land and development expenditure incurred on a piece of land measuring 114.17 acres. This piece of land is part of a portion of leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah which is acquired from Dapan Holdings Sdn. Bhd. ("DHSB"), a subsidiary company of Karambunai Corp Bhd. ("KCB"), in which certain Directors of the Company have interest.

Included in the above leasehold land is a parcel of land measuring 105.77 acres held under a master title which is in the process of being subdivided and is still in the name of the vendor. The parcel of land is pledged for banking facilities granted to the vendor.

## 8. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company 2009 RM | 2008 RM |
|---|---|---|
| Unquoted shares, at cost | **29,170,022** | 28,456,102 |
| Less: Accumulated impairment losses | **(100,000)** | (100,000) |
| | **29,070,022** | 28,356,102 |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

During the financial year, the Company:-

(a) acquired 1,000,000 ordinary shares of RM1 each representing 100% of the equity interest of a subsidiary company, Kanzen Kagu Sdn. Bhd. ("KKSB") for a total consideration of RM1,315,000 (2008 : Nil), which was previously a wholly-owned subsidiary company of Kanzen Tetsu Sdn. Bhd., an existing wholly-owned subsidiary of the Company. The acquisition has no impact to the results and financial position of the Group; and

(b) disposed its entire 60% equity shareholding in a subsidiary company, Beribu Ukiran Sdn. Bhd. ("BUSB"). With the said disposal, BUSB ceased to be the subsidiary of the Company. The effect of the disposal on the Group is disclosed in note 36.

The subsidiary companies are as follows:-

| Name of Company | Country of Incorporation | Principal Activities | Effective Direct Equity Interest 2009 | 2008 |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Beribu Ukiran Sdn. Bhd. | Malaysia | Property development | **-** | 60% |
| Creation Holdings Berhad | Malaysia | Dormant | **100%** | 100% |
| Dreamland Spring Sdn. Bhd. | Malaysia | Investment holding | **100%** | 100% |
| Dream Tours Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Estasi Stainlessware Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| * Global Glister Limited | Hong Kong | Investment holding | **100%** | 100% |
| Kanzen Chuzoo Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Kanzen Hartanah Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Kanzen Land Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Kanzen Management Sdn. Bhd. | Malaysia | Providing management and secretarial services | **100%** | 100% |
| Kanzen Properties Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Kanzen Shindo Sdn. Bhd. | Malaysia | Dormant | **70%** | 70% |
| Kanzen Tetsu Sdn. Bhd. | Malaysia | Manufacture and sale of stainless steel welded pipes and butt-weld fittings | **100%** | 100% |
| Kanzen Kagu Sdn. Bhd. | Malaysia | Manufacture and sale of carbon steel pipes | **100%** | - |
| Kanzen Ventures Sdn. Bhd. | Malaysia | Investment holding | **100%** | 100% |
| * Restonic (M) Sdn. Bhd. | Malaysia | Investment holding | ****50%+1** | **50%+1 |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows:- (cont'd)

| Name of Company | Country of Incorporation | Principal Activities | Effective Indirect Equity Interest 2009 | 2008 |
|---|---|---|---|---|
| **Held through Dreamland Spring Sdn. Bhd.** | | | | |
| * Dreamland Qingdao Pte. Ltd. | The People's Republic of China | Manufacture and marketing of the Dreamland range of mattresses and sofa | **51%** | 51% |
| * Dreamland Xian Pte. Ltd. | The People's Republic of China | Dormant | **52%** | 52% |
| * Nantong Dreamland Steel Products Co. Ltd. | The People's Republic of China | Manufacture and sale of steel wire products | **55%** | 55% |
| **Held through Kanzen Tetsu Sdn. Bhd.** | | | | |
| Kanzen Kagu Sdn. Bhd. | Malaysia | Manufacture and sale of carbon steel pipes | **-** | 100% |
| Kanzen Marketing Sdn. Bhd. | Malaysia | Dormant | **100%** | 100% |
| Kanzen Stainless Processors Sdn. Bhd. | Malaysia | Providing slitting and shearing services and trading in stainless steel plates | **70%** | 70% |
| **Held through Kanzen Ventures Sdn. Bhd.** | | | | |
| Kanzen Energy Ventures Sdn. Bhd. | Malaysia | Investment holding | **55%** | 55% |
| **Held through Restonic (M) Sdn. Bhd.** | | | | |
| * Dreamland Corporation (Malaysia) Sdn. Bhd. | Malaysia | Wholesale dealership of mattresses, furniture and related accessories | ****50%+1** | **50%+1 |
| * Dreamland Spring Manufacturing Sdn. Bhd. | Malaysia | Manufacture and wholesale dealership of mattresses | ****50%+1** | **50%+1 |
| * Eurocoir Products Sdn. Bhd. | Malaysia | Manufacture and sale of polyester fibre and polyester pillows and bolsters | ****50%+1** | **50%+1 |
| * Dream Products Sdn. Bhd. | Malaysia | Manufacture and sale of synthetic foam, bedding coordinates, cushion seats, polyester, sponge pillows and bolsters | ****50%+1** | **50%+1 |
| * Dream Crafts Sdn. Bhd. | Malaysia | Marketing and sales promotion of furniture, mattresses and related accessories | ****50%+1** | **50%+1 |
| * Sleepmaker Sdn. Bhd. | Malaysia | Dormant | ****50%+1** | **50%+1 |
| * Dreamland (Singapore) Pte. Ltd. | Singapore | Dormant | ****50%+1** | **50%+1 |

* Audited by other professional firms of chartered accountants.
** The equity interests of the Company is 50% plus 1 share.

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) The financial statements of a subsidiary company namely Dreamland Xian Pte. Ltd. is consolidated based on management financial statements for the financial year ended 30 June 2009 as the company had ceased operations and remained dormant since its financial year ended 31 December 2002.

(b) The paid-up capital of Restonic (M) Sdn. Bhd. comprises:-

| | RM |
|---|---|
| Ordinary "A" shares | 12,250,000 |
| Ordinary "B" shares | 5,249,999 |
| Preference shares | 7,000,000 |
| | 24,499,999 |

The ordinary "A" shares and ordinary "B" shares carry the same rights with respect to each other in the equity share capital of the company.

The preference shares at a fixed non-cumulative dividend rate of 0.001% per annum are irredeemable and rank for preferential dividend in priority to all other classes of shares in the capital of the company and can participate in any distribution of dividends by the company and in the event of the company being wound-up, participate in the distribution of capital. The preference shares do not entitle the holders to vote at any general meeting of the company.

## 9. INVESTMENT IN ASSOCIATED COMPANIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Unquoted shares, at cost | **14,604,419** | 14,604,419 |
| Group's share of post-acquisition reserves | **2,243,885** | 1,497,680 |
| | **16,848,304** | 16,102,099 |
| Represented by:- | | |
| Group's share of net assets | **16,848,304** | 16,102,099 |

## 9. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

The associated companies are as follows:-

| Name of Company | Country of Incorporation | Principal Activities | Effective Indirect Equity Interest **2009** | 2008 |
|---|---|---|---|---|
| **Held through Dreamland Spring Sdn. Bhd.** | | | | |
| Dreamland Dalian Pte. Ltd. | The People's Republic of China | Manufacture and marketing of spring mattresses and wooden furniture | **40%** | 40% |
| Dreamland Jiujiang Pte. Ltd. | The People's Republic of China | Dormant | **41.6%** | 41.6% |
| Dreamland Lianyungang Pte. Ltd. | The People's Republic of China | Dormant | **40%** | 40% |
| Dreamland Shanghai Pte. Ltd. | The People's Republic of China | Manufacture and marketing of spring mattresses | **40%** | 40% |
| Dreamland Tianjin Pte. Ltd. | The People's Republic of China | Manufacture and marketing of spring mattresses, metal furniture and leather furniture | **40%** | 40% |
| **Held through Kanzen Energy Ventures Sdn. Bhd.** | | | | |
| Jiangyin Binjiang Power Supply Co. Ltd. | The People's Republic of China | Supply of electricity and steam | **16.5%** | 16.5% |
| Jiangyin Chengdong Power Supply Co. Ltd. | The People's Republic of China | Supply of electricity and steam | **16.5%** | 16.5% |

(a) The Group equity accounts for its share of post-acquisition reserves of the associated companies based on the audited financial statements for the financial period ended 30 June 2009.

(b) The Group has ceased to equity account its share of losses of the associated companies, Dreamland Jiujiang Pte. Ltd. and Dreamland Lianyungang Pte. Ltd., from the financial statements as the carrying amount of these investments have reached nil. The results not recognised are as follows:-

| | Group **2009** **RM** | 2008 RM |
|---|---|---|
| Loss for the year | **223** | 132 |
| Accumulated losses | **231,755** | 231,532 |

## 9. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

The associated companies are as follows:- (cont'd)

The summarised financial information of the associated companies are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Total assets | **149,047,282** | 147,927,543 |
| Total liabilities | **78,634,226** | 90,174,705 |
| Revenue | **128,276,634** | 127,671,366 |
| Net profit for the year | **6,739,981** | 2,957,480 |

## 10. OTHER INVESTMENTS

| | Group/Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Unquoted shares in Malaysia | | |
| At cost | **60,200** | 56,500 |
| Less: Accumulated impairment losses | **(19,190)** | (16,500) |
| | **41,010** | 40,000 |
| Quoted shares in Malaysia | | |
| At cost | **-** | 3,700 |
| Less: Accumulated impairment losses | **-** | (2,690) |
| | **-** | 1,010 |
| Net carrying amount | **41,010** | 41,010 |
| Market value | | |
| Quoted shares in Malaysia | **-** | 1,970 |

During the financial year, the quoted shares in Malaysia has been reclassified to unquoted shares in Malaysia subsequent to the delisting of the securities from Bursa Malaysia Securities Berhad.

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group 2009 RM | Restated 2008 RM |
|---|---|---|
| **Deferred tax assets** | | |
| At beginning of the year | **1,458,100** | 418,400 |
| Recognised in income statement (note 32) | **5,922,000** | 1,039,700 |
| Disposal of a subsidiary company (note 36) | **(8,100)** | - |
| At end of the year | **7,372,000** | 1,458,100 |
| **Deferred tax liabilities** | | |
| At beginning of the year | **(6,371,000)** | (7,982,000) |
| Recognised in income statement (note 32) | **4,491,000** | 1,611,000 |
| At end of the year | **(1,880,000)** | (6,371,000) |

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

This is in respect of estimated deferred tax assets/(liabilities) arising from the following temporary differences:-

| | Group 2009 RM | Restated 2008 RM |
|---|---|---|
| **Deferred tax assets** | | |
| Difference between the carrying amounts of property, plant and equipment and their tax base | **(3,710,300)** | (834,000) |
| Unabsorbed capital allowances | **2,159,500** | 246,000 |
| Unrelieved tax losses | **6,806,900** | 1,725,000 |
| Deductible temporary differences arising from expenses | **2,115,900** | 321,100 |
| | **7,372,000** | 1,458,100 |
| **Deferred tax liabilities** | | |
| Difference between the carrying amounts of property, plant and equipment and their tax base | **(478,260)** | (3,466,246) |
| Difference between the carrying amounts of industrial building and their tax base | **(1,209,700)** | (1,116,400) |
| Unabsorbed capital allowances | **161,100** | 847,700 |
| Unrelieved tax losses | **3,430,700** | 327,500 |
| Deductible temporary differences arising from expenses | **207,140** | 1,111,950 |
| Surplus arising from revaluation of leasehold land and buildings | **(3,990,980)** | (4,075,504) |
| | **(1,880,000)** | (6,371,000) |

## 11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Difference between the carrying amounts of property, plant and equipment and their tax base | **120** | 1,300 | **120** | 1,300 |
| Unrelieved tax losses | **6,036,700** | 6,234,000 | **-** | - |
| Unabsorbed capital allowances | **1,791,000** | 918,200 | **-** | - |
| Unutilised reinvestment allowances | **1,129,000** | 1,129,000 | **-** | - |
| | **8,956,820** | 8,282,500 | **120** | 1,300 |

These deferred tax assets are not recognised as it is not probable that taxable profits will be available against which the temporary differences can be utilised.

## 12. AMOUNT OWING BY A RELATED PARTY

| | Group/Company | |
|---|---|---|
| | **2009 RM** | 2008 RM |
| Non-Current Assets | **19,873,382** | - |
| Current Assets - Other receivables (note 16) | **7,835,152** | - |

This relates to amount owing by a corporation in which certain Directors have interest in relation to the disposal of a subsidiary company. This amount is unsecured, repayable on a deferred basis and bears effective interest at a rate of 6.75% (2008 : Nil) per annum.

## 13. PROPERTY DEVELOPMENT COSTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| At cost, | | |
| Leasehold land | **4,778,456** | 4,778,456 |
| Development costs | | |
| At beginning of the year | **45,225,046** | 43,207,630 |
| Additions during the year | **5,448** | 2,017,416 |
| At end of the year | **45,230,494** | 45,225,046 |
| | **50,008,950** | 50,003,502 |
| Less: Cost recognised as an expense in income statement | | |
| - previous years | **(37,998,089)** | (28,199,610) |
| - current year | **(1,655,905)** | (9,798,479) |
| | **(39,653,994)** | (37,998,089) |
| | **10,354,956** | 12,005,413 |
| Disposal of a subsidiary company (note 36) | **(10,354,956)** | - |
| | **-** | 12,005,413 |

The land measuring 13.47 acres, is part of a portion of the leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah as mentioned in note 7.

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| At cost, | | |
| Finished goods | **22,909,961** | 58,736,075 |
| Raw materials | **14,370,536** | 53,020,678 |
| Work-in-progress | **8,535,434** | 21,382,895 |
| Goods-in-transit | **2,291,613** | 2,642,048 |
| Spare parts and consumables | **450,175** | 506,946 |
| | **48,557,719** | 136,288,642 |
| At net realisable value, | | |
| Finished goods | **462,079** | 1,862,834 |
| Raw materials | **137,701** | 5,200,673 |
| Goods-in-transit | **-** | 650,793 |
| | **599,780** | 7,714,300 |
| | **49,157,499** | 144,002,942 |

## 15. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Trade receivables | **38,927,196** | 111,211,308 |
| Less: Allowance for doubtful debts | **(3,406,969)** | (3,089,601) |
| | **35,520,227** | 108,121,707 |

The Group's normal trade credit term ranges from 30 to 90 days.

## 15. TRADE RECEIVABLES (CONT'D)

The foreign currency exposure profile is as follows:-

| | Functional Currencies of Group | | |
|---|---|---|---|
| | Ringgit Malaysia RM | Chinese Renminbi RM | Total RM |
| **2009** | | | |
| British Pound | **447,279** | **-** | **447,279** |
| Euro | **34,352** | **-** | **34,352** |
| Singapore Dollar | **902,392** | **-** | **902,392** |
| United States Dollar | **3,118,778** | **369,878** | **3,488,656** |
| | **4,502,801** | **369,878** | **4,872,679** |
| 2008 | | | |
| British Pound | 1,470,857 | - | 1,470,857 |
| Euro | 1,207,494 | - | 1,207,494 |
| Singapore Dollar | 3,313,502 | - | 3,313,502 |
| United States Dollar | 16,747,800 | 106,617 | 16,854,417 |
| | 22,739,653 | 106,617 | 22,846,270 |

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Other receivables | **9,335,483** | 1,818,069 | **7,837,700** | 33,618 |
| Sundry deposits | **2,315,643** | 2,157,003 | **75,222** | 75,222 |
| Prepayments | **725,133** | 526,616 | **36,711** | 197 |
| | **12,376,259** | 4,501,688 | **7,949,633** | 109,037 |

Included in other receivables of the Group and of the Company is an amount of RM7,835,152 (2008 : Nil) owing by a corporation in which certain Directors have interest in relation to the disposal of a subsidiary company. This amount is unsecured and bears effective interest at a rate of 6.75% (2008 : Nil) per annum.

## 17. TAX ASSETS

This is in respect of tax instalments paid in advance and tax recoverable from Inland Revenue Board ("IRB").

Included in tax assets of the Group in previous financial year was an amount of RM1,244,709 in respect of payments for additional tax assessment due to the disallowance of certain allowances claimed by a subsidiary company. The subsidiary company has appealed to the Special Commissioners of Income Tax and IRB has refunded the said amount to the subsidiary company during the current financial year.

## 18. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Amount owing by subsidiary companies | **68,385,392** | 87,961,288 |
| Less: Allowance for doubtful debts | **(11,332,769)** | (200,000) |
| | **57,052,623** | 87,761,288 |

These amounts owing by/(to) subsidiary companies are non-trade in nature, unsecured, interest free and repayable on demand by cash.

The foreign currency exposure profile is as follows:-

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| United States Dollar | **11,079,686** | 18,076,804 |

## 19. AMOUNTS OWING BY ASSOCIATED COMPANIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Amount owing by associated companies | **2,784,131** | 1,842,037 |
| Less: Allowance for doubtful debts | **(52,977)** | (52,977) |
| | **2,731,154** | 1,789,060 |

These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

## 19. AMOUNTS OWING BY ASSOCIATED COMPANIES (CONT'D)

The foreign currency exposure profile is as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| United States Dollar | **3,356** | 3,102 |
| Chinese Renminbi | **2,727,798** | 1,785,958 |
| | **2,731,154** | 1,789,060 |

## 20. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Included in deposits with licensed financial institutions of the Group and of the Company are amounts of RM2,035,000 (2008 : RM5,414,953) and Nil (2008 : RM2,474,953) respectively pledged to licensed banks as securities for banking facilities granted to subsidiary companies.

The deposits of the Group and of the Company bear effective interest at rates ranging from 0.03% to 2.00% (2008 : 1.30% to 3.70%) and 1.10% to 2.00% (2008 : 2.90% to 3.00%) per annum respectively.

Included in cash deposits of the Group is a foreign currency exposure to United States Dollar amounting to RM6,184,290 (2008 : Nil).

## 21. SHARE CAPITAL

| | Group/Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Authorised: | | |
| 200,000,000 ordinary shares of RM1 each | **200,000,000** | 200,000,000 |
| Issued and fully paid: | | |
| 85,162,500 ordinary shares of RM1 each | **85,162,500** | 85,162,500 |

The number of issued and fully paid ordinary shares with voting rights as at the financial year end are as follows:-

| | Group/Company | |
|---|---|---|
| | **2009** | 2008 |
| | Number of Shares | |
| Issued and fully paid ordinary shares of RM1 each | | |
| Total number of issued and fully paid ordinary shares | **85,162,500** | 85,162,500 |
| Less: Ordinary shares held as treasury shares (note 22) | **(1,279,700)** | (1,279,700) |
| | **83,882,800** | 83,882,800 |

## 22. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| **Distributable** | | | | |
| Retained earnings | **54,742,930** | 92,753,413 | **17,304,154** | 3,201,549 |
| **Non-distributable** | | | | |
| Share premium | **28,989,335** | 28,989,335 | **28,989,335** | 28,989,335 |
| Translation reserve | **1,890,771** | 2,310,392 | **-** | - |
| Reserves of subsidiary companies* | **242,123** | 212,738 | **-** | - |
| | **31,122,229** | 31,512,465 | **28,989,335** | 28,989,335 |
| Treasury shares | **(1,225,544)** | (1,225,544) | **(1,225,544)** | (1,225,544) |
| | **84,639,615** | 123,040,334 | **45,067,945** | 30,965,340 |

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements and are not distributable as cash dividends.

| | Group/Company | | | |
|---|---|---|---|---|
| | **Number of Shares** | **2009 RM** | Number of Shares | 2008 RM |
| **Treasury Shares** | | | | |
| Shares repurchased | | | | |
| At beginning and end of the year | **1,279,700** | **1,225,544** | 1,279,700 | 1,225,544 |

There were no shares repurchased during the financial year.

No resale, cancellation or distribution of treasury shares were made during the financial year.

## 23. TERM LOANS

| | Group 2009 RM | 2008 RM |
|---|---|---|
| **Secured:** | | |
| **Current Liabilities** | | |
| Repayable within 1 year (note 28) | **3,041,444** | 2,928,300 |
| **Non-Current Liabilities** | | |
| Repayable after 1 year but not later than 2 years | **3,169,473** | 3,041,444 |
| Repayable after 2 years but not later than 3 years | **1,341,684** | 3,169,473 |
| Repayable after 3 years but not later than 4 years | **-** | 1,341,683 |
| | **4,511,157** | 7,552,600 |
| | **7,552,601** | 10,480,900 |

The term loans of the Group bear effective interest at rates ranging from 6.50% to 7.30% (2008 : 6.50% to 8.50%) per annum and are secured as follows:-

(a) a fixed charge on plant and machinery as disclosed in note 4; and

(b) corporate guarantee from the Company.

## 24. HIRE PURCHASE PAYABLES

| | Group 2009 RM | 2008 RM |
|---|---|---|
| Total instalment payables | **63,604** | 124,397 |
| Less: Future finance charges | **(3,983)** | (7,981) |
| Total present value of hire purchase liabilities | **59,621** | 116,416 |

## 24. HIRE PURCHASE PAYABLES (CONT'D)

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Current Liabilities** | | |
| Payable within 1 year | | |
| Total instalment payables | **22,452** | 60,792 |
| Less: Future finance charges | **(2,289)** | (3,998) |
| Present value of hire purchase liabilities (note 28) | **20,163** | 56,794 |
| **Non-Current Liabilities** | | |
| Payable after 1 year but not later than 5 years | | |
| Total instalment payables | **41,152** | 63,605 |
| Less: Future finance charges | **(1,694)** | (3,983) |
| Present value of hire purchase liabilities | **39,458** | 59,622 |
| Total present value of hire purchase liabilities | **59,621** | 116,416 |

The maturity profile of the hire purchase payable is as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Payable within 1 year | **20,163** | 56,794 |
| Payable after 1 year but not later than 2 years | **21,126** | 20,163 |
| Payable after 2 years but not later than 3 years | **18,332** | 21,127 |
| Payable after 3 years but not later than 4 years | **-** | 18,332 |
| | **59,621** | 116,416 |

The hire purchase payables bear effective interest at a rate of 4.64% (2008 : 4.64% to 6.54%) per annum.

## 25. TRADE PAYABLES

In the previous financial year, included in trade payables of the Group were amounts in a subsidiary company which is disposed during the current financial year as follows:-

(a) RM2,690,098 being progress billings in respect of property development costs; and

(b) retention sum amounted to RM1,139,008 in respect of property development costs.

The normal trade credit term granted by trade payables to the Group ranges from 30 to 90 days.

The foreign currency exposure profile is as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Japanese Yen | **-** | 15,614 |
| United States Dollar | **-** | 9,286,552 |
| Singapore Dollar | **-** | 7,240 |
| | **-** | 9,309,406 |

## 26. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Other payables | **4,176,880** | 33,821,259 | **99,530** | 91,829 |
| Deposits received | **22,000** | 22,000 | **-** | - |
| Accruals | **6,875,825** | 9,524,317 | **158,679** | 179,710 |
| | **11,074,705** | 43,367,576 | **258,209** | 271,539 |

Included in other payables:-

(a) of the Group and of the Company are amounts of RM33,242 (2008 : RM33,242) and RM17,020 (2008 : RM17,020) respectively due to a corporation in which certain directors have interest; and

(b) of the Group is an amount of RM20,863 (2008 : RM20,863) due to corporate shareholders of subsidiary companies.

In the previous financial year, included in other payables of the Group were amounts in a subsidiary company which is disposed during the current financial year as follows:-

(a) an amount of RM8,645,490 due to a corporate shareholder;

(b) an amount of RM15,900,000 due to a subsidiary company of a corporate shareholder in respect of outstanding purchase consideration for the Group's development land; and

(c) an amount of RM2,267,401 due to a subsidiary company of a corporate shareholder.

These amounts are unsecured, interest free and repayable on demand by cash.

## 26. OTHER PAYABLES AND ACCRUALS (CONT'D)

The foreign currency exposure profile is as follows:-

| | Functional Currencies of Group | | |
|---|---|---|---|
| | Ringgit Malaysia RM | Chinese Renminbi RM | Total RM |
| **2009** | | | |
| United States Dollar | **15,355** | **39,529** | **54,884** |
| 2008 | | | |
| United States Dollar | 74,781 | - | 74,781 |

## 27. PROVISION

The Group entered into a structured foreign exchange contract to hedge its United States Dollar ("USD") sales and to limit exposure to potential changes in foreign exchange rate with respect to USD estimated receipts. The structured foreign exchange contract is regarded by management as onerous as the expected economic benefits from the underlying transactions hedged are lower than the marked-to-market losses of the structured foreign exchange contract using listed market prices.

| | Group **2009** **RM** |
|---|---|
| At beginning of the year | **3,018,000** |
| Provision made | **3,282,000** |
| At end of the year | **6,300,000** |

## 28. OTHER BORROWINGS

| | Group 2009 RM | Group 2008 RM |
|---|---|---|
| **Secured** | | |
| Hire purchase payables (note 24) | **20,163** | 56,794 |
| Term loans (note 23) | **3,041,444** | 2,928,300 |
| | **3,061,607** | 2,985,094 |
| **Unsecured** | | |
| Trade financing facilities | **29,773,244** | 107,548,863 |
| | **32,834,851** | 110,533,957 |

The unsecured trade financing facilities bear interest at rates ranging from 3.06% to 5.11% (2008 : 3.50% to 5.29%) per annum and are supported by corporate guarantee from the Company and a subsidiary company. The interest rates, securities and repayment terms of the term loans of the Group are disclosed in note 23.

The foreign currency exposure profile is as follows:-

| | Group 2009 RM | Group 2008 RM |
|---|---|---|
| United States Dollar | **-** | 22,501,863 |

## 29. REVENUE

| | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|
| Sale of goods | **320,551,979** | 442,077,970 | **-** | - |
| Dividend revenue | **-** | - | **22,525,000** | 4,696,125 |
| | **320,551,979** | 442,077,970 | **22,525,000** | 4,696,125 |

## 30. DIRECT OPERATING COSTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Costs of goods sold | **342,140,790** | 407,597,498 |
| Others | **68,835** | 82,556 |
| | **342,209,625** | 407,680,054 |

## 31. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting):-

(a) Directors' remuneration

**Executive Directors**

Tan Sri Dr. Chen Lip Keong
Puan Sri Lee Chou Sarn
Chua Tiam Wee (alternate director to Puan Sri Lee Chou Sarn) (Retired on 1.2.09)
Chen Yiy Hwuan
Chen Yiy Fon

**Non-Executive Directors**

Tan Sri Dato' Sulaiman bin Sujak
Dato' Dr. Abdul Razak bin Abdul
Datuk Wan Kassim bin Ahmed
Lim Mun Kee

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Directors' fees<br>- Non-Executive Directors | **213,000** | 208,750 | **213,000** | 208,750 |
| Other emoluments consist of salary, bonus, employees provident fund and allowances<br>- Executive Directors | **1,308,697** | 1,572,041 | **-** | - |
| Benefits-in-kind<br>- estimated monetary value of other benefits<br>- Executive Directors | **57,688** | 67,475 | **-** | - |

## 31. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

(Loss)/Profit before taxation is arrived at after charging/(crediting):- (cont'd)

(b) Other items

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Allowance for doubtful debts | **820,204** | 708,511 | **11,132,769** | - |
| Amortisation of prepaid land lease payments | **208,702** | 208,702 | **-** | - |
| Auditors' remuneration | **179,314** | 161,000 | **15,000** | 15,000 |
| Bad debts written off | **44,540** | 31,829 | **-** | - |
| Depreciation of property, plant and equipment | **6,208,886** | 6,756,451 | **6,482** | 11,400 |
| Impairment loss on property, plant and equipment (included in other operating costs) | **746,598** | - | **-** | - |
| Interest expense | **4,256,752** | 3,957,033 | **-** | 59,075 |
| Write down of inventories | **44,316,176** | 3,789,085 | **-** | - |
| Net loss/(gain) on foreign exchange | | | | |
| - realised | **9,322,088** | 361,749 | **-** | 3,980 |
| - unrealised | **(1,147,958)** | 1,508,545 | **(838,366)** | 1,043,825 |
| Property, plant and equipment written off | **1,743** | 8 | **-** | - |
| Provision for losses on structured foreign exchange contract | **3,282,000** | 3,018,000 | **-** | - |
| Rental expenses | | | | |
| - equipment | **27,530** | 26,990 | **-** | - |
| - premises | **1,148,781** | 747,097 | **14,400** | 13,595 |
| Staff costs (note (i)) | **24,699,314** | 25,773,621 | **38,670** | 48,516 |
| Gain on disposal of property, plant and equipment | **(51,854)** | (50,339) | **-** | (31,999) |
| Gain on disposal of a subsidiary company | **(5,042,458)** | (3,186,592) | **(2,559,854)** | - |
| Reversal of allowance for doubtful debts | **(310,376)** | (316,429) | **-** | - |
| Bad debts recovered | **(1,000)** | (1,584) | **-** | - |
| Interest income | | | | |
| - related party | **(1,335,152)** | - | **(1,335,152)** | - |
| - others | **(560,435)** | (345,247) | **(205,922)** | (66,220) |
| Rental income | **(6,869)** | - | **-** | - |
| Reversal of inventories written down | **(147,028)** | (41,183) | **-** | - |

(i) Include in staff costs are:-

| | | | | |
|---|---|---|---|---|
| Contributions to employees provident fund and social security | **2,193,747** | 2,591,184 | **4,947** | 5,489 |

## 32. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Based on results for the year | **(4,644,224)** | 3,574,024 | **-** | 17,500 |
| Deferred tax relating to origination and reversal of temporary differences (note 11) | | | | |
| Deferred tax asssets | **(5,922,000)** | (1,039,700) | **-** | - |
| Deferred tax liabilities | **(4,491,000)** | (1,611,000) | **-** | - |
| | **(10,413,000)** | (2,650,700) | **-** | - |
| | **(15,057,224)** | 923,324 | **-** | 17,500 |
| Discontinued operations (note 33) | **(40,160)** | (382,433) | **-** | - |
| Overprovision in prior year | **(5,065)** | (437,439) | **(1,581)** | (382) |
| Tax (credit)/expense | **(15,102,449)** | 103,452 | **(1,581)** | 17,118 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008 : 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:-

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : 26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

The reconciliations from the tax amount at statutory tax rate to the Group's and the Company's tax expense are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| (Loss)/Profit before taxation | **(53,814,566)** | 3,433,191 | **15,359,266** | 2,721,628 |
| Taxation at Malaysian statutory tax rate at 25% (2008 : 26%) | **(13,453,600)** | 892,600 | **3,839,800** | 707,600 |
| Effect of lower tax rate for Malaysian subsidiary companies with issued and fully paid share capital of RM2.5 million and below | **-** | (44,702) | **-** | - |
| Effect of different tax rates in foreign jurisdiction | **(5,900)** | (255,900) | **-** | - |
| Balance carried down | **(13,459,500)** | 591,998 | **3,839,800** | 707,600 |

**32. TAXATION (CONT'D)**

The reconciliations from the tax amount at statutory tax rate to the Group's and the Company's tax expense are as follows:- (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Balance brought down | **(13,459,500)** | 591,998 | **3,839,800** | 707,600 |
| Tax effect of non-taxable income | **(1,758,800)** | (622,731) | **(980,800)** | (1,162,500) |
| Tax effect of non-deductible expenses | **640,019** | 894,255 | **2,953,500** | 472,400 |
| Share of tax of associated companies | **(500,300)** | (223,300) | **-** | - |
| Double deduction incentives | **(42,600)** | (60,100) | **-** | - |
| Deferred tax assets not recognised during the year | **189,000** | 58,000 | **-** | - |
| Utilisation of current year's tax losses under group relief | **-** | - | **(5,812,500)** | - |
| Utilisation of deferred tax assets previously not recognised | **(20,400)** | (41,800) | **-** | - |
| Deferred tax liabilities (over)/underprovided in prior year | **(144,190)** | 203,663 | **-** | - |
| Overprovision of income tax in prior years | **(5,065)** | (437,439) | **(1,581)** | (382) |
| Reduction in opening deferred tax resulting from reduction in tax rates | **-** | (259,800) | **-** | - |
| Others | **(613)** | 706 | **-** | - |
| Tax (credit)/expense | **(15,102,449)** | 103,452 | **(1,581)** | 17,118 |

Included in the tax expense of the Company is tax savings amounting to RM5,812,500 (2008 : Nil) from utilisation of current year's tax losses under group relief.

The Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,254,000 (2008 : RM10,254,000).

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2009, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM15,139,000 (2008 : RM15,139,000) out of its retained earnings. If the balance of the retained earnings of RM2,165,000 (2008 : Nil) were to be distributed as dividends, the Company may distribute such dividend under the single tier system.

## 33. DISCONTINUED OPERATIONS

On 7 August 2008, the Company announced the decision to dispose its subsidiary company, Beribu Ukiran Sdn. Bhd. ("BUSB"), which is involved in the property development. The comparative consolidated income statement has been re-presented to show the discontinued operations separately from continuing operations. During the financial year, the disposal of BUSB was completed by the Company as disclosed in notes 36 and 42.

In the previous financial year, the Company announced on 27 April 2007 the decision to dispose its subsidiary company, Kanzen TPCO Ltd. ("KTPCO"), which is involved in the manufacturing of stainless steel welded pipes and butt-weld fittings in Tianjin, The People's Republic of China. The assets and liabilities of KTPCO have been presented on the consolidated balance sheet as a disposal group held for sale and results from this subsidiary company is presented separately on the consolidated income statement as discontinued operations. The disposal of KTPCO was completed by the Group as disclosed in note 36.

(a) The results of the discontinued operations are as follows:-

| | Group | |
|---|---|---|
| | | Restated |
| | **2009** | 2008 |
| | **RM** | RM |
| Revenue | **1,857,632** | 13,823,031 |
| Direct operating costs | **(1,655,905)** | (11,742,811) |
| Gross profit | **201,727** | 2,080,220 |
| Other operating income | **3,820** | 482,155 |
| Selling and distribution costs | **-** | (7,674) |
| Administrative costs | **(4,747)** | (306,908) |
| Other operating costs | **-** | (134,002) |
| | **(4,747)** | (448,584) |
| Profit from discontinued operations | **200,800** | 2,113,791 |
| Finance costs | **-** | (109,042) |
| Profit before taxation | **200,800** | 2,004,749 |
| Taxation | **(40,160)** | (382,433) |
| **Profit for the year from discontinued operations** | **160,640** | 1,622,316 |
| Attributable to:- | | |
| Equity holders of the Company | **96,384** | 973,389 |
| Minority interest | **64,256** | 648,927 |
| | **160,640** | 1,622,316 |

## 33. DISCONTINUED OPERATIONS (CONT'D)

(a) The results of the discontinued operations are as follows:- (cont'd)

The following amounts have been included in arriving at profit before taxation of the discontinued operations:-

| | Group | |
|---|---|---|
| | | Restated |
| | **2009** | 2008 |
| | **RM** | RM |
| Amortisation of prepaid land lease payments | **-** | 1,269 |
| Auditors' remuneration | **-** | 17,718 |
| Depreciation of property, plant and equipment | **-** | 127,231 |
| Interest expense | **-** | 102,220 |
| Interest income | **(1,345)** | (2,720) |
| Net gain on foreign exchange - realised | **-** | (305,643) |

(b) The cash flows attributable to the discontinued operations are as follows:-

| | Group | |
|---|---|---|
| | | Restated |
| | **2009** | 2008 |
| | **RM** | RM |
| Operating cash flows | **(365,057)** | 619,648 |
| Investing cash flows | **-** | (9,596) |
| Financing cash flows | **-** | 11,463,802 |
| Total cash flows | **(365,057)** | 12,073,854 |

## 34. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year. Diluted earnings per share are not disclosed as the Group does not have any dilutive instrument.

| | Group | |
|---|---|---|
| | | Restated |
| | **2009** | 2008 |
| | **RM** | RM |
| (Loss)/Profit from continuing operations attributable to equity holders of the Company | **(36,819,240)** | 3,673,759 |
| Profit from discontinued operations attributable to equity holders of the Company | **96,384** | 973,389 |
| (Loss)/Profit attributable to equity holders of the Company | **(36,722,856)** | 4,647,148 |

## 34. (LOSS)/EARNINGS PER SHARE (CONT'D)

| | Group 2009 | Group 2008 |
|---|---|---|
| Number of ordinary shares in issue | **83,882,800** | 83,882,800 |

| | Group 2009 sen | Group Restated 2008 sen |
|---|---|---|
| Basic (loss)/earnings per share for:- | | |
| (Loss)/Profit from continuing operations | **(43.89)** | 4.38 |
| Profit from discontinued operations | **0.11** | 1.16 |
| (Loss)/Profit for the year | **(43.78)** | 5.54 |

## 35. DIVIDENDS

| | Dividends in respect of financial year 2008 RM | Dividends in respect of financial year 2007 RM | Dividends recognised in financial year 2009 RM | Dividends recognised in financial year 2008 RM |
|---|---|---|---|---|
| Final dividend of 2% less 25% taxation on 83,882,800 ordinary shares (1.5 sen per ordinary share) | 1,258,242 | - | **1,258,242** | - |
| Final tax exempt dividend of 4% on 83,882,800 ordinary shares (4 sen per ordinary share) | - | 3,355,312 | **-** | 3,355,312 |
| | 1,258,242 | 3,355,312 | **1,258,242** | 3,355,312 |

The Directors do not recommend any dividend for the current financial year.

## 36. DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year, the Company disposed of its entire 60% equity in its subsidiary company, BUSB, which is involved in the property development as disclosed in note 8 for a sale consideration of RM3,160,934.

In the previous financial year, the Group completed the disposal of its entire 60% registered shareholding in its subsidiary company, KTPCO, which is involved in the manufacturing of stainless steel welded pipes and butt-weld fittings in Tianjin, The People's Republic of China for a sale consideration of USD4,351,285.

## 36. DISPOSAL OF SUBSIDIARY COMPANIES (CONT'D)

(a) The effect of the disposal on the consolidated financial position of the Group as at the date of disposal was as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Land held for property development (note 7) | **54,898,558** | - |
| Deferred tax assets (note 11) | **8,100** | - |
| Property, plant and equipment | **-** | 40,385,589 |
| Prepaid land lease payments | **-** | 695,488 |
| Property development costs (note 13) | **10,354,956** | - |
| Inventories | **-** | 7,646,763 |
| Trade and other receivables | **12,420,488** | 8,668,683 |
| Deposit, cash and bank balances | **1,052,156** | 8,192,719 |
| Trade and other payables | **(40,274,452)** | (20,420,347) |
| Amount owing to holding company | **(33,373,444)** | - |
| Amount owing to a related company | **(2,698)** | - |
| Bank borrowings | **-** | (23,000,000) |
| Taxation | **(660,775)** | - |
| Net assets disposed of | **4,422,889** | 22,168,895 |
| Less: Minority interest | **(1,769,156)** | (8,867,560) |
| Realisation of translation reserves | **-** | (1,521,828) |
| Share of net assets disposed of | **2,653,733** | 11,779,507 |
| Less: Realisation of interest income (note 7) | **(4,535,257)** | - |
| Gain on disposal of subsidiary companies | **5,042,458** | 3,186,592 |
| Net proceeds from disposal of subsidiary companies | **3,160,934** | 14,966,099 |
| Less: Deposit, cash and bank balances of subsidiary companies disposed of | **(1,052,156)** | (8,192,719) |
| Effect of disposal of subsidiary companies, net of cash disposed | **2,108,778** | 6,773,380 |

(b) The disposal had the following effect on the financial results of the Group:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Total disposal proceeds | **3,160,934** | 15,018,425 |
| Less: Incidental expenses incurred | **-** | (52,326) |
| Net proceeds from disposal of subsidiary companies | **3,160,934** | 14,966,099 |
| Less: Share of net assets disposed of | **(2,653,733)** | (11,779,507) |
| Add: Realisation of interest income | **4,535,257** | - |
| Gain on disposal of subsidiary companies | **5,042,458** | 3,186,592 |

## 37. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Cash and bank balances | **6,687,460** | 16,811,283 | **81,765** | 50,751 |
| Cash held under housing development account | **-** | 50,505 | **-** | - |
| Deposits with licensed financial institutions | **34,831,356** | 11,018,485 | **14,003,535** | 2,474,953 |
| | **41,518,816** | 27,880,273 | **14,085,300** | 2,525,704 |

Deposits with licensed financial institutions which are not freely available for the Group and the Company's use are as disclosed in note 20.

In the previous financial year, cash held under housing development account of the Group amounting to RM50,505 is not freely available to the Group and is maintained pursuant to the requirements of the Housing Developers (Housing Development Account) Regulations, 1991.

The cash and bank balances bear effective interest at rates ranging from 0.01% to 0.72% (2008 : 0.72%) per annum.

The foreign currency exposure profile is as follows:-

| | ← Functional Currencies of Group → | | | |
|---|---|---|---|---|
| | Ringgit Malaysia RM | Chinese Renminbi RM | Hong Kong Dollar RM | Total RM |
| **2009** | | | | |
| Singapore Dollar | **1,968** | **-** | **-** | **1,968** |
| United States Dollar | **6,659,556** | **19,975** | **158,099** | **6,837,630** |
| Chinese Renminbi | **5,309** | **-** | **-** | **5,309** |
| Others | **9,613** | **-** | **-** | **9,613** |
| | **6,676,446** | **19,975** | **158,099** | **6,854,520** |
| 2008 | | | | |
| Singapore Dollar | 85,551 | - | - | 85,551 |
| United States Dollar | 11,446 | 16,564 | 7,961,164 | 7,989,174 |
| Chinese Renminbi | 1,168 | - | - | 1,168 |
| | 98,165 | 16,564 | 7,961,164 | 8,075,893 |

## 37. CASH AND CASH EQUIVALENTS (CONT'D)

The foreign currency exposure profile is as follows:- (cont'd)

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| United States Dollar | **9,038** | 8,518 |
| Chinese Renminbi | **5,309** | 1,168 |
| | **14,347** | 9,686 |

## 38. CONTINGENT LIABILITIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Secured** | | |
| Placement of fixed deposit by the Company as securities for banking facility granted to a subsidiary company | **-** | 2,100,000 |
| **Unsecured** | | |
| In respect of corporate guarantees by the Company for banking facilities granted to subsidiary companies | **52,856,000** | 139,022,000 |
| | **52,856,000** | 141,122,000 |

## 39. CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Capital expenditure | | |
| - Approved but not contracted for | **3,797,900** | 13,983,378 |
| - Approved and contracted for | **263,482** | - |
| | **4,061,382** | 13,983,378 |

## 40. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company 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 subsidiary companies, associated companies, Directors, key management personnel and companies in which certain Directors have interest.

(b) Significant intra-group transactions are as follows:-

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Trade** | | |
| Dividend revenue received from subsidiary companies | **(22,525,000)** | (4,696,125) |
| **Non-Trade** | | |
| Secretarial fees paid to a subsidiary company | **24,000** | 24,000 |
| Acquisition of a subsidiary company from a subsidiary company | **1,315,000** | - |
| Interest income receivable from a related party | **(1,335,152)** | - |

(c) Significant transactions with related parties are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Trade** | | |
| Project management and marketing fees paid and payable to a subsidiary company of a corporate shareholder in which certain Directors of the Company have interest | **-** | 218,408 |
| **Non-Trade** | | |
| IT infrastructure charges paid to a corporate shareholder of a subsidiary company | **-** | 112,537 |

Information regarding outstanding balances arising from related party transactions as at 30 June 2009 are disclosed in notes 12, 16, 18, 19, 25 and 26.

## 40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(d) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any Executive Director of the Group.

The remunerations of the key management are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Short-term employees benefits | **1,218,493** | 1,457,777 |
| Post-employment benefits | **90,204** | 114,264 |
| Estimated monetary value of benefits-in-kind | **57,688** | 67,475 |
| | **1,366,385** | 1,639,516 |

## 41. SEGMENT INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing assets and revenue, interest bearing loans and expenses and tax assets, liabilities and expense.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one accounting period.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

**Business Segments**

The Group comprises the following four major business segments:-

(i) Steel manufacturing - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes, trading in stainless steel plates, providing slitting and shearing services.

(ii) Bedding - manufacturing and marketing of mattresses, bedding related products, furniture and steel wire.

(iii) Other operations - investment holding, provision of management and secretarial services and supply of electricity and steam.

(iv) Property development - property development.

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

**Geographical Segments**

The Group operates in three principal geographical areas of the world:-

(i) Malaysia - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes, trading in stainless steel plates, providing slitting and shearing services, mattresses, bedding related products, investment holding, provision of management and secretarial services and property development.

(ii) The People's Republic of China - manufacturing of stainless steel welded pipes and butt-weld fittings, mattresses, bedding related products, furniture, steel wire and supply of electricity and steam.

(iii) Hong Kong - investment holding.

**(a) Primary Reporting Format - Major Business Segments**

| | <— Continuing Operations | | | —> | | Discontinued Operation | |
|---|---|---|---|---|---|---|---|
| | Steel Manufacturing RM | Bedding RM | Other Operations RM | Elimina-tions RM | Consolidated RM | Property Development RM | Consolidated RM |
| **2009** | | | | | | | |
| **Revenue** | | | | | | | |
| External revenue | **257,536,404** | **63,015,575** | **-** | **-** | **320,551,979** | **1,857,632** | **322,409,611** |
| Inter-segment revenue | **-** | **-** | **82,000** | **(82,000)** | **-** | **-** | **-** |
| Total revenue | **257,536,404** | **63,015,575** | **82,000** | **(82,000)** | **320,551,979** | **1,857,632** | **322,409,611** |
| **Result** | | | | | | | |
| Segment result | **(60,720,630)** | **1,988,100** | **5,278,130** | **-** | **(53,454,400)** | **199,455** | **(53,254,945)** |
| Interest expense | | | | | **(4,256,752)** | **-** | **(4,256,752)** |
| Interest income | | | | | **1,895,587** | **1,345** | **1,896,932** |
| Share of associated companies results after tax | **-** | **-** | **2,000,999** | **-** | **2,000,999** | **-** | **2,000,999** |
| Taxation | | | | | **15,102,449** | **(40,160)** | **15,062,289** |
| (Loss)/Profit after taxation but before minority interest | | | | | **(38,712,117)** | **160,640** | **(38,551,477)** |
| Minority interest | | | | | **1,892,877** | **(64,256)** | **1,828,621** |
| (Loss)/Profit for the year attributable to equity holders of the Company | | | | | **(36,819,240)** | **96,384** | **(36,722,856)** |

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

### (a) Primary Reporting Format - Major Business Segments (cont'd)

| | <—— Continuing Operations | | | | ——> | Discontinued Operation | |
|---|---|---|---|---|---|---|---|
| | Steel Manufacturing RM | Bedding RM | Other Operations RM | Elimina-tions RM | Consolidated RM | Property Development RM | Consolidated RM |
| **2009** | | | | | | | |
| **Other Information** | | | | | | | |
| Segment assets | 132,960,082 | 29,160,655 | 30,948,298 | - | 193,069,035 | - | 193,069,035 |
| Investment in associated companies | - | - | 16,848,304 | - | 16,848,304 | - | 16,848,304 |
| Unallocated corporate assets | | | | | 48,896,739 | - | 48,896,739 |
| Consolidated total assets | | | | | 258,814,078 | - | 258,814,078 |
| Segment liabilities | 10,924,725 | 13,951,929 | 320,987 | - | 25,197,641 | - | 25,197,641 |
| Unallocated corporate liabilities | | | | | 39,785,320 | - | 39,785,320 |
| Consolidated total liabilities | | | | | 64,982,961 | - | 64,982,961 |
| Amortisation of prepaid land lease payments | 182,932 | 25,770 | - | - | 208,702 | - | 208,702 |
| Capital expenditure | 1,111,079 | 371,533 | - | - | 1,482,612 | - | 1,482,612 |
| Depreciation of property, plant and equipment | 5,433,902 | 767,808 | 7,176 | - | 6,208,886 | - | 6,208,886 |
| Impairment loss on property, plant and equipment | 217,414 | 529,184 | - | - | 746,598 | - | 746,598 |
| **Other significant non-cash expenses** | | | | | | | |
| Allowance for doubtful debts | 358,000 | 462,204 | - | - | 820,204 | - | 820,204 |
| Bad debts written off | - | 44,540 | - | - | 44,540 | - | 44,540 |
| Provision for losses on structured foreign exchange contract | 3,282,000 | - | - | - | 3,282,000 | - | 3,282,000 |
| Write down of inventories | 43,954,872 | 361,304 | - | - | 44,316,176 | - | 44,316,176 |

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

### (a) Primary Reporting Format - Major Business Segments (cont'd)

| | <— Continuing Operations | | | | —> | <- Discontinued Operations -> | | |
|---|---|---|---|---|---|---|---|---|
| | Steel Manufacturing RM | Bedding RM | Other Operations RM | Elimina-tions RM | Consolidated RM | Steel Manufacturing RM | Property Development RM | Consolidated RM |
| Restated 2008 | | | | | | | | |
| **Revenue** | | | | | | | | |
| External revenue | 380,395,874 | 61,682,096 | - | - | 442,077,970 | 1,930,080 | 11,892,951 | 455,901,001 |
| Inter-segment revenue | - | - | 84,000 | (84,000) | - | - | - | - |
| Total revenue | 380,395,874 | 61,682,096 | 84,000 | (84,000) | 442,077,970 | 1,930,080 | 11,892,951 | 455,901,001 |
| **Result** | | | | | | | | |
| Segment result | 1,974,858 | 3,094,230 | 1,117,135 | - | 6,186,223 | 201,109 | 1,903,140 | 8,290,472 |
| Interest expense | | | | | (3,957,033) | (102,220) | - | (4,059,253) |
| Interest income | | | | | 345,247 | - | 2,720 | 347,967 |
| Share of associated companies results after tax | - | - | 858,754 | - | 858,754 | - | - | 858,754 |
| Taxation | | | | | (103,452) | - | (382,433) | (485,885) |
| Profit after taxation but before minority interest | | | | | 3,329,739 | 98,889 | 1,523,427 | 4,952,055 |
| Minority interest | | | | | 344,020 | (39,556) | (609,371) | (304,907) |
| Profit for the year attributable to equity holders of the Company | | | | | 3,673,759 | 59,333 | 914,056 | 4,647,148 |

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

### (a) Primary Reporting Format - Major Business Segments (cont'd)

| | <— Continuing Operations | | | | —> | <- Discontinued Operations -> | | |
|---|---|---|---|---|---|---|---|---|
| | Steel Manufacturing RM | Bedding RM | Other Operations RM | Elimina-tions RM | Consolidated RM | Steel Manufacturing RM | Property Development RM | Consolidated RM |
| Restated 2008 | | | | | | | | |
| **Other Information** | | | | | | | | |
| Segment assets | 301,791,629 | 30,367,112 | 10,106,425 | - | 342,265,166 | - | 67,456,259 | 409,721,425 |
| Investment in associated companies | - | - | 16,102,099 | - | 16,102,099 | - | - | 16,102,099 |
| Unallocated corporate assets | | | | | 12,798,864 | - | 913,100 | 13,711,964 |
| Consolidated total assets | | | | | 371,166,129 | - | 68,369,359 | 439,535,488 |
| Segment liabilities | 29,081,808 | 13,268,870 | 343,572 | - | 42,694,250 | - | 34,399,460 | 77,093,710 |
| Unallocated corporate liabilities | | | | | 125,178,010 | - | 866,765 | 126,044,775 |
| Consolidated total liabilities | | | | | 167,872,260 | - | 35,266,225 | 203,138,485 |
| Amortisation of prepaid land lease payments | 182,932 | 25,770 | - | - | 208,702 | 1,269 | - | 209,971 |
| Capital expenditure | 2,897,073 | 592,690 | - | - | 3,489,763 | 9,596 | - | 3,499,359 |
| Depreciation of property, plant and equipment | 5,970,212 | 773,774 | 12,465 | - | 6,756,451 | 127,231 | - | 6,883,682 |
| **Other significant non-cash expenses** | | | | | | | | |
| Allowance for doubtful debts | 275,984 | 432,527 | - | - | 708,511 | - | - | 708,511 |
| Bad debts written off | 31,829 | - | - | - | 31,829 | - | - | 31,829 |
| Provision for losses on structured foreign exchange contract | 3,018,000 | - | - | - | 3,018,000 | - | - | 3,018,000 |
| Write down of inventories | 3,662,422 | 126,663 | - | - | 3,789,085 | - | - | 3,789,085 |

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

### (b) Secondary Reporting Format - Geographical Segments

Segment revenue based on geographical location of its customers:-

| | Continuing Operations | | Discontinued Operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM | **RM** | RM |
| Malaysia | **143,219,387** | 233,724,062 | **1,857,632** | 11,892,951 | **145,077,019** | 245,617,013 |
| Africa | **2,464,079** | 4,792,284 | **-** | - | **2,464,079** | 4,792,284 |
| Asia | **43,850,440** | 66,220,564 | **-** | 157,662 | **43,850,440** | 66,378,226 |
| Australia & New Zealand | **7,860,896** | 18,726,028 | **-** | - | **7,860,896** | 18,726,028 |
| Europe | **10,188,740** | 25,528,482 | **-** | - | **10,188,740** | 25,528,482 |
| North America | **111,028,256** | 91,238,648 | **-** | 1,772,418 | **111,028,256** | 93,011,066 |
| South America | **1,940,181** | 1,847,902 | **-** | - | **1,940,181** | 1,847,902 |
| | **320,551,979** | 442,077,970 | **1,857,632** | 13,823,031 | **322,409,611** | 455,901,001 |

The following is the analysis of the carrying amount of segment assets and capital expenditure, analysed by the Group's geographical segments:-

| | <—— Continuing Operations | | | ——> | Discontinued Operation | |
|---|---|---|---|---|---|---|
| | Malaysia | Hong Kong | The People's Republic of China | Consolidated | Malaysia | Consolidated |
| | RM | RM | RM | RM | RM | RM |
| **2009** | | | | | | |
| Segment assets | **182,552,470** | **159,230** | **10,357,335** | **193,069,035** | **-** | **193,069,035** |
| Investment in associated companies | **16,848,304** | **-** | **-** | **16,848,304** | **-** | **16,848,304** |
| Unallocated corporate assets | | | | **48,896,739** | **-** | **48,896,739** |
| Consolidated total assets | | | | **258,814,078** | **-** | **258,814,078** |
| Capital expenditure | **1,314,179** | **-** | **168,433** | **1,482,612** | **-** | **1,482,612** |

## 41. SEGMENT INFORMATION – GROUP (CONT'D)

### (b) Secondary Reporting Format - Geographical Segments (cont'd)

The following is the analysis of the carrying amount of segment assets and capital expenditure, analysed by the Group's geographical segments:- (cont'd)

| | Continuing Operations | | | | Discontinued Operations | | |
|---|---|---|---|---|---|---|---|
| | Malaysia RM | Hong Kong RM | The People's Republic of China RM | Consolidated RM | Malaysia RM | The People's Republic of China RM | Consolidated RM |
| 2008 | | | | | | | |
| Segment assets | 326,668,318 | 7,962,504 | 7,634,344 | 342,265,166 | 67,456,259 | - | 409,721,425 |
| Investment in associated companies | 16,102,099 | - | - | 16,102,099 | - | - | 16,102,099 |
| Unallocated corporate assets | | | | 12,798,864 | 913,100 | - | 13,711,964 |
| Consolidated total assets | | | | 371,166,129 | 68,369,359 | - | 439,535,488 |
| Capital expenditure | 3,189,842 | - | 299,921 | 3,489,763 | - | 9,596 | 3,499,359 |

## 42. SIGNIFICANT EVENT

The Company completed the disposal of its entire 60% owned subsidiary company, BUSB for a sale consideration of RM3,160,934 on 7 October 2008 and BUSB has since ceased to be a subsidiary of the Company.

## 43. EFFECT OF CHANGE IN ACCOUNTING POLICY

The Group recognised a provision for losses in respect of a structured foreign exchange contract which is regarded by management as onerous as the expected economic benefits from the underlying transactions hedged are lower than the marked-to-market losses of the structured foreign exchange contract using listed market prices. This is in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets. This change in accounting policy has been accounted for retrospectively and comparatives have been restated as disclosed in note 44.

## 44. COMPARATIVE FIGURES

Certain comparative figures have been restated/reclassified as a result of changes in accounting policy as stated in note 43 and to conform to FRS 5. The following tables disclose the effects that have been made to each of the line items in the Group's financial statements.

## 44. COMPARATIVE FIGURES (CONT'D)

| | Group RM |
|---|---|
| **2009** | |
| **Balance Sheet as at 30 June** | |
| Decrease in retained earnings | **(2,461,500)** |
| Increase in deferred tax assets | **820,500** |
| Increase in provision | **3,282,000** |
| **Income Statement for the year ended 30 June** | |
| Increase in other operating costs | **(3,282,000)** |
| Decrease in taxation | **820,500** |
| Increase in loss for the year | **(2,461,500)** |

| | As previously reported RM | FRS 5 RM | Effect of change in accounting policy RM | As restated RM |
|---|---|---|---|---|
| 2008 | | | | |
| **Balance Sheet as at 30 June** | | | | |
| Retained earnings | 95,016,413 | - | (2,263,000) | 92,753,413 |
| Provision | - | - | 3,018,000 | 3,018,000 |
| Deferred tax liabilities | 7,126,000 | - | (755,000) | 6,371,000 |
| **Income Statement for the year ended 30 June** | | | | |
| *Continuing Operations* | | | | |
| Revenue | 453,970,921 | (11,892,951) | - | 442,077,970 |
| Direct operating costs | (417,478,533) | 9,798,479 | - | (407,680,054) |
| Other operating income | 5,857,997 | (17,185) | - | 5,840,812 |
| Administrative costs | (16,065,881) | 71,795 | - | (15,994,086) |
| Other operating costs | (3,435,606) | 134,002 | (3,018,000) | (6,319,604) |
| Taxation | (1,240,885) | 382,433 | 755,000 | (103,452) |
| *Discontinued Operations* | | | | |
| Profit from discontinued operations | 98,889 | 1,523,427 | - | 1,622,316 |

The change in accounting policy had no material impact on earnings per share.

## 45. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure optimal allocation of financial resources for the development of the Group's businesses whilst managing its risks.

The main risks and corresponding management policies arising from the Group and the Company's normal course of business are as follows:-

**i. Foreign Exchange Risk**

Certain foreign exchange exposures are hedged with forward foreign exchange contracts to limit exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:-

| Hedged Item | Currency | Average Contract Rate RM | Total Notional Amounts RM | Maturity Within 1 Year RM |
|---|---|---|---|---|
| Group | | | | |
| **2009** | | | | |
| Export sales | British Pound | **5.3464** | **447,280** | **447,280** |
| Export sales | Singapore Dollar | **2.3969** | **901,601** | **901,601** |
| Export sales | United States Dollar | **3.5190** | **1,684,197** | **1,684,197** |
| Export sales | Euro | **4.9333** | **34,222** | **34,222** |
| 2008 | | | | |
| Export sales | British Pound | 6.2486 | 1,442,302 | 1,442,302 |
| Export sales | Singapore Dollar | 2.3450 | 2,066,961 | 2,066,961 |
| Export sales | United States Dollar | 3.2276 | 16,075,966 | 16,075,966 |
| Export sales | Euro | 4.9145 | 1,005,836 | 1,005,836 |

The net unrecognised loss as at 30 June 2009 on forward contracts used to hedge foreign currency sales are as follows:-

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Net unrecognised loss | **(9,845)** | (256,947) |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (cont'd)

**ii. Structured foreign exchange contracts are as follows:-**

| Description | Notional Amount | Effective Period |
|---|---|---|
| Group | | |
| **2009** | | |
| USD/RM Sale Target Redemption Forward | **USD21.0 million** | **July 2009 to April 2010** |
| 2008 | | |
| USD/RM Purchase Target Redemption Forward | USD22.4 million | July 2008 to July 2009 |
| USD/RM Sale Target Redemption Forward | USD47.0 million | July 2008 to April 2010 |

These were entered into as hedges for USD sales and purchases and to limit the exposure to potential changes in foreign exchange rate with respect to USD estimated receipts and payments. The expected losses on structured foreign exchange contracts are recognised as a provision as disclosed in note 27.

**iii. Interest Rate Risk**

The Group's exposure to interest rate risk relates to interest bearing financial liabilities and financial assets. Interest bearing financial liabilities comprise hire purchase payables, loans and bankers' acceptances. Interest bearing financial assets include deposits which are short term in nature, placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

**iv. Market Risk**

The Group's principal exposure to market risk arises from the quoted investment held for long term purposes. As the amount held is not significant, the exposure to market risk is negligible.

**v. Credit Risk**

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit assessments, approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

**vi. Liquidity and Cash Flow Risks**

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Fair Values

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:-

**i. Cash and Cash Equivalents, Trade and Other Receivables and Payables**
The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

**ii. Quoted Investment**
The fair value of quoted investment is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

**iii. Borrowings and Amount Owing By A Related Party (non-current)**
The carrying amounts of short term bank borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amounts of long term floating rate loans approximate their fair values.

The fair values of non-current amount owing by a related party, hire purchase and fixed rate term loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

**iv. Forward Foreign Exchange Contracts**
The fair values of forward foreign exchange contracts are the amounts that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

The carrying amounts of financial assets and liabilities recognised in the balance sheet approximate their fair values except for the following:-

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | Carrying Amount RM | Fair Value RM | Carrying Amount RM | Fair Value RM |
| **2009** | | | | | |
| Other investments | | | | | |
| - Unquoted investments | 10 | **41,010** | **# -** | **41,010** | **# -** |
| Amount owing by a related party | | | | | |
| (non-current asset) | 12 | **19,873,382** | **17,304,089** | **19,873,382** | **17,304,089** |
| Term loans | 23 | **7,552,601** | **7,133,358** | **-** | **-** |
| Hire purchase payables | 24 | **59,621** | **58,292** | **-** | **-** |
| Forward foreign exchange contracts | 45(a)(i) | **-** | **(9,845)** | **-** | **-** |
| Contingent liabilities | 38 | **-** | *** -** | **-** | *** -** |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Fair Values (cont'd)

The carrying amounts of financial assets and liabilities recognised in the balance sheet approximate their fair values except for the following:- (cont'd)

| | Note | Group Carrying Amount RM | Group Fair Value RM | Company Carrying Amount RM | Company Fair Value RM |
|---|---|---|---|---|---|
| 2008 | | | | | |
| Other investments | | | | | |
| - Quoted investment | 10 | 1,010 | 1,970 | 1,010 | 1,970 |
| - Unquoted investment | 10 | 40,000 | # - | 40,000 | # - |
| Term loans | 23 | 10,480,900 | 10,314,066 | - | - |
| Hire purchase payables | 24 | 116,416 | 115,921 | - | - |
| Forward foreign exchange contracts | 45(a)(i) | - | (256,947) | - | - |
| Contingent liabilities | 38 | - | * - | - | * - |

\# It is not practical to estimate the fair value of the unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

* It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

# LIST OF PROPERTIES
AS AT 30 JUNE 2009

| Location / Address | Description | Area M² (acres) | Approximate age (year) | Existing use | Tenure | Net carrying amount RM '000 | Year of last revaluation |
|---|---|---|---|---|---|---|---|
| K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 4,047 (1) | 31 | Factory Premises | Leasehold for 60 years expiring in 2038 | 833 | 1991 |
| Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 6,070 (1.5) | 29 | Factory Premises | Leasehold for 60 years expiring in 2040 | 1,067 | 1991 |
| Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 4,047 (1) | 29 | Factory Premises | Leasehold for 60 years expiring in 2040 | 416 | 1991 |
| PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 6,070 (1.5) | 23 | Sales Office & Factory Premises | Leasehold for 60 years expiring in 2046 | 909 | 1991 |
| Lot 4 Persiaran Perusahaan Seksyen 23 40708 Shah Alam Selangor Darul Ehsan | Land & Building | 81,520 (20.144) | 19 | Factory & Office Premises | Leasehold for 99 years expiring in 2098 | 37,981 | 1992 |

# SHAREHOLDING STATISTICS

AS AT 22 OCTOBER 2009

## ANALYSIS OF SHAREHOLDINGS

| | | |
|---|---|---|
| Authorised Share Capital | : | RM200,000,000/- divided into 200,000,000 ordinary shares of RM1/- each |
| Issued & Fully Paid-Up | : | RM85,162,500/- divided into 85,162,500 ordinary shares of RM1/- each |
| Class of Share | : | Ordinary Shares of RM1/- each |
| Voting Rights | : | 1 vote per share |

| Size of Holdings | No. of Shareholders | No. of Shares # | % # |
|---|---|---|---|
| 1 – 99 | 88 | 2,477 | 0.00 |
| 100 – 1,000 | 2,045 | 1,966,873 | 2.34 |
| 1,001 – 10,000 | 2,953 | 11,961,484 | 14.26 |
| 10,001 – 100,000 | 534 | 15,163,769 | 18.08 |
| 100,001 – less than 5% | 52 | 20,391,608 | 24.31 |
| 5% and above | 3 | 34,396,589 | 41.01 |
| **Total** | **5,675** | **83,882,800** | **100.00** |

# After deducting 1,279,700 treasury shares retained by the Company as per Record of Depositors.

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name of Shareholders | No. of Shares | % # |
|---|---|---|---|
| 1 | HSBC Nominees (Tempatan) Sdn. Bhd.<br>*Exempt An For JPMorgan Chase Bank, National Association (Tan Sri Dr. Chen Lip Keong)* | 16,925,000 | 20.18 |
| 2 | Permodalan Nasional Berhad | 9,097,200 | 10.85 |
| 3 | OSK Nominees (Asing) Sdn. Berhad<br>*Blue Velvet Property Corp.* | 8,374,389 | 9.98 |
| 4 | HSBC Nominees (Asing) Sdn. Bhd.<br>*HSBC-FS For Asian Emerging Countries Fund* | 2,613,000 | 3.11 |
| 5 | HDM Nominees (Asing) Sdn. Bhd.<br>*Selvione Limited* | 2,525,000 | 3.01 |
| 6 | Sumurwang Capital Sdn. Bhd. | 1,836,000 | 2.19 |
| 7 | Yeoh Kean Hua | 1,414,900 | 1.69 |
| 8 | Goh Leong Chuan | 768,000 | 0.92 |
| 9 | Foo Look Yu | 759,000 | 0.90 |
| 10 | Mayban Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Lee Chee Kong* | 602,700 | 0.72 |
| 11 | Puan Sri Lee Chou Sarn | 505,493 | 0.60 |

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

| No. | Name of Shareholders | No. of Shares | % # |
|---|---|---|---|
| 12 | Teh Bee Gaik | 499,915 | 0.59 |
| 13 | Lee Kok Chong | 499,100 | 0.59 |
| 14 | Quantum Symbol Sdn. Bhd. | 445,500 | 0.53 |
| 15 | TA Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Chai Nam Kiong* | 425,000 | 0.51 |
| 16 | Special Portfolio Sdn. Bhd. | 376,200 | 0.45 |
| 17 | Chong Mee Chen | 376,000 | 0.45 |
| 18 | Tan Kian Aik | 345,000 | 0.41 |
| 19 | Yeoh Chun Heng | 333,000 | 0.40 |
| 20 | Sak Moy @ Sak Swee Len | 324,000 | 0.39 |
| 21 | Public Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Teo Ah Lek (E-TSA)* | 314,900 | 0.37 |
| 22 | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Fong Siling* | 281,500 | 0.34 |
| 23 | George Lee Sang Kian | 242,000 | 0.29 |
| 24 | Tan Kian Chuan | 225,000 | 0.27 |
| 25 | Thun Lian @ Teoh Shok Lian | 220,000 | 0.26 |
| 26 | George Lee Sang Kian | 216,700 | 0.26 |
| 27 | Fong Chong Kam | 210,000 | 0.25 |
| 28 | Mayban Securities Nominees (Tempatan) Sdn. Bhd.<br>*Pledged Securities Account For Teh Choong Weng* | 208,000 | 0.25 |
| 29 | Tan Kok Sing | 200,000 | 0.23 |
| 30 | RHB Nominees (Tempatan) Sdn. Bhd.<br>*RHB Investment Management Sdn. Bhd. For Chong Mee Chen* | 182,700 | 0.22 |
| | **Total** | **51,345,197** | **61.21** |

# SHAREHOLDING STATISTICS
AS AT 22 OCTOBER 2009

### SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | Direct No. of Ordinary Shares held | % # | Indirect No. of Ordinary Shares held | % # |
|---|---|---|---|---|
| Tan Sri Dr. Chen Lip Keong | 16,925,000 *a | 20.18 | - | - |
| Permodalan Nasional Berhad | 9,097,200 | 10.85 | - | - |
| Blue Velvet Property Corp. | 8,374,389 *b | 9.98 | - | - |

**Notes:**

*a The 16,925,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank, National Association.

*b The 8,374,389 ordinary shares are held by OSK Nominees (Asing) Sdn. Berhad

### DIRECTORS AND CEO'S SHAREHOLDINGS

| | Direct No. of Ordinary Shares held | % | Indirect No. of Ordinary Shares held | % # |
|---|---|---|---|---|
| **Directors** | | | | |
| Tan Sri Dato' Sulaiman bin Sujak | - | - | - | - |
| Tan Sri Dr. Chen Lip Keong *b | 16,925,000 *a | 20.18 | - | - |
| Puan Sri Lee Chou Sarn *b | 505,493 | 0.60 | - | - |
| Dato' Dr. Abdul Razak bin Abdul | - | - | - | - |
| Datuk Wan Kassim bin Ahmed | - | - | - | - |
| Chen Yiy Hwuan *b | - | - | - | - |
| Chen Yiy Fon *b | - | - | - | - |
| Lim Mun Kee | - | - | - | - |
| **Chief Executive Officer** | | | | |
| Dr. Loh Yee Feei *c *(Appointed as CEO on 28 October 2009)* | N/A | N/A | N/A | N/A |

N/A Not Applicable

**Notes:**

*a The 16,925,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank, National Association.

*b Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

*c As at 28 October 2009, Dr. Loh Yee Feei does not hold any interest in the securities of FACB Industries Incorporated Berhad or its subsidiaries.

# PROXY FORM

**FACB Industries Incorporated Berhad** (48850-K)
(Incorporated In Malaysia)

| Number of Shares : | CDS Account No. : |
|---|---|

I/We, ______________________________

of ______________________________

being a member of **FACB INDUSTRIES INCORPORATED BERHAD** hereby appoint ______________________________

______________________________

of ______________________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held at Dewan Seri Pinang, Etiqa Twins, Level 3, 11 Jalan Pinang, 50450 Kuala Lumpur on Wednesday, 9 December 2009 at 10.30 a.m. and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Adoption of audited financial statements and reports | | |
| 2 | Approval of Directors' fees | | |
| 3 | Re-appointment of Tan Sri Dato' Sulaiman bin Sujak as Director | | |
| 4 | Re-election of Datuk Wan Kassim bin Ahmed as Director | | |
| 5 | Re-election of Mr Chen Yiy Hwuan as Director | | |
| 6 | Re-election of Mr Lim Mun Kee as Director | | |
| 7 | Re-appointment of Messrs Moore Stephens AC as Auditors | | |
| 8 | Authority pursuant to Section 132D of the Companies Act, 1965 | | |
| 9 | Proposed Renewal of Authority for Share Buy-Back | | |

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Signed this ____________ day of ________________ 2009

______________________________
Signature/Seal of Shareholder

**NOTES:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. Subject to the Companies Act, 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.

4. The Proxy Form must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

Affix Stamp

**THE COMPANY SECRETARY**
**FACB Industries Incorporated Berhad** (48850-K)
Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur