We will continue to drive sound business decision making and innovation planning to optimise the Company's long-term profitable growth, cash flow and total return to shareholders. We embrace the role of change agents, drive long-term value creation and ensure the highest standards for stewardship and governance throughout the company.

09

FINANCIAL REPORT

FINANCIAL CALENDAR

Results

Interim	- announced	27 August 2009
Final	- announced	25 February 2010

Dividends

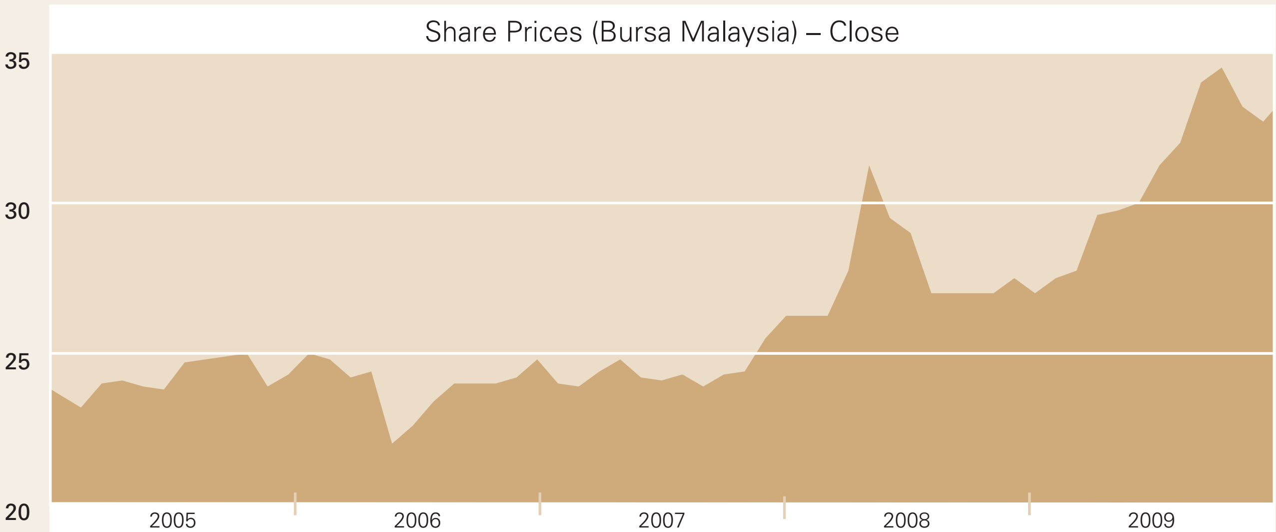
Interim	- record date - paid	17 September 2009 8 October 2009
Final (proposed)	- record date - payable	12 May 2010 26 May 2010

Annual General Meeting 22 April 2010

INSIDE

SHARE PERFORMANCE

	Calendar Year				
	2009	2008	2007	2006	2005
During the year					
Highest - RM	**35.68**	32.00	32.00	26.00	25.75
Lowest - RM	**27.00**	25.50	23.40	21.40	23.00



Based on month-end closing price

GROUP FINANCIAL HIGHLIGHTS

		2009 RM'000	2008 RM'000	+ / (-)
Turnover		**3,744,233**	3,877,068	-3.4%
Earnings / Cash Flow				
Profit before tax		**440,261**	441,353	-0.2%
% of turnover		**11.8%**	11.4%	
Profit after tax and minority interest		**351,793**	340,887	3.2%
% of turnover		**9.4%**	8.8%	
Dividends paid & proposed (net)		**351,750**	448,341	-21.5%
Depreciation of fixed assets [4]		**87,952**	75,159	
Cash flow (net profit + depreciation + amortisation)		**439,745**	416,302	
Capital expenditure		**257,131**	188,055	
Shareholders' funds		**567,179**	515,755	
Personnel	(no.)	**5,442**	5,293	
Factories	(no.)	**7**	7	
Per Share				
Market price [3]	(RM)	**33.10**	27.00	
Earnings [1]	(sen)	**150.02**	145.37	
Price earnings ratio		**22.06**	18.57	
Dividend (net)	(sen)	**150.00**	191.19	
Dividend yield	(%)	**4.5**	7.1	
Dividend cover [1]	(no.)	**1.0**	0.8	
Shareholders' funds	(RM)	**2.42**	2.20	
Net tangible assets [2]	(RM)	**2.16**	1.94	

Notes :

1. Earnings per share and dividend cover are based on profit after tax.
2. Net tangible assets consists of issued share capital plus reserves less intangible assets.
3. The market price represents last done price of the shares quoted on the last trading day of December.
4. The comparative figure for 2008 has been reclassified to conform with the presentation requirements of FRS 117 as explained in note 26 to the financial statements.

5 YEARS' STATISTICS

for the year ended 31 December 2009

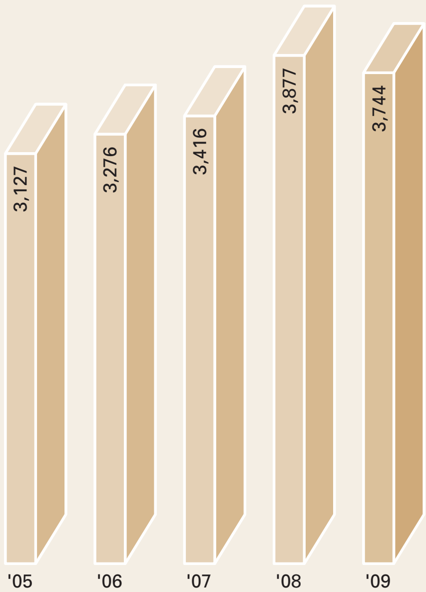
		2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
Turnover		**3,744,233**	3,877,068	3,416,028	3,275,541	3,127,441
Earnings / Cash Flow						
Profit before tax		**440,261**	441,353	395,298	363,285	331,253
% of turnover		**11.8%**	11.4%	11.6%	11.1%	10.6%
Profit after tax and minority interest		**351,793**	340,887	292,042	264,219	266,819
% of turnover		**9.4%**	8.8%	8.5%	8.1%	8.5%
Dividends paid & proposed (net)		**351,750**	448,341	266,889	234,500	199,794
Depreciation of fixed assets [4]		**87,952**	75,159	72,362	70,811	73,517
Cash flow (net profit						
+ depreciation + amortisation)		**439,745**	416,302	371,355	341,412	351,679
% of turnover		**11.7%**	10.7%	10.9%	10.4%	11.2%
Capital expenditure		**257,131**	188,055	102,640	79,065	75,458
Employment of Assets						
Fixed assets (net) [4]		**860,253**	686,459	574,092	546,699	532,215
Associated companies		**3,467**	3,242	3,600	3,417	3,212
Intangible assets		**61,024**	61,024	61,280	66,342	72,724
Deferred tax assets		**7,379**	3,980	2,631	6,709	10,033
Receivables, deposits & prepayments		**22,923**	23,814	22,194	19,414	–
Net current assets/(liabilities) [4]		**58,892**	(148,575)	69,592	133,568	106,957
Total		**1,013,938**	629,944	733,389	776,149	725,141
Financed by						
Share capital		**234,500**	234,500	234,500	234,500	234,500
Reserves		**332,679**	281,255	402,759	324,606	289,552
Total shareholders' funds		**567,179**	515,755	637,259	559,106	524,052
Deferred taxation		**70,309**	56,801	50,630	45,558	32,683
Minority interest		**–**	–	–	–	–
Retirement benefit liabilities		**48,411**	54,698	40,321	64,277	63,929
Borrowings		**328,039**	2,690	5,179	107,208	104,477
Total		**1,013,938**	629,944	733,389	776,149	725,141
Per Share						
Market price [3]	(RM)	**33.10**	27.00	26.25	24.80	24.30
Earnings [1]	(sen)	**150.02**	145.37	124.54	112.67	113.78
Price earnings ratio		**22.06**	18.57	21.08	22.01	21.36
Dividend (net)	(sen)	**150.00**	191.19	113.81	100.00	85.20
Dividend yield	(%)	**4.5**	7.1	4.3	4.0	3.5
Dividend cover [1]	(no.)	**1.0**	0.8	1.1	1.1	1.3
Shareholders' funds	(RM)	**2.42**	2.20	2.72	2.38	2.23
Net tangible assets [2]	(RM)	**2.16**	1.94	2.46	2.10	1.92
Personnel	(no.)	**5,442**	5,293	4,685	4,151	3,818
Factories	(no.)	**7**	7	7	7	7

Notes :

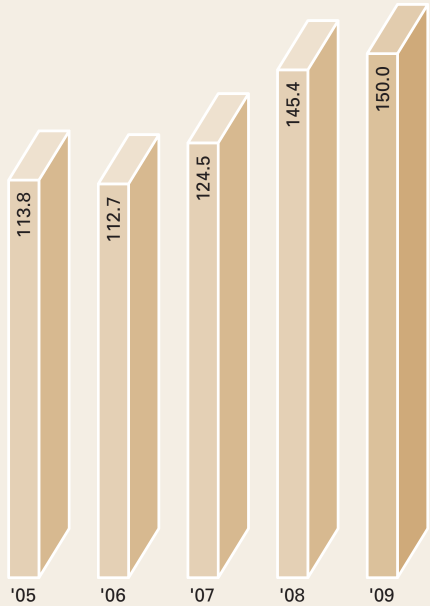
1. Earnings per share and dividend cover are based on profit after tax.
2. Net tangible assets consists of issued share capital plus reserves less intangible assets.
3. The market price represents last done price of the shares quoted on the last trading day of December.
4. The comparative figures have been reclassified to conform with the presentation requirements of FRS 117 as explained in note 26 to the financial statements.

FINANCIAL CHARTS

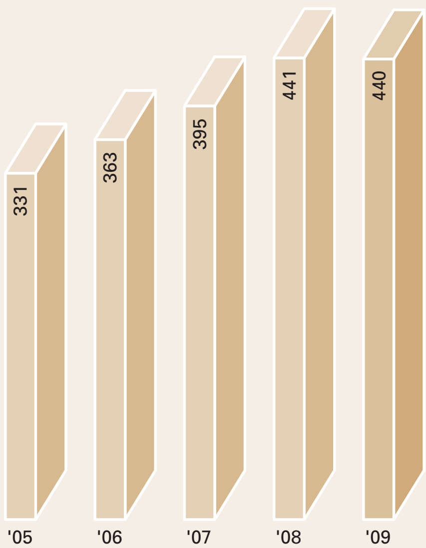
Turnover
(RM million)



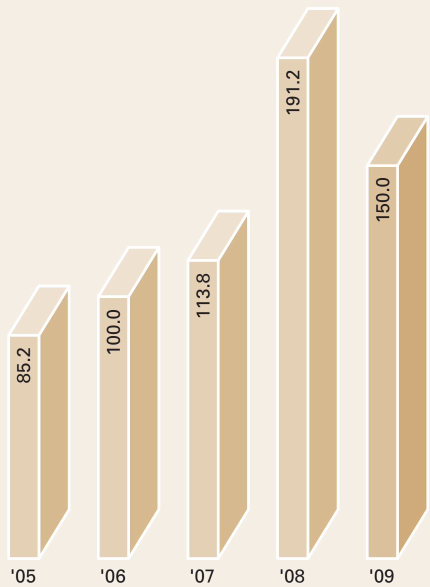
Earnings Per Share
(sen)



Pre-Tax Profit
(RM million)



Net Dividend Per Share
(sen)



DIRECTORS' REPORT

for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is that of an investment holding company, whilst the principal activities of the subsidiaries are as stated in note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to equity holders of the Company	351,793	352,821

Reserves and Provisions

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

Dividends

Since the end of the previous financial year, the Company paid:

(i) a final dividend of 80.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM187,600,000 in respect of the year ended 31 December 2008 on 28 May 2009; and

(ii) an interim dividend of 50.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM117,250,000 in respect of the year ended 31 December 2009 on 8 October 2009.

The final dividend recommended by the Directors in respect of the year ended 31 December 2009 is 100.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM234,500,000.

Directors' Report

for the year ended 31 December 2009

Directors of the Company

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

Director	**Alternate**
Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail *(Chairman)*	
Tan Sri Dato' Ernst Zulliger	
YM Tengku Tan Sri Dr. Mahaleel bin Tengku Ariff	
Mohd. Rafik bin Shah Mohamad	
Datuk Rafiah binti Salim *(appointed on 17.04.2009)*	
Dato' Frits van Dijk	Mr Detlef Krost *(appointed on 01.08.2009)*
	Mr Magdi Batato *(ceased on 31.07.2009)*
Mr Peter Vogt *(appointed on 16.09.2009)*	Mr Marc Seiler *(appointed on 16.09.2009)*
Mr Marc Seiler	Mr Peter Vogt *(appointed on 16.09.2009)*
	Mr Sullivan O'Carroll *(ceased on 15.09.2009)*
Gen. (R) Tan Sri Dato' Mohd. Ghazali Seth *(retired on 16.04.2009)*	
Mr Sullivan O'Carroll *(resigned on 15.09.2009)*	Mr Marc Seiler *(ceased on 15.09.2009)*

Directors' Interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Shareholdings in which Directors have direct interest				
Interest in the Company				
Mohd. Rafik bin Shah Mohamad	27,000	–	–	**27,000**
Dato' Frits van Dijk	8,000	–	–	**8,000**

	Number of ordinary shares of CHF 0.1 each			
	Date of appointment	Bought	Sold	At 31.12.2009
Interest in Nestlé S.A., the holding company				
Mr Peter Vogt	10,450	–	–	**10,450**
Mr Detlef Krost	2,800	–	–	**2,800**

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report

for the year ended 31 December 2009

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Restricted Stock Unit Plan at the holding company.

Issue of Shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other Statutory Information

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

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

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

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

Directors' Report

for the year ended 31 December 2009

Other Statutory Information (Continued)

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

Peter Vogt **Marc Seiler**

Petaling Jaya,
25 February 2010

BALANCE SHEETS

at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000 restated	Company 2009 RM'000	Company 2008 RM'000
Assets					
Property, plant and equipment	3	**860,253**	686,459	**–**	–
Intangible assets	4	**61,024**	61,024	**–**	–
Investments in subsidiaries	5	**–**	–	**188,022**	232,992
Investment in an associate	6	**3,467**	3,242	**3,000**	3,000
Deferred tax assets	7	**7,379**	3,980	**–**	–
Receivables, deposits and prepayments	8	**22,923**	23,814	**–**	–
Total non-current assets		**955,046**	778,519	**191,022**	235,992
Receivables, deposits and prepayments	8	**370,421**	391,483	**314,476**	873,787
Inventories	9	**354,381**	459,489	**–**	–
Current tax assets		**7,118**	5,220	**–**	58
Cash and cash equivalents	10	**25,751**	25,690	**–**	1,042
Total current assets		**757,671**	881,882	**314,476**	874,887
Total assets		**1,712,717**	1,660,401	**505,498**	1,110,879
Equity					
Share capital		**234,500**	234,500	**234,500**	234,500
Reserves		**32,891**	30,186	**33,000**	33,000
Retained earnings		**299,788**	251,069	**235,584**	187,613
Total equity attributable to equity holders of the Company	11	**567,179**	515,755	**503,084**	455,113
Liabilities					
Loans and borrowings	12	**328,039**	2,690	**–**	–
Employee benefits	13	**48,411**	54,698	**–**	–
Deferred tax liabilities	7	**70,309**	56,801	**–**	–
Total non-current liabilities		**446,759**	114,189	**–**	–
Payables and accruals	14	**622,228**	904,368	**469**	655,766
Loans and borrowings	12	**56,458**	105,953	**–**	–
Taxation		**20,093**	20,136	**1,945**	–
Total current liabilities		**698,779**	1,030,457	**2,414**	655,766
Total liabilities		**1,145,538**	1,144,646	**2,414**	655,766
Total equity and liabilities		**1,712,717**	1,660,401	**505,498**	1,110,879

The notes on pages 15 to 55 are an integral part of these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue		**3,744,233**	3,877,068	**355,635**	435,259
Cost of goods sold		**(2,462,739)**	(2,673,318)	**–**	–
Gross profit		**1,281,494**	1,203,750	**355,635**	435,259
Other income		**117**	5,424	**–**	–
Distribution and selling expenses		**(698,203)**	(657,448)	**–**	–
Administrative expenses		**(96,915)**	(84,266)	**(1,207)**	(1,326)
Other expenses		**(25,504)**	(2,930)	**–**	–
Results from operating activities		**460,989**	464,530	**354,428**	433,933
Interest income		**35**	139	**12,631**	28,219
Finance costs		**(21,123)**	(23,091)	**(11,755)**	(25,221)
Operating profit	15	**439,901**	441,578	**355,304**	436,931
Share of profit/(loss) after tax of an equity accounted associate		**360**	(225)	**–**	–
Profit before tax		**440,261**	441,353	**355,304**	436,931
Tax expense	17	**(88,468)**	(100,466)	**(2,483)**	(612)
Profit for the year attributable to equity holders of the Company		**351,793**	340,887	**352,821**	436,319
Basic earnings per ordinary share (sen)	18	**150**	145		

The notes on pages 15 to 55 are an integral part of these financial statements.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Net gain/(loss) on cash flow hedge		**3,607**	(5,214)	**–**	–
Defined benefit plan actuarial gains/(losses)		**2,368**	(17,279)	**–**	–
Tax on income and expense recognised directly in equity	17	**(1,494)**	5,652	**–**	–
Income and expense recognised directly in equity		**4,481**	(16,841)	**–**	–
Profit for the year		**351,793**	340,887	**352,821**	436,319
Total recognised income and expense for the year attributable to equity holders of the Company		**356,274**	324,046	**352,821**	436,319

The notes on pages 15 to 55 are an integral part of these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000 restated	Company 2009 RM'000	Company 2008 RM'000
Cash flows from operating activities					
Profit before tax		**440,261**	441,353	**355,304**	436,931
Adjustments for:					
Amortisation of intangible assets	4	**–**	256	**–**	–
Depreciation of property, plant and equipment	3	**87,952**	75,159	**–**	–
Dividend income		**–**	–	**(355,635)**	(435,259)
Expenses related to defined benefit plans	15	**12,608**	10,709	**–**	–
Finance costs		**21,123**	23,091	**11,755**	25,221
Loss/(Gain) on disposal of property, plant and equipment	15	**3,270**	(1,185)	**–**	–
Interest income		**(35)**	(139)	**(12,631)**	(28,219)
Property, plant and equipment written off	15	**1,227**	208	**–**	–
Share based payments	15	**6,072**	5,285	**–**	–
Share of (profit)/loss of an equity accounted associate		**(360)**	225	**–**	–
Operating profit/(loss) before changes in working capital		**572,118**	554,962	**(1,207)**	(1,326)
Changes in working capital:					
Inventories		**105,108**	(12,887)	**–**	–
Payables and accruals		**19,843**	72,282	**(655,297)**	243,303
Receivables, deposits and prepayments		**36,769**	70,264	**559,311**	(250,184)
Cash generated from/(used in) operations		**733,838**	684,621	**(97,193)**	(8,207)
Dividends received from subsidiaries		**–**	–	**355,500**	435,126
Dividend from pre-acquisition profit of a subsidiary		**–**	–	**44,970**	–
Employee benefits paid		**(16,527)**	(13,611)	**–**	–
Tax paid		**(81,794)**	(92,511)	**(480)**	(826)
Tax refunded		**–**	564	**–**	–
Net cash from operating activities		**635,517**	579,063	**302,797**	426,093
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	**(257,131)**	(188,055)	**–**	–
Interest received		**35**	139	**12,631**	28,219
Dividend received from an associate		**135**	133	**135**	133
Proceeds from disposal of property, plant and equipment		**690**	2,087	**–**	–
Proceeds from capital distribution from a subsidiary		**–**	–	**100,000**	–
Increase in investment of a subsidiary		**–**	–	**(100,000)**	–
Net cash (used in)/from investing activities		**(256,271)**	(185,696)	**12,766**	28,352

Cash Flow Statements

for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000 restated	Company 2009 RM'000	Company 2008 RM'000
Cash flows from financing activities					
Dividends paid to equity holders of the Company	19	**(304,850)**	(445,550)	**(304,850)**	(445,550)
Finance costs paid		**(21,123)**	(23,091)	**(11,755)**	(25,221)
Payment of finance lease liabilities		**(3,316)**	(2,720)	**–**	–
Proceeds from borrowings		**47,500**	103,000	**–**	–
Proceeds from short term loan from a related company		**–**	269,114	**–**	–
Repayment of borrowings		**(103,000)**	(300,100)	**–**	–
Net cash used in financing activities		**(384,789)**	(399,347)	**(316,605)**	(470,771)
Net decrease in cash and cash equivalents		**(5,543)**	(5,980)	**(1,042)**	(16,326)
Cash and cash equivalents at 1 January	(i)	**25,690**	31,670	**1,042**	17,368
Cash and cash equivalents at 31 December	(i)	**20,147**	25,690	**–**	1,042

(i) *Cash and cash equivalents*

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

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Deposits placed with licensed banks	10	**–**	1,040	**–**	1,040
Cash and bank balances	10	**25,751**	24,650	**–**	2
Bank overdraft	12	**(5,604)**	–	**–**	–
		20,147	25,690	**–**	1,042

(ii) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM266,933,000 (2008 – RM188,636,000), of which RM9,802,000 (2008 – RM581,000) were acquired by means of finance leases.

The notes on pages 15 to 55 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Nestlé (Malaysia) Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office, which is also its principal place of business is as follows:

22-1, 22nd Floor, Menara Surian
No 1, Jalan PJU7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in an associate.

The principal activity of the Company is that of an investment holding company, whilst the principal activities of the subsidiaries are as stated in note 5 to the financial statements.

The holding company during the financial year was Nestlé S.A., a company incorporated in Switzerland.

The financial statements were approved by the Board of Directors on 25 February 2010.

1. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

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

- FRS 8, *Operating Segments*

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

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- 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*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions* and *Cancellations*
- Amendments to FRS 132, *Financial Instruments: Presentation* and *FRS 101, Presentation of Financial Statements – Puttable Financial Instruments* and *Obligations Arising on Liquidation*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement,* FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)

Notes to the Financial Statements

1. Basis of Preparation (Continued)

(a) Statement of compliance (continued)

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

- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

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

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

The Group and the Company have early adopted International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement* since 2001, of which MASB has issued a similar standard under FRS 139 which will be effective from period beginning 1 January 2010.

In this set of financial statements, the Group and the Company have chosen to early adopt the amendments to FRS117, *Leases* under the Improvements to FRSs (2009). All other abovementioned standards, amendments and interpretations have not been applied by the Group and the Company in preparing this set of financial statements.

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4 and IC Interpretation 13 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for IC Interpretation 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

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

1. Basis of Preparation (Continued)

(a) Statement of compliance (continued)

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

(i) FRS 8, *Operating Segments*

FRS 8, which replaces FRS 114_{2004}, *Segment Reporting,* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group does not present segment information in respect of its business and geographical segments. Under FRS 8, the Group will present segment information based on internal management report.

(ii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes which will become effective for the Group's financial statements for the year ending 31 December 2010. Significant amendment that has material impact is:

FRS 117, *Leases*

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

The Group has chosen to early adopt the amendments and this change in accounting policy will result in classification of lease of land amounting to RM51,898,000 as at 31 December 2009 from prepaid lease payments to property, plant and equipment.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments which are stated at fair value.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements

1. Basis of Preparation (Continued)

(d) Use of estimates and judgements

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

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

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

- Note 4 – measurement of the recoverable amounts of cash-generating units
- Note 24 – contingencies

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, except as disclosed in Note 2 (e) – Leased assets.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

(ii) Associates

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

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

2. Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

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

Investments in associates are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

(iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority equity holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements.

2. Significant Accounting Policies (Continued)

(c) Derivative financial instruments

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

Derivative financial instruments such as foreign exchange contracts and commodity futures are used as hedges to manage operational exposures to foreign exchange and commodity price risks. They are entered into with high credit quality financial institutions and brokers, consistent with specific approval, limit and monitoring procedures. In accordance with its treasury and commodity purchasing policies, the Group does not hold derivative instruments for trading purposes.

The fair value of forward exchange contracts and commodity futures are calculated by reference to current forward exchange rates and commodity futures prices respectively, for contracts with similar maturity profiles.

Hedging – Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of committed future transaction, the effective part of the changes in fair value of the hedging instruments is recognised directly in equity, while any ineffective part is recognised immediately in the income statements. When the hedged item results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statements at the same time as the hedged transaction.

(d) Property, plant and equipment

(i) Recognition and measurement

Capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in the income statements.

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced parts is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

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

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

• leasehold land	60 – 88 years
• buildings	25 – 50 years
• plant and machinery	10 – 25 years
• tools, furniture and equipment	5 – 8 years
• motor vehicles	5 years
• information systems	3 – 10 years

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant Accounting Policies (Continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

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

The Group has early adopted the amendment made to FRS 117, *Leases* which is effective for the period beginning on 1 January 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

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

(f) Intangible assets

(i) Goodwill

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

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

(ii) Development costs

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

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statements as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

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

2. Significant Accounting Policies (Continued)

(f) Intangible assets (continued)

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statements on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life is as follows:

- capitalised development costs 5 years

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other cost in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

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

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statements

2. Significant Accounting Policies (Continued)

(j) Impairment of assets

(i) Impairment of financial assets

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statements. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

The carrying amounts of assets except for financial assets, inventories, deferred tax assets and assets arising from employee benefits are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

2. Significant Accounting Policies (Continued)

(k) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in income statements over the period of the loans and borrowings, together with any interest and fees payable, using the effective interest method.

(l) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statements on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statements.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

2. Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Share-based payment transactions

Restricted Stock Unit Plan ("RSUP")

Certain employees of the Group are entitled to RSUP that gives the right to Nestlé S.A. share. The grant date fair value of the RSUP granted to these employees is recharged to the Group and is recognised as an employee expense in the income statements.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are initially recognised at fair value. Payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

2. Significant Accounting Policies (Continued)

(p) 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) Dividend income

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

(q) Interest income and borrowing costs

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

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

(r) Tax expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

Notes to the Financial Statements

2. Significant Accounting Policies (Continued)

(s) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(t) Segment reporting

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

3. Property, Plant and Equipment

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery, tools, furniture and equipment RM'000	Motor vehicles RM'000	Information systems RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2008, restated	58,317	255,588	1,096,847	19,784	59,688	6,524	1,496,748
Additions	–	26,349	131,551	2,445	6,649	21,642	188,636
Disposals	–	–	(3,435)	(4,793)	(35)	–	(8,263)
Written off	–	(83)	(7,408)	(76)	(3,398)	–	(10,965)
Transfer in/(out)	–	1,948	4,264	–	312	(6,524)	–
At 31 December 2008/1 January 2009, restated	58,317	283,802	1,221,819	17,360	63,216	21,642	1,666,156
Additions	–	30,120	208,056	1,442	15,495	11,820	266,933
Disposals	–	–	(9,480)	(1,251)	(75)	–	(10,806)
Written off	–	(72)	(35,120)	–	(4,871)	–	(40,063)
Transfer in/(out)	–	4,554	16,681	–	407	(21,642)	–
At 31 December 2009	**58,317**	**318,404**	**1,401,956**	**17,551**	**74,172**	**11,820**	**1,882,220**

3. Property, Plant and Equipment (Continued)

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery, tools, furniture and equipment RM'000	Motor vehicles RM'000	Information systems RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss							
At 1 January 2008, restated:							
Accumulated depreciation	4,349	79,372	761,030	11,063	44,712	–	900,526
Accumulated impairment loss	–	6,284	15,237	465	144	–	22,130
	4,349	85,656	776,267	11,528	44,856	–	922,656
Depreciation for the year	1,035	5,391	60,259	2,240	6,234	–	75,159
Disposals	–	–	(2,611)	(4,715)	(35)	–	(7,361)
Written off	–	(9)	(7,298)	(76)	(3,374)	–	(10,757)
At 31 December 2008/1 January 2009, restated:							
Accumulated depreciation	5,384	84,754	811,380	8,512	47,537	–	957,567
Accumulated impairment loss	–	6,284	15,237	465	144	–	22,130
	5,384	91,038	826,617	8,977	47,681	–	979,697
Depreciation for the year	1,035	6,501	71,399	2,210	6,807	–	87,952
Disposals	–	–	(5,638)	(1,176)	(32)	–	(6,846)
Written off	–	(9)	(33,979)	–	(4,848)	–	(38,836)
At 31 December 2009:							
Accumulated depreciation	**6,419**	**91,246**	**845,072**	**10,011**	**49,464**	**–**	**1,002,212**
Accumulated impairment loss	**–**	**6,284**	**13,327**	**–**	**144**	**–**	**19,755**
	6,419	**97,530**	**858,399**	**10,011**	**49,608**	**–**	**1,021,967**
Carrying amounts							
At 1 January 2008, restated	53,968	169,932	320,580	8,256	14,832	6,524	574,092
At 31 December 2008/1 January 2009, restated	52,933	192,764	395,202	8,383	15,535	21,642	686,459
At 31 December 2009	**51,898**	**220,874**	**543,557**	**7,540**	**24,564**	**11,820**	**860,253**

3. Property, Plant and Equipment (Continued)

Leased plant and machinery

At 31 December 2009, the net carrying amount of leased plant and machinery of the Group was RM11,976,000 (2008 – RM5,059,000).

The Group leases production equipment under a number of finance lease agreements. Some finance leases provide the Group with the option to purchase the equipment at a beneficial price and others transfer ownership of the assets to the Group at the end of the lease term.

4. Intangible assets

Group	Note	Goodwill RM'000	Development costs RM'000	Total RM'000
Cost				
At 1 January 2008/31 December 2008/1 January 2009/ 31 December 2009		**61,024**	**32,038**	**93,062**
Amortisation				
At 1 January 2008		–	31,782	31,782
Amortisation for the year	15	–	256	256
At 31 December 2008/1 January 2009/31 December 2009		**–**	**32,038**	**32,038**
Carrying amounts				
At 1 January 2008		61,024	256	61,280
At 31 December 2008/1 January 2009/31 December 2009		**61,024**	**–**	**61,024**

4.1 Material intangible assets

Development costs principally comprise internally generated expenditure on development costs on project GLOBE where it is reasonably anticipated that the costs will be recovered through future commercial activity.

4.2 Amortisation

The amortisation has been recognised in administrative expenses of the income statements.

4.3 Impairment testing for cash-generating units containing goodwill

The recoverable amount of the goodwill was based on its value in use calculation.

Value in use was determined by discounting the future cash flows generated from the continue operation of the ice-cream business unit and was based on the following key assumptions:

- Cash flows were projected based on financial budgets approved by management covering an 8-year business plan.
- The growth rate is estimated 5% to 7%.
- The subsidiary will continue its operations indefinitely.
- The size of operations will remain with at least or not lower than the current results.

The key assumptions represent management's assessment of future trends in the ice-cream industry and are based on both external sources and internal sources (historical data).

5. Investments in Subsidiaries

	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares – at cost		
As at 1 January	**232,992**	232,992
Add: Subscription of additional shares in a subsidiary	**100,000**	–
Less: Capital distribution from a subsidiary	**(100,000)**	–
Dividend from pre-acquisition profit of a subsidiary	**(44,970)**	–
As at 31 December	**188,022**	232,992

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2009 %	Effective ownership interest 2008 %
Nestlé Products Sdn. Bhd.	Malaysia	Marketing and sales of ice-cream, powdered milk and drinks, liquid milk and juices, instant coffee and other beverages, chocolate confectionery products, instant noodles, culinary products, cereals, yogurt and related products.	**100**	100
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of ice-cream, powdered milk and drinks, liquid milk and juices, instant coffee and other beverages, instant noodles, culinary products, cereals, yogurt and related products.	**100**	100
Nestlé Asean (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of chocolate confectionery products.	**100**	100
Nestlé Foods (Malaysia) Sdn. Bhd.	Malaysia	Inactive	**100**	100
Nestlé Cold Storage (Sabah) Sdn. Bhd.	Malaysia	Inactive	**100***	100*
SNF Sdn. Bhd.	Malaysia	Inactive	**100**	100

* *Interest held through Nestlé Manufacturing (Malaysia) Sdn. Bhd.*

Notes to the Financial Statements

6. Investment in an Associate

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
At cost:				
Unquoted shares	**3,000**	3,000	**3,000**	3,000
Share of post-acquisition reserves	**467**	242	**–**	–
	3,467	3,242	**3,000**	3,000

Summary financial information on associate:

	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2009						
Nihon Canpack (Malaysia) Sdn. Bhd.	Malaysia	**20**	**95,472**	**1,802**	**67,082**	**49,672**
2008						
Nihon Canpack (Malaysia) Sdn. Bhd.	Malaysia	20	97,864	(1,125)	77,391	61,179

7. Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2009 RM'000	Assets 2008 RM'000	Liabilities 2009 RM'000	Liabilities 2008 RM'000	Net 2009 RM'000	Net 2008 RM'000
Property, plant and equipment	**–**	–	**83,877**	72,479	**83,877**	72,479
Employee benefit plans	**(12,103)**	(13,674)	**–**	–	**(12,103)**	(13,674)
Provisions	**(8,808)**	(5,046)	**–**	–	**(8,808)**	(5,046)
Hedging reserve	**(36)**	(938)	**–**	–	**(36)**	(938)
Tax (assets)/liabilities	**(20,947)**	(19,658)	**83,877**	72,479	**62,930**	52,821
Set off of tax	**13,568**	15,678	**(13,568)**	(15,678)	**–**	–
Net tax (assets)/liabilities	**(7,379)**	(3,980)	**70,309**	56,801	**62,930**	52,821

7. Deferred Tax Assets and Liabilities (Continued)

Movement in temporary differences during the year

Group	At 1.1.2008 RM'000	Recognised in income statements (note 17) RM'000	Recognised in equity (note 17) RM'000	At 31.12.2008 RM'000	Recognised in income statements (note 17) RM'000	Recognised in equity (note 17) RM'000	At 31.12.2009 RM'000
Property, plant and equipment	62,923	9,556	–	72,479	11,398	–	**83,877**
Employee benefit plans	(10,483)	1,128	(4,319)	(13,674)	979	592	**(12,103)**
Provisions	(4,836)	(210)	–	(5,046)	(3,762)	–	**(8,808)**
Hedging reserve	395	–	(1,333)	(938)	–	902	**(36)**
	47,999	10,474	(5,652)	52,821	8,615	1,494	**62,930**

Subject to agreement by the Inland Revenue Board, the Group has unutilised reinvestment allowance of RM10,389,000 (2008 – RM10,389,000) and investment tax allowance of RM228,881,000 (2008 – RM91,275,000).

8. Receivables, Deposits and Prepayments

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current					
Loans to employees	8.2	**22,923**	23,814	**–**	–
Current					
Trade					
Trade receivables		**196,264**	187,450	**–**	–
Less: Impairment of trade receivables		**(10,700)**	(9,018)	**–**	–
		185,564	178,432	**–**	–
Amounts due from related companies	8.3	**118,677**	143,009	**–**	–
Amount due from an associate	8.3	**7,291**	14,593	**–**	–
Commodity futures	8.4	**465**	4,338	**–**	–
Foreign exchange contracts	8.4	**1,706**	–	**–**	–
		313,703	340,372	**–**	–

Notes to the Financial Statements

8. Receivables, Deposits and Prepayments (Continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-trade					
Amount due from subsidiaries	8.5	**–**	–	**314,194**	873,532
Amounts due from related companies	8.3	**2,946**	4,082	**–**	–
Other receivables, deposits and prepayments	8.6	**53,772**	47,029	**282**	255
		56,718	51,111	**314,476**	873,787
		370,421	391,483	**314,476**	873,787

During the year, trade receivables impaired in the prior years amounting to RM1,751,000 (2008 – RM19,809,000) have been written off.

8.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in Ringgit Malaysia, the functional currency of the Group entities, are as follows:

	Group 2009 RM'000	Group 2008 RM'000
Foreign currency		
USD	**110,077**	148,619
SGD	**11,054**	1,636
BND	**10,738**	9,702
THB	**5,191**	2,055

8.2 Loans to employees

Loans to employees are unsecured, interest free and are not expected to be repayable within the next twelve months.

8.3 Amounts due from related companies and an associate

The trade receivables due from related companies and an associate are subject to the normal trade terms. The non-trade receivables due from related companies are unsecured, interest free and repayable on demand.

8.4 Commodity futures and foreign exchange contracts

The commodity futures and foreign exchange contracts are designated as cash flow hedges.

The unrealised gain from the effective hedging of the foreign exchange contracts and commodity futures of RM1,706,000 (2008 – Nil) and RM465,000 (2008 – RM4,338,000) respectively was recognised in equity at year end.

8. Receivables, Deposits and Prepayments (Continued)

8.4 Commodity futures and foreign exchange contracts (continued)

The gains are expected to be recognised in the income statements when the forecasted transactions occur as follows:

	Gains	
	2009 RM'000	2008 RM'000
Group		
Foreign exchange contracts		
Less than three months	**1,706**	–
Commodity futures		
Cocoa and palm oil		
Less than three months	**465**	669
Between three months and one year	**–**	3,669
	465	4,338

8.5 Amount due from subsidiaries

The amount due from subsidiaries are unsecured, interest free, except for an amount of RM80,080,000 (2008 – RM777,968,000) which is subject to interest at 2.79% – 3.61% (2008 – 3.61%) per annum and repayable on demand.

8.6 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group are loans to employees of RM9,621,000 (2008 – RM9,980,000) which are unsecured and interest free and downpayment to vendors of RM22,256,000 (2008 – RM20,094,000).

9. Inventories

	Group	
	2009 RM'000	2008 RM'000
Raw and packaging materials	**122,105**	181,603
Work-in-progress	**23,789**	33,058
Finished goods	**189,095**	224,643
Spare parts	**19,392**	20,185
	354,381	459,489

Notes to the Financial Statements

10. Cash and Cash Equivalents

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Deposits placed with licensed banks	–	1,040	–	1,040
Cash and bank balances	**25,751**	24,650	–	2
	25,751	25,690	–	1,042

11. Capital and Reserves

11.1 Reconciliation of movement in capital and reserves

Group	Note	Share capital RM'000	Share premium RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to equity holders of the Company				
		Non-Distributable			*Distributable*	
At 1 January 2008		234,500	33,000	1,067	368,692	637,259
Cash flow hedge						
Effective portion of changes in fair value		–	–	(2,814)	–	(2,814)
Transferred to income statements		–	–	(1,067)	–	(1,067)
Net loss on cash flow hedge		–	–	(3,881)	–	(3,881)
Defined benefit plan actuarial losses, net of tax		–	–	–	(12,960)	(12,960)
Net loss recognised directly in equity		–	–	(3,881)	(12,960)	(16,841)
Profit for the year		–	–	–	340,887	340,887
Total recognised income and expense for the year		–	–	(3,881)	327,927	324,046
Dividends paid to equity holders of the Company	19	–	–	–	(445,550)	(445,550)
At 31 December 2008		234,500	33,000	(2,814)	251,069	515,755

11. Capital and Reserves (Continued)

11.1 Reconciliation of movement in capital and reserves (continued)

Group	Note	Share capital RM'000	Share premium RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to equity holders of the Company				
		Non-Distributable			*Distributable*	
At 1 January 2009		234,500	33,000	(2,814)	251,069	515,755
Cash flow hedge						
Effective portion of changes in fair value		–	–	(109)	–	(109)
Transferred to income statements		–	–	2,814	–	2,814
Net gain on cash flow hedge		–	–	2,705	–	2,705
Defined benefit plan actuarial gains, net of tax		–	–	–	1,776	1,776
Net gain recognised directly in equity		–	–	2,705	1,776	4,481
Profit for the year		–	–	–	351,793	351,793
Total recognised income and expense for the year		–	–	2,705	353,569	356,274
Dividends paid to equity holders of the Company	19	–	–	–	(304,850)	(304,850)
At 31 December 2009		**234,500**	**33,000**	**(109)**	**299,788**	**567,179**

Company	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
		Non-distributable		*Distributable*	
At 1 January 2008		234,500	33,000	196,844	464,344
Profit for the year		–	–	436,319	436,319
Dividends paid to equity holders of the Company	19	–	–	(445,550)	(445,550)
At 31 December 2008/1 January 2009		234,500	33,000	187,613	455,113
Profit for the year		–	–	352,821	352,821
Dividends paid to equity holders of the Company	19	–	–	(304,850)	(304,850)
At 31 December 2009		**234,500**	**33,000**	**235,584**	**503,084**

Notes to the Financial Statements

11. Capital and Reserves (Continued)

11.2 Share capital

	Group and Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
Authorised:				
Ordinary shares of RM1 each	**300,000**	**300,000**	300,000	300,000
Issued and fully paid:				
Ordinary shares of RM1 each	**234,500**	**234,500**	234,500	234,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

11.3 Share premium

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

11.4 Hedging reserve

Hedging reserve relates to the effective part of any gains or losses on derivative financial instruments recognised directly in the equity.

12. Loans and Borrowings

	Group	
	2009 RM'000	2008 RM'000
Non-current		
Loan from a related company - unsecured	**319,264**	–
Finance lease liabilities	**8,775**	2,690
	328,039	2,690
Current		
Revolving credit – unsecured	**47,500**	103,000
Finance lease liabilities	**3,354**	2,953
Bank overdraft – unsecured	**5,604**	–
	56,458	105,953

12. Loans and Borrowings (Continued)

12.1 Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
2009					
Loan from a related company*	**2011**	**319,264**	**–**	**319,264**	**–**
Revolving credit	**2010**	**47,500**	**47,500**	**–**	**–**
Finance lease liabilities	**2010 – 2014**	**12,129**	**3,354**	**2,661**	**6,114**
Bank overdraft	**2010**	**5,604**	**5,604**	**–**	**–**
		384,497	**56,458**	**321,925**	**6,114**
2008					
Revolving credit	2009	103,000	103,000	–	–
Finance lease liabilities	2009 – 2012	5,643	2,953	1,716	974
		108,643	105,953	1,716	974

* *Loan from a related company is due in 2010 with automatic renewal for further periods of one year at the prevailing condition. As the Group intends and has the discretion to refinance the obligation on a long term basis, the loan is classified as non-current.*

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	**4,046**	**692**	**3,354**	3,355	402	2,953
Between one and five years	**9,768**	**993**	**8,775**	2,904	214	2,690
	13,814	**1,685**	**12,129**	6,259	616	5,643

The Group leases certain plant and machinery amounting to RM17,454,000 (2008 – RM13,526,000) under finance leases expiring from 2010 to 2014. At the end of the lease term, the Group has the option to purchase the asset at RM1, a price deemed to be a bargain purchase option.

Notes to the Financial Statements

13. Employee Benefits

13.1 Retirement benefits

	Group 2009 RM'000	Group 2008 RM'000
Present value of funded obligations	**200,417**	188,217
Fair value of plan assets	**(152,006)**	(133,519)
Recognised liability for defined benefit obligations	**48,411**	54,698

The Group operates a defined benefit scheme which is administered by Nestlé Malaysia Group Retirement Scheme. Prior to 1 November 2007, the Scheme covers only full time permanent and confirmed local employees of the Group. Following an amendment to the rules of the Scheme on 1 November 2007, the Scheme is extended to cover expatriate management employees as from 1 November 2007. A prior amendment to the rules of the Scheme on 6 April 2005 results in the deferment of retirement age to 60 years old for new hires employed as from 1 January 2005.

The Scheme provides non-indexed retirement pensions to employees who had been in the Group service before 1 January 1992, based on a percentage of final pay and with total Employees Provident Fund (EPF) benefits derived from employee and employer contributions made throughout the period of EPF membership integrated thereto. For employees whose services with the Group commence on or after 1 January 1992, lump sum retirement benefits are made available under the Scheme, in place of the monthly pension, equal to the accumulation of Group contributions plus interest credited at EPF dividend rate.

Plan assets comprise:

	Group 2009 RM'000	Group 2008 RM'000
Quoted investments	**124,651**	68,551
Unquoted investments	**10,434**	9,938
Cash and cash equivalents	**10,467**	47,155
Others	**6,454**	7,875
	152,006	133,519

13. Employee Benefits (Continued)

13.1 Retirement benefits (continued)

Movements in the present value of the defined benefit obligations

	Group	
	2009 RM'000	2008 RM'000
Defined benefit obligations at 1 January	**188,217**	173,162
Benefits paid by the plan	**(13,488)**	(11,158)
Current service costs and interest	**21,941**	20,052
Actuarial losses recognised in equity	**3,747**	6,161
Defined benefit obligations at 31 December	**200,417**	188,217

Movement in the fair value of plan assets

Fair value of plan assets at 1 January	**133,519**	132,841
Contributions paid into the plan	**16,527**	13,611
Benefits paid by the plan	**(13,488)**	(11,158)
Expected return on plan assets	**9,333**	9,343
Actuarial gains/(losses) recognised in equity	**6,115**	(11,118)
Fair value of plan assets at 31 December	**152,006**	133,519

Expense recognised in the income statements

		Group	
	Note	2009 RM'000	2008 RM'000
Current service costs		**9,221**	8,328
Interest on obligation		**12,720**	11,724
Expected return on plan assets		**(9,333)**	(9,343)
	15	**12,608**	10,709

The expense is recognised in the following line items in the income statements:

		Group	
	Note	2009 RM'000	2008 RM'000
Cost of goods sold		**5,210**	4,451
Distribution and selling expenses		**5,305**	4,472
Administrative expenses		**2,093**	1,786
	15	**12,608**	10,709
Actual return on plan assets		**15,449**	(1,773)

Notes to the Financial Statements

13. Employee Benefits (Continued)

13.1 Retirement benefits (continued)

Actuarial gains and losses recognised directly in equity

	Group	
	2009 RM'000	2008 RM'000
Cumulative amount at 1 January	**(11,153)**	6,126
Recognised during the year	**2,368**	(17,279)
Cumulative amount at 31 December	**(8,785)**	(11,153)

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	Group	
	2009	2008
Discount rate at 31 December	**7.0%**	7.0%
Expected return on plan assets at 1 January	**7.0%**	7.0%
Future salary increases	**5.5%**	5.5%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring is at age 55 years.

The overall expected long-term rate of return on assets is 7.0%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Historical information

Group	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Present value of the defined benefit obligation	**200,417**	188,217	173,162	159,686	150,065	136,395
Fair value of plan assets	**(152,006)**	(133,519)	(132,841)	(95,409)	(86,136)	(86,340)
Deficit in the plan	**48,411**	54,698	40,321	64,277	63,929	50,055
Experience adjustments arising on plan liabilities	**(3,747)**	(6,161)	(1,683)	3,342	6,110	168
Experience adjustments arising on plan assets	**6,115**	(11,118)	14,715	1,462	(7,370)	(1,838)

The Group expects to pay RM13,197,000 in contributions to defined benefit plans in 2010.

14. Payable and Accruals

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Trade					
Trade payables		**459,703**	341,993	**–**	–
Amount due to related companies	14.2	**36,287**	53,513	**–**	–
Amount due to an associate	14.2	**5,645**	15,433	**–**	–
Commodity futures	14.3	**1,325**	7,822	**–**	–
Foreign exchange contracts	14.3	**1,059**	279	**–**	–
		504,019	419,040	**–**	–
Non-trade					
Amounts due to related companies	14.2	**22,114**	378,566	**–**	–
Amount due to subsidiaries	14.4	**–**	–	**–**	655,125
Other payables		**35,974**	25,542	**232**	100
Accrued expenses		**60,121**	81,220	**237**	541
		118,209	485,328	**469**	655,766
		622,228	904,368	**469**	655,766

14.1 Analysis of foreign currency exposure for significant payables

Significant payables that are not in Ringgit Malaysia, the functional currency of the Group entities, are as follows:

	Group 2009 RM'000	Group 2008 RM'000
Foreign currency		
USD	**57,603**	57,075
GBP	**41,222**	36,862
SGD	**10,261**	13,475
CHF	**6,044**	4,753
EUR	**5,601**	4,771
AUD	**4,864**	371
JPY	**1,372**	3,515

14.2 Amounts due to related companies and an associate

The amounts due to related companies and an associate are unsecured, repayable on demand and interest free, except for the short term loan from related companies of Nil (2008 – RM319,264,400) which was denominated in Ringgit Malaysia and subject to interest at Nil (2008 – KLIBOR + 0.67%) per annum.

Notes to the Financial Statements

14. Payable and Accruals (Continued)

14.3 Commodity futures and foreign exchange contracts

The commodity futures and foreign exchange contracts are designated as cash flow hedges.

The unrealised loss on the effective hedging of the foreign exchange contracts and commodity futures of RM1,059,000 (2008 – RM279,000) and RM1,325,000 (2008 – RM7,822,000) respectively was recognised in equity at year end.

The losses are expected to be recognised in the income statements when the forecasted transactions occur as follows:

	Losses	
	2009 RM'000	2008 RM'000
Group		
Foreign exchange contracts		
Less than three months	**1,059**	279
Commodity futures		
Cocoa, coffee and palm oil		
Less than three months	**27**	3,965
Between three months and one year	**1,298**	3,857
	1,325	7,822

14.4 Amount due to subsidiaries

The amount due to subsidiaries was unsecured and subject to interest at 3.61% per annum and repayable on demand.

15. Profit for the Year

	Note	Group 2009 RM'000	Group 2008 RM'000 restated	Company 2009 RM'000	Company 2008 RM'000
Profit for the year is arrived at after charging:					
Amortisation of intangible assets	4	**–**	256	**–**	–
Auditors' remuneration:					
– Statutory audit		**425**	386	**106**	97
– Other services		**141**	150	**141**	130
Depreciation on property, plant and equipment	3	**87,952**	75,159	**–**	–
Impairment of trade receivables		**3,509**	1,089	**–**	–
Loss on disposal of property, plant and equipment		**3,270**	–	**–**	–
Net foreign exchange loss					
– unrealised		**–**	1,872	**–**	–
Personnel expenses (including key management personnel):					
– Contributions to Employees Provident Fund		**27,505**	26,532	**–**	–
– Expenses related to defined benefit plans	13	**12,608**	10,709	**–**	–
– Share based payments		**6,072**	5,285	**–**	–
– Wages, salaries and others		**347,760**	313,657	**–**	–
Property, plant and equipment written off		**1,227**	208	**–**	–
Rental on land and buildings		**34,039**	32,567	**–**	–
and after crediting:					
Dividend income from subsidiaries (unquoted)		**–**	–	**355,500**	435,126
Dividend income from an associate (unquoted)		**135**	133	**135**	133
Gain on disposal of property, plant and equipment		**–**	1,185	**–**	–
Net foreign exchange gain					
– realised		**2,648**	4,251	**–**	–
– unrealised		**435**	–	**–**	–
Reversal of impairment of trade receivables		**76**	2,438	**–**	–

Notes to the Financial Statements

16. Key Management Personnel Compensation

The key management personnel compensations are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors				
– Fees	**220**	220	**220**	220
– Remuneration	**4,841**	3,742	**–**	–
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**1,027**	1,040	**50**	50
Total short-term employee benefits	**6,088**	5,002	**270**	270
– Post-employment benefits	**260**	248	**–**	–
– Share-based payments	**1,944**	1,379	**–**	–
	8,292	6,629	**270**	270
Other key management personnel:				
– Short-term employee benefits	**6,202**	6,721	**–**	–
– Post-employment benefits	**142**	142	**–**	–
– Share-based payments	**3,098**	2,053	**–**	–
	9,442	8,916	**–**	–
	17,734	15,545	**270**	270

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf.

17. Tax Expense

Recognised in the income statements

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense		**88,468**	100,466	**2,483**	612
Share of tax of an equity accounted associate		**–**	106	**–**	–
Total tax expense		**88,468**	100,572	**2,483**	612

17. Tax Expense (Continued)

Recognised in the income statements (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Major components of tax expense include:					
Current tax expense					
Malaysian – current year		**83,728**	89,828	**2,499**	612
– prior year		**(3,875)**	164	**(16)**	–
Total current tax		**79,853**	89,992	**2,483**	612
Deferred tax expense					
Origination of temporary differences		**10,670**	10,474	**–**	–
Over provided in prior years		**(2,055)**	–	**–**	–
Total deferred tax	7	**8,615**	10,474	**–**	–
Share of tax of an equity accounted associate		**–**	106	**–**	–
Total tax expense		**88,468**	100,572	**2,483**	612
Reconciliation of tax expense					
Profit for the year		**351,793**	340,887	**352,821**	436,319
Total tax expense		**88,468**	100,466	**2,483**	612
Profit excluding tax		**440,261**	441,353	**355,304**	436,931
Tax at Malaysian tax rate of 25% (2008 – 26%)		**110,065**	114,752	**88,826**	113,602
Effect of change in tax rate		**–**	(480)	**–**	–
Non-deductible expenses		**6,471**	4,143	**2,582**	177
Tax exempt income		**–**	–	**(88,909)**	(113,167)
Tax incentives		**(22,486)**	(18,438)	**–**	–
Other items		**348**	325	**–**	–
		94,398	100,302	**2,499**	612
(Over)/Under provided in prior years		**(5,930)**	164	**(16)**	–
		88,468	100,466	**2,483**	612
Tax expense on share of profit of an associate		**–**	106	**–**	–
		88,468	100,572	**2,483**	612

Tax recognised directly in equity

	Note	Group 2009 RM'000	Group 2008 RM'000
Actuarial (gain)/loss	7	**(592)**	4,319
Net (gain)/loss on cash flow hedge	7	**(902)**	1,333
Total tax recognised directly in equity		**(1,494)**	5,652

Notes to the Financial Statements

18. Earnings Per Ordinary Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2009 was based on the profit attributable to ordinary equity holders of RM351.8 million (2008 – RM340.9 million) and 234.5 million (2008 – 234.5 million) ordinary shares outstanding during the year.

19. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2009			
Interim 2009 ordinary			
Tax exempt (single-tier)	**50.00**	**117,250**	**8 October 2009**
Final 2008 ordinary			
Tax exempt (single-tier)	**80.00**	**187,600**	**28 May 2009**
Total amount		**304,850**	
2008			
Special			
Tax exempt (single-tier)	61.19	143,491	29 May 2008
Interim 2008 ordinary			
Tax exempt (single-tier)	50.00	117,250	24 September 2008
Final 2007 ordinary			
Taxable	78.81	184,809	29 May 2008
	(net of tax)		
Total amount		445,550	

After the balance sheet date the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the equity holders of the Company.

	Sen per share	Total amount RM'000
Final ordinary		
Tax exempt (single-tier)	100.00	234,500

20. Segment Information

As the principal activity of the Group is manufacturing, marketing and sale of food products in Malaysia, no segment analysis is provided. Approximately 21.3% (2008 – 23.7%) of the total sales are exports, mainly to South East Asia and Middle East countries based on location of customers.

21. Financial Instruments

Exposure to credit, commodity contract, interest rate, liquidity and currency risk arises in the normal course of the Group's business. For this, the Group adopts the written risk management policies and guidelines issued by the parent company, Nestlé S.A., which set out the overall business strategies, the tolerance to risks and the general risk management philosophy. The Group has established processes to monitor and control the hedging of transactions in a timely and accurate manner. All new guidelines and latest updates on the policies are reviewed regularly and monitored by management and the Board of Directors to ensure that the policy and guidelines are adhered to.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits. All major customers are required to have collateral in the form of financial assets and/or bank guarantees.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Commodity contract risk

The Group incurs commodity contract risk on sales and purchases of main commodities like coffee, cocoa and palm oil. The contracts giving rise to this risk are primarily futures contracts and options mainly in US Dollars, British Pound Sterling and Japanese Yen.

Commodity instruments are used to ensure the Group's access to raw materials at an appropriate price.

Palm oil contracts are transacted by Nestlé specialists based in Nestlé Singapore, whilst coffee and cocoa commodity contracts are transacted by Nestlé specialists based in Nestlé UK on behalf of the Group in order to obtain better leverage. Following the guidelines set out by the parent company, all commodity contracts are for the purpose of hedging to protect the Group from price fluctuations.

Interest rate risk

Interest rates of the Group's borrowings vary with reference to the prime lending rates of the banks except for finance lease obligations where interest rates are fixed.

Notes to the Financial Statements

21. Financial Instruments (Continued)

Effective interest rates and repricing analysis

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

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000
2009								
Fixed rate instruments								
Finance lease liabilities	12	**5.07**	**12,129**	**3,354**	**2,661**	**2,138**	**1,993**	**1,983**
Floating rate instruments								
Loan from a related company	12	**3.26**	**319,264**	**319,264**	**–**	**–**	**–**	**–**
Revolving credit	12	**4.46**	**47,500**	**47,500**	**–**	**–**	**–**	**–**
Bank overdraft	12	**6.51**	**5,604**	**5,604**	**–**	**–**	**–**	**–**
			372,368	**372,368**	**–**	**–**	**–**	**–**

Group	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000
2008							
Fixed rate instruments							
Finance lease liabilities	12	9.52	5,643	2,953	1,716	818	156
Floating rate instruments							
Deposits with licensed banks	10	2.80	1,040	1,040	–	–	–
Amount due to a related company	14	4.35	319,264	319,264	–	–	–
Revolving credit	12	4.00	103,000	103,000	–	–	–
			422,264	422,264	–	–	–

21. Financial Instruments (Continued)

Company	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
2009				
Floating rate instruments				
Amount due from subsidiaries	8	**3.28**	**80,080**	**80,080**
2008				
Floating rate instruments				
Deposits with licensed banks	10	2.80	1,040	1,040
Amount due from subsidiaries	8	3.61	777,968	777,968
			779,008	779,008
Amount due to subsidiaries	14	3.61	655,125	655,125

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents and bank credit lines deemed adequate by the management to finance the Group's operations and to mitigate the effect of fluctuation in cash flows.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollars, Brunei Dollars, Swiss Francs, Singapore Dollars, British Pound Sterling, Australian Dollars, Euros, Thai Baht and Japanese Yen.

The Group hedges a portion of all foreign trade receivables and trade payables denominated in foreign currency. Following the guidelines set out by the parent company, all foreign exchange contracts are for the purpose of hedging to protect the Group from foreign currency fluctuations and the Group is not allowed to trade other than for the purpose of hedging.

The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency sales and purchases of manufactured inventories, purchases of materials and other assets and liabilities created in the normal course of business. The Group primarily utilises forward foreign exchange contracts with maturities of less than twelve months to hedge firm commitments. Under this programme, increases or decreases in the Group's firm commitments are partially offset by gains and losses on the hedging instruments.

Notes to the Financial Statements

21. Financial Instruments (Continued)

Fair values

In the previous year, the Company provided financial guarantee to banks for credit facilities extended to a subsidiary. The fair value of such financial guarantees was not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008, except as follows:

Group	Note	2009 Carrying amount RM'000	2009 Fair value RM'000	2008 Carrying amount RM'000	2008 Fair value RM'000
Loans to employees	8	**32,544**	**30,003**	33,794	31,096
Finance lease liabilities	12	**(12,129)**	**(10,649)**	(5,643)	(5,204)
Loans from a related company	12	**(319,264)**	**(319,264)**	–	–

Estimation of fair values

Fair value is determined using estimated future cash flows discounted using market rate of interest at the balance sheet date.

The interest rates used to discount estimated cash flows are as follows:

	2009	2008
Loans to employees	**5.20%**	5.55%
Finance lease liabilities	**5.00%**	5.00%
Loans from a related company	**3.26%**	–

22. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2009 RM'000	Group 2008 RM'000
Less than one year	**24,009**	18,472
Between one and three years	**20,483**	42,723
	44,492	61,195

The Group leases a distribution center and head office under operating leases. The leases typically run for a period of one to three years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

23. Capital and Other Commitments

	Group 2009 RM'000	Group 2008 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	**140,335**	235,933
Contracted but not provided for		
Within one year	**16,207**	83,546
	156,542	319,479

24. Contingencies

The Directors are of the opinion that provision is not required in respect of the following matter, as it is not probable that a future sacrifice of economic benefits will be required.

	Company 2009 RM'000	Company 2008 RM'000
Contingent liabilities not considered remote		
Guarantees relating to borrowings of a subsidiary		
– unsecured	**–**	700,000

25. Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

Notes to the Financial Statements

25. Related Parties (Continued)

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

Group	Transactions value for the year ended 31 December 2009 RM'000	2008 RM'000	Balance outstanding as at 31 December 2009 RM'000	2008 RM'000
Related companies				
– sales of goods and services	**(688,755)**	(816,977)	**118,677**	143,009
– purchases of goods and services	**391,523**	418,295	**(25,914)**	(38,283)
– IT shared services	**20,989**	21,688	**(4,848)**	(276)
– royalties	**152,715**	152,904	**(11,268)**	(10,966)
– interest expense	**10,415**	6,956	**(1,948)**	(2,816)
Company				
Subsidiaries				
– interest expense	**11,755**	25,221	**–**	(2,309)
– interest income	**(12,604)**	(28,080)	**89**	2,444

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

26. Change in Accounting Policy

FRS 117, *Leases*

The Group has early adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment.

The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

Following the early adoption of the amendment to FRS 117, certain comparatives have been represented as follows:

	31.12.2008		1.1.2008	
Group	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheets				
Property, plant and equipment	686,459	633,526	574,092	520,124
Prepaid lease payments	–	52,933	–	53,968
Cash flow statements				
Depreciation of property, plant and equipment	75,159	74,124		
Amortisation of prepaid lease payments	–	1,035		

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 10 to 55 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

Peter Vogt

Marc Seiler

Petaling Jaya,
25 February 2010

STATUTORY DECLARATION

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

I, Marc Seiler, the Director primarily responsible for the financial management of Nestlé (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 55 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya on 25 February 2010.

Marc Seiler

Before me:

Faridah Bt. Sulaiman
Commissioner of Oaths (No. B228)

Petaling Jaya

INDEPENDENT AUDITORS' REPORT

to the members of Nestlé (Malaysia) Berhad

Report on the Financial Statements

We have audited the financial statements of Nestlé (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of recognised income and expense 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 10 to 55.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of Nestlé (Malaysia) Berhad

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

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

Petaling Jaya,
25 February 2010

SHAREHOLDING STATISTICS

as at 25 February 2010

Authorised Capital	:	RM300,000,000
Issued and paid-up share capital	:	RM234,500,000
Class of shares	:	Ordinary shares of RM1.00 each
No. of shareholders	:	4,040
Voting rights	:	One vote per ordinary share

Substantial shareholders

Name	Number of shares held	%
Nestlé S.A.	170,276,563	72.6126
Employees Provident Fund Board	16,118,800	6.8737
Malaysia Nominees (T) Sdn Bhd - Great Eastern Life Assurance (M) Bhd (Par 1)	5,689,510	2.4262

30 Largest Shareholders

Name	Number of shares held	%
Nestlé S.A.	170,276,563	72.6126
Employees Provident Fund Board	16,118,800	6.8737
Malaysia Nominees (T) Sdn Bhd - Great Eastern Life Assurance (M) Bhd (Par 1)	5,689,510	2.4262
Valuecap Sdn Bhd	4,621,900	1.9710
Kumpulan Wang Persaraan (Diperbadankan)	4,556,300	1.9430
Lembaga Tabung Haji	3,653,154	1.5578
Kumpulan Wang Simpanan Pekerja	1,500,000	0.6397
Pertubuhan Keselamatan Sosial	1,345,800	0.5739
Amanah Raya Trustees Berhad - Amanah Saham Wawasan 2020	1,099,500	0.4689
Amanah Raya Trustees Berhad - Skim Amanah Saham Bumiputera	1,030,300	0.4394
Malaysia Nominees (T) Sdn Bhd - Great Eastern Life Assurance (M) Bhd (Par 2)	779,200	0.3323
Soon Cheong (Malaya) Sdn Bhd	646,698	0.2758
Amanah Raya Trustees Berhad - Amanah Saham Malaysia	566,500	0.2416
Kwang Teow Sang Sdn Bhd	560,700	0.2391
Amanah Raya Trustees Berhad - Public Islamic Dividend Fund	542,800	0.2315
Cartaban Nominees (A) Sdn Bhd - RBC Dexia Investor Services Bank for Vontobel Fund - Far East Equity	516,000	0.2200
Amanah Raya Trustees Berhad - Public Islamic Equity Fund	379,700	0.1619
Cartaban Nominees (A) Sdn Bhd - RBC Dexia Investor Services Bank for Vontobel Fund - Emerging Markets Equity	370,000	0.1578
HSBC Nominees (A) Sdn Bhd - Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	370,000	0.1578
Batu Pahat Seng Huat Sdn Bhd	363,985	0.1552
Mayban Nominees (T) Sdn Bhd - Aberdeen Asset Management Sdn Bhd for the Employees' Provident Fund Board (250416)	336,000	0.1433

Shareholding Statistics

as at 25 February 2010

30 Largest Shareholders (Continued)

Name	Number of shares held	%
Mayban Nominees (T) Sdn Bhd - Aberdeen Asset Management Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (FD 1 - 280305)	336,000	0.1433
Kuok Foundation Berhad	304,200	0.1297
Mayban Nominees (T) Sdn Bhd - Etiqa Takaful Bhd (Family Fund)	300,000	0.1279
AMSEC Nominees (T) Sdn Bhd - Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	299,400	0.1277
Woo Khai Yoon	270,000	0.1151
HDM Nominees (T) Sdn Bhd - Nestlé Products Sdn Bhd for Soon Cheong (Malaya) Sdn Bhd	256,000	0.1092
Mayban Nominees (T) Sdn Bhd - Etiqa Insurance Berhad (Life Par Fund)	250,000	0.1066
Jarrnazz Sdn Bhd	248,000	0.1058
HSBC Nominees (A) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	233,100	0.0994

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1–99	316	7.8218	2,766	0.0012
100–1,000	2,462	60.9406	1,748,879	0.7458
1,001–10,000	956	23.6634	3,558,822	1.5176
10,001–100,000	250	6.1881	7,703,534	3.2851
100,001–less than 5% of issued shares	54	1.3366	35,090,636	14.9640
5% and above of issued shares	2	0.0495	186,395,363	79.4863
Total	**4,040**	**100.0000**	**234,500,000**	**100.0000**

Directors' Shareholdings

The Company	Direct Interests (no. of shares)	% of Issued Capital	Deemed Interests (no. of shares)	% of Issued Capital
Dato' Frits van Dijk	8,000	0.0034	–	–
Mohd. Rafik Bin Shah Mohamad	27,000	0.0115	–	–

LIST OF PROPERTIES HELD

at 31 December 2009

	Location	Tenure	Age*	Expiry Date	Size (sq. ft.)	Description	Net Book Value RM'000
1.	No. 25 Jalan Tandang 46050 Petaling Jaya Selangor	Leasehold	49	Q.T. (R) 2619 4.9.2058 Q.T. (R) 5281 12.6.2059	541,887	Factory	17,944
2.	Lot No. 3 Jalan Pelaya 15/1 40700 Shah Alam Selangor	Leasehold	39	10.6.2070	109,300	Factory	2,107
3.	Lot No. 5 Jalan Pelaya 15/1 40700 Shah Alam Selangor	Leasehold	36	H.S.(D) 97 H.S.(D) 159 7.11.2072	672,500	Factory	6,896
4.	Lot No. 6 Pesiaran Raja Muda 40700 Shah Alam Selangor	Leasehold	40	29.1.2070	396,500	Factory & warehouse	12,253
5.	Lot Nos. 691-696 Mukim Chembong Daerah Rembau Negeri Sembilan	Leasehold	18	27.6.2049	1,439,309.5	Factory	3,369
6.	Lot Nos. 3863-3866 and Lot Nos. 687-690 Mukim Chembong Daerah Rembau Negeri Sembilan	Leasehold	18	27.6.2049		Factory	
7.	Lot Nos. 3857-3862 Jalan Perusahaan 4, Kawasan Perindustrian Chembong, Chembong Rembau, Negeri Sembilan	Leasehold	18	27.6.2049	360,258	Factory	1,578
8.	Lot No. 844, Block 7 Muara Tebas Land District Sejingkat Industrial Estate Kuching, Sarawak	Leasehold	18	19.10.2053	274,050	Factory	370
9.	Lot 915, Block 7 Muara Tebas Land District Demak Laut Industrial Park Kuching, Sarawak	Leasehold	15	13.10.2054	184,912	Factory	705
10.	Plot 46 Bemban Industrial Park Batu Gajah, Perak	Leasehold	12	30.9.2056	1,694,923	Vacant land	6,676

* Approximation of age of property in years.

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