

# director's report

50

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and civil construction.

The principal activities of the Group consist of building and civil construction, property development, trading in water related equipment, wholesaling and retailing and investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	GROUP	COMPANY
	RM	RM
Profit for the financial year	23,522,250	884,233
Attributable to:		
— Equity holders of the Company	23,729,283	884,233
— Minority interests	(207,033)	0
	23,522,250	884,233

## DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year are as follows:

	COMPANY
	RM
In respect of the financial year ended 31 December 2007, as shown in the Directors' report of that financial year, final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax at 26%, paid on 4 July 2008	4,025,600

The Directors now recommend the payment of a final gross dividend of 10 sen per share on 68,000,000 ordinary shares, less income tax at 25%, amounting to RM5,100,000, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

# director's report

(continued)

51

## DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

- Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud (appointed on 19 September 2008)
- Tuan Syed Ahmad bin Alwee Alsree (appointed on 19 September 2008)
- Datu Michael Ting Kuok Ngie @ Ting Kok Ngie (appointed on 19 September 2008)
- Kuah Hun Liang (appointed on 19 September 2008)
- Tan Vern Tact (appointed on 19 September 2008)
- Loh Kim Kah
- Yong Weng Fai
- Tan Sri Abdul Rashid bin Abdul Manaf (resigned on 19 September 2008)
- Loh Kim Tai (resigned on 19 September 2008)
- Lee Hon Keong (resigned on 19 September 2008)
- Danny Ng Siew L'Leong (resigned on 19 September 2008)
- Hooi Kah Hung (resigned on 19 September 2008)
- O Wai Tiong (resigned on 19 September 2008)
- Michael Oh Aik Teong (resigned on 19 September 2008)
- Dato' Voon Tin Yow (resigned on 9 September 2008)

In accordance with Article 118 of the Company's Articles of Association, Mr Yong Weng Fai retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 123 of the Company's Articles of Association, Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud, Tuan Syed Ahmad bin Alwee Alsree, Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, Kuah Hun Liang and Tan Vern Tact retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' fees and other emoluments disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 32 to the financial statements.

# director's report

(continued)

52

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

LOH & LOH CORPORATION BERHAD	NUMBER OF ORDINARY SHARES OF RM1 EACH IN THE COMPANY			
	AT 01.01.2008	BOUGHT	SOLD	AT 31.12.2008
<b>Direct Interest</b> Loh Kim Kah	600,000	0	0	600,000
<b>Indirect Interest</b> Loh Kim Kah	30,980,431	5,440,000	(30,980,431)	5,440,000

By virtue of his interest in the Company, Loh Kim Kah is deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

UBG BERHAD (HOLDING COMPANY)	NUMBER OF ORDINARY SHARES OF RM1 EACH IN THE COMPANY			
	AT * 19.09.2008	BOUGHT	SOLD	AT 31.12.2008
<b>Direct Interest</b> Tuan Syed Ahmad bin Alwee Alsree	284,800	0	0	284,800

\* Date of appointment

Other than disclosed above, according to the register of Directors' shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares in the Company or its related corporations during the financial year.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

# director's report

(continued)

53

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

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

- a. any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b. any contingent liability of the Group or Company which has arisen since the end of the financial year.

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

In the opinion of the Directors,

- a. the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b. there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

## ULTIMATE HOLDING COMPANIES

The Directors regard Abu Dhabi-Kuwait-Malaysia Investment Corporation, a company incorporated in British Virgin Islands, as the ultimate holding company.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2009.

**Y.A.M. Tengku Dato' Rahimah binti  
Almarhum Sultan Mahmud**  
Director

**Tuan Syed Ahmad bin  
Alwee Alsree**  
Director

# income statements

for the Financial Year ended 31 December 2008

54

	NOTE	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	4	307,218,397	292,899,578	6,019,314	7,599,829
Cost of sales	5	(254,620,404)	(250,822,529)	(2,729,617)	(132,681)
Gross profit		52,597,993	42,077,049	3,289,697	7,467,148
Other operating income		5,064,646	3,429,789	0	0
Administrative expenses		(25,205,488)	(21,997,483)	(1,052,489)	(598,009)
Profit from operations	6	32,457,151	23,509,355	2,237,208	6,869,139
Finance cost	7	(109,823)	(126,956)	0	0
Profit from ordinary activities before taxation		32,347,328	23,382,399	2,237,208	6,869,139
Taxation	8	(8,825,078)	(6,842,111)	(1,352,975)	(1,557,780)
Profit for the financial year		23,522,250	16,540,288	884,233	5,311,359
Attributable to:					
— Equity holders of the Company		23,729,283	16,531,909	884,233	5,311,359
— Minority interests		(207,033)	8,379	0	0
Profit for the financial year		23,522,250	16,540,288	884,233	5,311,359
Earnings per share attributable to equity holders of the Company (sen) – Basic	10	35	24		

# balance sheets

as at 31 December 2008

55

	NOTE	GROUP		COMPANY	
		2008 RM	2007 RM (RESTATED)	2008 RM	2007 RM (RESTATED)
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	43,393,425	42,959,836	0	0
Investment properties	12	15,066,927	15,062,772	0	0
Land held for property development	13	0	36,995,206	0	0
Interest in leasehold land	14	4,208,824	4,676,471	0	0
Other long term investments	15	294,525	294,525	0	0
Subsidiaries	16	0	0	153,280,342	97,539,899
Goodwill	17	192,499	192,499	0	0
Deferred tax assets	18	213,956	439,332	0	0
		63,370,156	100,620,641	153,280,342	97,539,899
<b>CURRENT ASSETS</b>					
Property development costs	19	52,337,353	26,327,213	0	0
Trade and other receivables	20	85,564,634	85,876,688	2,000	15,232
Inventories	23	581,534	567,677	0	0
Short term investments	24	62,934,990	7,214,146	53,435,442	7,208,746
Tax recoverable		4,401,911	480,062	374,445	252,496
Deposits, cash and bank balances	25	58,966,409	98,433,674	4,129,828	17,453,582
		264,786,831	218,899,460	57,941,715	24,930,056
<b>TOTAL ASSETS</b>		328,156,987	319,520,101	211,222,057	122,469,955

# balance sheets

as at 31 December 2008 (continued)

56

	NOTE	GROUP		COMPANY	
		2008 RM	2007 RM (RESTATED)	2008 RM	2007 RM (RESTATED)
Equity attributable to equity holders of the Company					
Share capital	26	68,000,000	68,000,000	68,000,000	68,000,000
Revaluation reserve	16(b)	4,221,785	4,221,785	76,885,943	21,145,500
Merger deficit	16(a)	(13,158,519)	(13,158,519)	0	0
Retained earnings	27	135,557,499	115,843,984	6,680,644	9,822,011
		194,620,765	174,907,250	151,566,587	98,967,511
Minority interests		1,991,044	2,155,409	0	0
<b>TOTAL EQUITY</b>		<b>196,611,809</b>	<b>177,062,659</b>	<b>151,566,587</b>	<b>98,967,511</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire-purchase creditors	28	732,356	544,440	0	0
Deferred tax liabilities	18	2,391,766	4,125,983	0	0
		3,124,122	4,670,423	0	0
<b>CURRENT LIABILITIES</b>					
Trade and other payables	29	124,107,911	134,640,178	59,655,470	23,502,444
Short term borrowings	30	0	1,345,000	0	0
Taxation		4,313,145	1,801,841	0	0
		128,421,056	137,787,019	59,655,470	23,502,444
<b>TOTAL LIABILITIES</b>		<b>131,545,178</b>	<b>142,457,442</b>	<b>59,655,470</b>	<b>23,502,444</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>328,156,987</b>	<b>319,520,101</b>	<b>211,222,057</b>	<b>122,469,955</b>

# consolidated statement of changes in equity

for the Financial Year ended 31 December 2008

57

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	NOTE	SHARE REVALUATION CAPITAL	RESERVE RM	MERGER DEFICIT RM	RETAINED EARNINGS RM	TOTAL RM	MINORITY INTERESTS RM	TOTAL EQUITY RM
At 1 January 2008 (as previously reported)		68,000,000	3,668,322	(13,158,519)	116,397,447	174,907,250	2,155,409	177,062,659
Reclassification from investment properties to property, plant and equipment	38	0	553,463	0	(553,463)	0	0	0
At 1 January 2008 (as restated)		68,000,000	4,221,785	(13,158,519)	115,843,984	174,907,250	2,155,409	177,062,659
Acquisition of additional interest from minority shareholders		0	0	0	9,832	9,832	(9,832)	0
Dilution arising from issue of additional shares in a subsidiary		0	0	0	0	0	52,500	52,500
Income and expense recognised directly in equity		0	0	0	9,832	9,832	42,668	52,500
Profit for the financial year		0	0	0	23,729,283	23,729,283	(207,033)	23,522,250
Dividends for the financial year ended 31 December 2007	9	0	0	0	(4,025,600)	(4,025,600)	0	(4,025,600)
At 31 December 2008		68,000,000	4,221,785	(13,158,519)	135,557,499	194,620,765	1,991,044	196,611,809

# consolidated statement of changes in equity

for the Financial Year ended 31 December 2008 (continued)

58

## ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	NOTE	SHARE REVALUATION CAPITAL	RESERVE RM	MERGER DEFICIT RM	RETAINED EARNINGS RM	TOTAL RM	MINORITY INTERESTS RM	TOTAL EQUITY RM
At 1 January 2007 (as previously reported)		68,000,000	3,329,943	(13,158,519)	103,911,381	162,082,805	2,071,519	164,154,324
Reclassification from investment properties to property, plant and equipment	38	0	553,463	0	(553,463)	0	0	0
At 1 January 2007 (as restated)		68,000,000	3,883,406	(13,158,519)	103,357,918	162,082,805	2,071,519	164,154,324
Deferred tax adjustment on revaluation reserves		0	338,379	0	0	338,379	0	338,379
Deferred tax adjustments on investment properties		0	0	0	(51,632)	(51,632)	0	(51,632)
Dilution arising from issue of additional shares in a subsidiary		0	0	0	(23,011)	(23,011)	75,511	52,500
Income and expense recognised directly in equity		0	338,379	0	(74,643)	263,736	75,511	339,247
Profit for the financial year		0	0	0	16,531,909	16,531,909	8,379	16,540,288
Dividends for the financial year ended 31 December 2006		0	0	0	(3,971,200)	(3,971,200)	0	(3,971,200)
At 31 December 2007 (restated)		68,000,000	4,221,785	(13,158,519)	115,843,984	174,907,250	2,155,409	177,062,659

# company statement of changes in equity

for the Financial Year ended 31 December 2008

59

	NOTE	NON-DISTRIBUTABLE		RETAINED EARNINGS RM	TOTAL RM
		SHARE CAPITAL RM	REVALUATION RESERVE RM		
At 1 January 2008		68,000,000	21,145,500	9,822,011	98,967,511
Revaluation of subsidiaries	16	0	55,740,443	0	55,740,443
Income recognised directly in equity		0	76,885,943	0	154,707,954
Profit for the financial year		0	0	884,233	884,233
Dividends for the financial year ended 31 December 2007	9	0	0	(4,025,600)	(4,025,600)
At 31 December 2008		68,000,000	76,885,943	6,680,644	151,566,587
At 1 January 2007		68,000,000	21,145,500	8,481,852	97,627,352
Profit for the financial year		0	0	5,311,359	5,311,359
Dividends for the financial year ended 31 December 2006		0	0	(3,971,200)	(3,971,200)
At 31 December 2007		68,000,000	21,145,500	9,822,011	98,967,511

# cash flow statements

for the Financial Year ended 31 December 2008

60

NOTE	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year	23,522,250	16,540,288	884,233	5,311,359
Adjustments for:				
— Amortisation of premium on unquoted bonds	2,403	19,682	2,403	19,682
— Dividend income	(170,893)	(115,277)	(5,597,043)	(5,541,527)
— Interest expense	109,823	126,956	0	0
— Interest income	(2,120,486)	(2,382,465)	(422,271)	(855,681)
— Depreciation of property, plant and equipment	2,340,309	2,321,558	0	0
— Amortisation of interest in leasehold land	467,647	467,647	0	0
— Gain on disposal of property, plant and equipment	(442,924)	(448,317)	0	0
— Property, plant and equipment written off	1,008,410	77,211	0	0
— (Gain)/loss on disposal of investment in quoted shares	(242,019)	(1,202,621)	289,579	(1,202,621)
— (Write back)/allowance for doubtful debts	(60,314)	1,461,941	0	0
— Provision/(write back) of diminution in value of investments	2,216,783	(149,249)	1,991,371	(149,249)
— Taxation	8,825,078	6,842,111	1,352,975	1,557,780
	35,456,067	23,559,465	(1,498,753)	(860,257)
Changes in working capital:				
— Changes in construction contracts	28,234,430	78,808,057	0	0
— (Increase)/decrease in receivables	(10,604,055)	(36,486,613)	13,232	4,692
— (Increase)/decrease in inventories	(13,857)	164,822	0	0
— (Decrease)/increase in payables	(26,380,222)	15,491,986	296,958	96,315
— Changes in intercompany balances	0	0	36,277,227	(3,915,953)
— Changes in property development	10,991,899	(4,903,844)	0	0
Net cash from/(used in) operations	37,684,262	76,633,873	35,088,664	(4,675,203)
Taxation paid	(11,942,761)	(5,422,621)	(64,099)	(165,996)
Tax refunded	198,297	416,060	0	281,753
Interest paid	(109,823)	(126,956)	0	0
Net cash flow from/(used in) operating activities	25,829,975	71,500,356	35,024,565	(4,559,446)

# cash flow statements

for the Financial Year ended 31 December 2008 (continued)

61

	NOTE	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment		985,000	1,225,711	0	0
Proceeds from disposal of quoted investments		142,000	1,277,833	142,000	1,277,833
Proceeds from redemption of unquoted bonds		1,000,000	5,000,000	1,000,000	5,000,000
Purchase of property, plant and equipment		(3,261,771)	(1,264,306)	0	0
Proceeds from disposal of shares in a subsidiary		52,500	52,500	0	0
Investment in quoted shares		0	(179,787)	0	(179,787)
Investment in unit trust		(3,106,865)	0	0	0
Investment with asset management company		(60,000,000)	0	(50,000,000)	0
Interest received		2,001,463	2,308,832	349,773	782,048
Dividend received		9,947	12,553	4,025,272	3,973,715
Purchase of land held for property development		0	(36,995,206)	0	0
Investment properties related cost		(4,155)	0	0	0
Net cash flow from/(used in) investing activities		(62,181,881)	(28,561,870)	(44,482,955)	10,853,809
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of hire-purchase creditors		(1,827,144)	(1,736,757)	0	0
(Repayment of)/proceeds from short term borrowings	30	(1,345,000)	1,345,000	0	0
Dividends paid		(4,025,600)	(3,971,200)	(4,025,600)	(3,971,200)
Net cash flow used in financing activities		(7,197,744)	(4,362,957)	(4,025,600)	(3,971,200)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>					
		(43,549,650)	38,575,529	(13,483,990)	2,323,163
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>					
		96,081,652	57,506,123	15,101,560	12,778,397
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>					
	25	52,532,002	96,081,652	1,617,570	15,101,560

# summary of significant accounting policies

for the Financial Year ended 31 December 2008

62

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

## A. BASIS FOR PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with Financial Reporting Standards and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results could differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

### a. Standards, Amendments to Published Standards and Interpretations to Existing Standards that are Applicable to the Group and are Effective

The new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group's and Company's financial year beginning on or after 1 January 2008 are as follows:

- Amendment to FRS 121 — The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- FRS 112 — Income Taxes
- FRS 120 — Accounting for Government Grants and Disclosure of Government Assistance
- IC Interpretation 1 — Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 — Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 — Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 — Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7 — Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 — Scope of FRS 2

FRS 120 and IC Interpretations 2, 5, 6, 7 and 8 are not relevant to the Group's and Company's operations.

The adoption of the new accounting standards, amendments to published standards and interpretations to existing standards has no significant impact on the accounting policies and financial statements of the Group and Company.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

63

## A. BASIS FOR PREPARATION (continued)

### b. Standards, Amendments to Published Standards and Interpretations to Existing Standards that are Applicable to the Group but not yet Effective

The new standards and interpretations to existing standards that are applicable to the Group, but which the Group has not early adopted, are as follows:

- FRS 8 Operating Segments (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply this standard from financial periods beginning on 1 January 2010.

The above standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and Company in the year of initial application.

The following standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards from financial year beginning on 1 January 2010. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of these standards on the financial statements of the Group and Company.

- FRS 139 — Financial Instruments: Recognition and Measurement
- FRS 7 — Financial Instruments: Disclosures

### c. Standards, Amendments to Published Standards and Interpretations to Existing Standards that are not yet Effective and are not relevant to the Group

FRS 4 'Insurance Contracts' (effective for annual period beginning on or after 1 January 2010) is not relevant to the Group's and Company's operations.

## B. BASIS OF CONSOLIDATION

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Acquisitions of subsidiaries prior to 1 April 2002 which met the criteria for merger accounting under Malaysian Accounting Standard 2, Accounting for Acquisitions ('MAS 2'), the generally accepted accounting principles prevailing at that time, are accounted for under that method. If the criteria of MAS 2 were not met, then the acquisitions are accounted for under the acquisition method of accounting. The acquisition of Loh & Loh Constructions Sdn Bhd and Loh & Loh Development Sdn Bhd which met the criteria for merger accounting under MAS 2 are accounted for under that method.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

64

## B. BASIS OF CONSOLIDATION (continued)

The Group has taken advantage of the exemption provided by FRS 122<sub>2004</sub> and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in these subsidiaries over the nominal value of the shares acquired is taken to merger reserve.

In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad has recorded its investment in Loh & Loh Constructions Sdn Bhd and Loh & Loh Development Sdn Bhd at the nominal value of the ordinary shares issued as consideration.

Other subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespectively of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill (see the accounting policy Note E on goodwill). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, and is recognised in the consolidated income statement.

## C. TRANSACTIONS WITH MINORITY INTERESTS

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. Gains and losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

65

## D. JOINTLY CONTROLLED ENTITIES

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

## E. GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries and jointly controlled entities over the fair value of the Group's share of identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries are included in the balance sheet as intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note T on impairment of assets.

Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities. Such goodwill is tested for impairment as part of the overall balance.

## F. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from construction contracts is recognised on the percentage of completion method. Revenue from property development activities is recognised on the percentage of completion method for units sold. Percentage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total costs of the contract.

Revenue relating to sale of goods and quarry operations is recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from dividends is recognised when the Group's right to receive payment is established.

Revenue from rental and interest income is recognised based on the accrual basis.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

66

## G. CONSTRUCTION CONTRACTS

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely inter-related or inter-dependent in terms of their design, technology and functions or their ultimate purpose or use.

Construction costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by using the percentage of completion method. The percentage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are probable will be recoverable.

Irrespective of whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/(loss) recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts under trade and other receivables (within current assets). Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under trade and other payables (within current liabilities).

## H. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, based on periodic, but at least once in five years, valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

During the financial year, the Group has changed the method of depreciation from reducing balance basis to straight line basis, to be in line with the accounting policy of the immediate holding company, UBG Berhad.

The change in depreciation method has been accounted for prospectively and has resulted in a reduction of depreciation charges for the financial year by RM914,999.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Buildings	2.5%
Plant and machinery	10% – 20%
Office equipment, furniture and fittings	10% – 20%
Motor vehicles	12.5% – 20%

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

67

## H. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note T on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) on operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

## I. HIRE-PURCHASE

Property, plant and equipment acquired under hire-purchase are capitalised and depreciated in accordance with the policy set out in Note H above. The corresponding outstanding obligations due under hire-purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to the income statement over the period of the respective hire-purchase.

## J. INCOME TAX

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets and liabilities are offset when the enterprise has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## K. FOREIGN CURRENCY

### a. Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

### b. Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

68

## L. INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or long term capital appreciation, or both, and are not occupied by the Group.

Investment properties are stated at fair value, representing open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation method such as recent prices on less active markets or discounted cash flow projections. Changes in the fair values are recorded in the income statement as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

## M. LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development consist of land held for future development on which no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note T on impairment of assets.

Land held for property development is classified as property development costs (under current assets) at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

## N. PROPERTY DEVELOPMENT COSTS

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

The recognition of property development revenue and expenses is similar to that of construction contracts — see accounting policy Note G on construction contracts.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value. The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

## O. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less, and bank overdraft.

## P. RECEIVABLES

Receivables are carried at invoice amount less an allowance for doubtful debts. An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

69

## Q. INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of inventories consists of materials, direct labour, direct charges and variable production overheads, determined on a weighted average basis.

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

## R. SHARE CAPITAL

### a. Classification

Ordinary shares are classified as equity.

### b. Dividends

Interim dividends are recognised as liabilities when declared before the balance sheet date. Final dividends are accounted for when it has been approved by the Company's shareholders.

## S. EMPLOYEE BENEFITS

### i. Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

### ii. Post-employment Benefits

Defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The defined contribution plan of the Group relates to the contributions to the Employees' Provident Fund. The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## T. IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

70

## U. FINANCIAL INSTRUMENTS

### i. Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

### ii. Financial Instruments recognised on the Balance Sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

### iii. Financial Instruments not recognised on the Balance Sheet

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rate by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

### iv. Fair Value Estimation for Disclosure Purposes

The face values of investment in unquoted bonds which are subject to accretion and amortisation over the tenure of the investment are assumed to approximate their fair values. The fair value of marketable securities is based on quoted market prices at the balance sheet date.

The face values for financial assets, less any estimated credit adjustments and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

## V. INVESTMENTS

Investments in subsidiaries and other long term investments are stated at cost or valuation. Investments stated at valuation shall be revalued at a regular interval of at least once in every five (5) years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiary companies.

Short term investments are stated at the lower of cost and market value. Any write down of carrying value is charged to the income statement. Investment in unquoted bonds is stated at cost net of amortisation of premiums or accretion of discount over the period between acquisition and maturity of the bonds. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Profit and loss arising on sale of investments are credited or charged to the income statement.

# summary of significant accounting policies

for the Financial Year ended 31 December 2008 (continued)

71

## W. BORROWING COSTS

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

All borrowing costs are charged to income statement as and when incurred. Interest is accrued over the period it becomes due and is recorded as part of other accruals.

Borrowing costs incurred to finance assets that require a substantial period of time to be ready for their intended use are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

## X. OPERATING LEASES

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the lease period.

## Y. CONTINGENT LIABILITIES

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired is disclosed in the Notes to the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137<sub>2004</sub> and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118<sub>2004</sub>.

## Z. SEGMENTAL INFORMATION

Segment reporting is presented for enhanced assessment of the Group's risks and returns as each business or geographical segment is subject to risks and returns that are different from the other business or geographical segments.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process.

# notes to the financial statements

31 December 2008

72

## 1. GENERAL INFORMATION

The principal activities of the Company consist of investment holding and civil construction.

The principal activities of the Group consist of building and civil construction, property development, trading in water related equipment, wholesaling and retailing and investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities of during the financial year.

The Company is a public limited company, domiciled and incorporated in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is as follows:

**Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
Damansara Heights, 50490 Kuala Lumpur**

The address of the principal place of business of the Company is as follows:

**19 & 21, Jalan Sri Hartamas 7  
Taman Sri Hartamas  
50480 Kuala Lumpur**

The Directors regard Abu Dhabi-Kuwait-Malaysia Investment Corporation, a company incorporated and domiciled in British Virgin Islands, as the ultimate holding company.

Unless stated otherwise, all monetary assets and liabilities are denominated in Ringgit Malaysia.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign exchange, interest, credit and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

### a. Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt and deposits. The Group regularly reviews its debt portfolio, taking into account the investment holding period and the nature of its assets.

### b. Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or security assets. For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into physical supply contracts within these set parameters.

### c. Credit Risk

Credit risk is controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via the Group management reporting procedures.

# notes to the financial statements

31 December 2008 (continued)

73

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### d. Liquidity and Cash Flow Risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

### e. Foreign Currency Exchange Risk

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material transactions with foreign exchange exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### a. Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

### b. Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

### c. Construction Contracts

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred to date bear in relation to the estimated total costs for the contract. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. The Group relied on past experience in making the judgement.

### d. Property Development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method for units sold. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear in relation to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. The Group relied on past experience in making the judgement.

# notes to the financial statements

31 December 2008 (continued)

74

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### e. Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on internal technical evaluations and experience with similar assets. It is possible, however, that future results of operations could be materially affected by variations in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the property, plant and equipment balance.

## 4. REVENUE

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Construction contracts	227,517,462	267,316,719	0	0
Property development	62,238,531	11,433,578	0	0
Rental income	84,000	126,500	0	0
Sale of investments	0	1,202,621	0	1,202,621
Interest income	422,271	855,681	422,271	855,681
Dividends:				
— A subsidiary	0	0	5,426,250	5,426,250
— Other investments, quoted in Malaysia	170,793	115,277	170,793	115,277
Sale of goods	16,785,340	11,849,202	0	0
	307,218,397	292,899,578	6,019,314	7,599,829

## 5. COST OF SALES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Construction contracts	192,561,363	231,297,836	0	0
Property development	45,681,994	7,938,489	0	0
Rental	33,768	39,897	0	0
Costs related to investment activities	2,729,617	132,681	2,729,617	132,681
Costs of goods sold	13,613,662	11,413,626	0	0
	254,620,404	250,822,529	2,729,617	132,681

# notes to the financial statements

31 December 2008 (continued)

75

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
— Hire of plant and machinery	2,450	25,845	0	0
— Rental of buildings	73,849	17,900	0	0
— (Write back)/allowance for doubtful debts	(60,314)	1,461,941	0	0
— Auditors' remuneration:				
— PricewaterhouseCoopers Malaysia				
— Statutory audit:				
— Current financial year	121,000	107,000	20,000	16,000
— Underprovision in prior financial year	28,000	15,000	0	10,000
— Tax and other fees	40,600	57,083	9,600	4,000
— Other firm of auditors				
— Statutory audit	61,550	55,000	0	0
— Amortisation of premium on unquoted bonds	2,403	19,682	2,403	19,682
— Staff costs (excluding remuneration of Executive Directors)				
— Wages, salaries and bonus	8,847,148	8,141,528	0	0
— Defined contribution plan	865,797	907,874	0	0
— Other employee benefits	263,824	271,857	0	0
— Allowance/(write back) for diminution in value of investments	2,216,783	(149,249)	1,991,371	(149,249)
— Loss/(gain) on disposal of investments:				
— Quoted shares	289,579	(1,202,621)	289,579	(1,202,621)
— With asset management company	(531,597)	0	0	0
— Property, plant and equipment:				
— Depreciation	2,340,309	2,321,558	0	0
— Gain on disposal	(442,924)	(448,317)	0	0
— Write off	1,008,410	77,211	0	0
— Amortisation of interest in leasehold land	467,647	467,647	0	0
— Income from rental of office premises	(1,195,506)	(1,091,556)	0	0
— Interest income	(2,120,486)	(2,382,465)	(422,271)	(855,681)
— Dividend income:				
— A subsidiary	0	0	(5,426,250)	(5,426,250)
— Other investments, quoted in Malaysia	(170,893)	(115,277)	(170,793)	(115,277)
— Rental income of plant and machinery	0	(6,000)	0	0
— Realised (gain)/loss on foreign exchange	0	(459)	0	0
— Waiver of debt by creditors	0	(177,381)	0	0

# notes to the financial statements

31 December 2008 (continued)

76

## 6. PROFIT FROM OPERATIONS (continued)

Direct operating expenses from investment properties that generated income of the Group during the financial year amounted to RM20,078 (2007: RM39,897).

Direct operating expenses from investment properties that did not generate income of the Group during the financial year amounted to RM45,946 (2007: RM49,218).

The Directors of the Company in office during the financial year are as follows:

### Non-Executive Directors

- Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud (appointed on 19 September 2008)
- Tuan Syed Ahmad bin Alwee Alsree (appointed on 19 September 2008)
- Datu Michael Ting Kuok Ngie @ Ting Kok Ngie (appointed on 19 September 2008)
- Kuah Hun Liang (appointed on 19 September 2008)
- Tan Vern Tact (appointed on 19 September 2008)
- Yong Weng Fai
- Tan Sri Abdul Rashid bin Abdul Manaf (resigned on 19 September 2008)
- Danny Ng Siew L'Leong (resigned on 19 September 2008)
- Hooi Kah Hung (resigned on 19 September 2008)
- O Wai Tiong (resigned on 19 September 2008)
- Michael Oh Aik Teong (resigned on 19 September 2008)
- Dato' Voon Tin Yow (resigned on 9 September 2008)

### Executive Directors

- Loh Kim Kah
- Loh Kim Tai (resigned on 19 September 2008)
- Lee Hon Keong (resigned on 19 September 2008)

The aggregate amount of remuneration received/receivable by Directors of the Group and Company for the financial year are as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Executive Directors:				
— Fees	248,500	288,000	152,500	288,000
— Salaries and bonus	1,457,108	1,516,000	0	0
— Defined contribution plan	165,420	168,840	0	0
— Estimated money value of benefits-in-kind	48,993	54,950	0	0
	1,920,021	2,027,790	152,500	288,000
Non-Executive Directors:				
— Fees	320,750	330,000	280,250	276,000
Total Directors' remuneration	2,240,771	2,357,790	432,750	564,000

# notes to the financial statements

31 December 2008 (continued)

77

## 7. FINANCE COST

Interest expense:

- Hire-purchase
- Others

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
— Hire-purchase	109,823	126,919	0	0
— Others	0	37	0	0
	109,823	126,956	0	0

## 8. TAXATION

In Malaysia

Current taxation:

- Current financial year
- (Over)/under provision in respect of prior financial years

Deferred taxation (Note 18):

- Origination and reversal of temporary differences

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
— Current financial year	10,511,767	7,355,910	1,410,825	1,522,088
— (Over)/under provision in respect of prior financial years	(177,848)	9,248	(57,850)	35,692
Deferred taxation (Note 18):				
— Origination and reversal of temporary differences	(1,508,841)	(523,047)	0	0
	8,825,078	6,842,111	1,352,975	1,557,780

The effective tax rate on the Group and Company's profit from ordinary activities before taxation differs from the statutory tax rate and is reconciled as follows:

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
Statutory income tax rate	26	27	26	27
Income not subject to tax	(1)	(1)	0	(5)
Expenses not deductible for tax purposes	3	2	34	1
Deferred tax benefits not recognised	1	0	0	0
(Over)/under accrual in respect of prior years	(2)	1	0	0
	27	29	60	23

# notes to the financial statements

31 December 2008 (continued)

78

## 9. DIVIDENDS

	2008		2007	
	GROSS DIVIDEND PER SHARE SEN	AMOUNT OF DIVIDEND NET OF TAX RM	GROSS DIVIDEND PER SHARE SEN	AMOUNT OF DIVIDEND NET OF TAX RM
Dividends	10	5,100,000	8	4,025,600

At the forthcoming Annual General Meeting, a final dividend less tax of 25% (2007: 26%), in respect of the financial year ended 31 December 2008 of 10 sen per share (2007: 8 sen per share), amounting to RM5,100,000 (2007: RM4,025,600), will be proposed for shareholders' approval. The final dividend will be accrued as a liability in the financial year ending 31 December 2009 when approved by the shareholders.

## 10. EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group's profit for the financial year attributable to equity holders of the Company of RM23,729,283 (2007: RM16,531,909) by the weighted average number of shares amounting to 68,000,000 (2007: 68,000,000) in issue during the financial year.

# notes to the financial statements

31 December 2008 (continued)

79

## 11. PROPERTY, PLANT AND EQUIPMENT

GROUP	BUILDINGS ON FREEHOLD LAND		BUILDINGS ON LEASEHOLD LAND	PLANT & MACHINERY	OFFICE EQUIPMENT, FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
	RM	RM	RM		RM		
<b>2008</b>							
<b>COST/VALUATION</b>							
At 1 January (as previously reported)							
— Cost	0	0	0	37,181,854	6,860,870	15,128,415	59,171,139
— Valuation	3,656,875	775,000	15,258,897	0	0	0	19,690,772
	3,656,875	775,000	15,258,897	37,181,854	6,860,870	15,128,415	78,861,911
Reclassification from investment properties at valuation (Note 12.38)	6,227,640	2,303,588	0	0	0	0	8,531,228
At 1 January 2008 (as restated)	9,884,515	3,078,588	15,258,897	37,181,854	6,860,870	15,128,415	87,393,139
Additions	0	0	0	1,858,110	849,217	2,719,044	5,426,371
Disposals	0	0	0	(748,011)	(34,325)	(1,606,706)	(2,389,042)
Write off	0	0	0	(1,068,533)	(2,543,704)	(121,396)	(3,733,633)
At 31 December	9,884,515	3,078,588	15,258,897	37,223,420	5,132,058	16,119,357	86,696,835
<b>ACCUMULATED DEPRECIATION</b>							
At 1 January	0	251,250	4,959,091	27,014,060	3,580,865	8,628,037	44,433,303
Charge for the financial year	0	38,750	1,019,233	1,130,376	764,488	489,449	3,442,296
Released on disposals	0	0	0	(627,459)	(8,909)	(1,210,598)	(1,846,966)
Write off	0	0	0	(868,673)	(1,735,388)	(121,162)	(2,725,223)
At 31 December	0	290,000	5,978,324	26,648,304	2,601,056	7,785,726	43,303,410
<b>NET BOOK VALUE</b>							
At 31 December	9,884,515	2,788,588	9,280,573	10,575,116	2,531,002	8,333,631	43,393,425

# notes to the financial statements

31 December 2008 (continued)

80

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	BUILDINGS ON FREEHOLD LAND		BUILDINGS ON LEASEHOLD LAND	PLANT & MACHINERY	OFFICE EQUIPMENT, FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
	RM	RM	RM	RM	RM	RM	RM
<b>2007</b>							
<b>COST/VALUATION</b>							
At 1 January (as previously reported)							
— Cost	0	0	0	38,977,822	6,097,989	15,517,099	60,592,910
— Valuation	3,656,875	775,000	15,258,897	0	0	0	19,690,772
	3,656,875	775,000	15,258,897	38,977,822	6,097,989	15,517,099	80,283,682
Reclassification from investment properties at valuation (Note 12,38)	6,227,640	2,303,588	0	0	0	0	8,531,228
At 1 January 2007 (as restated)	9,884,515	3,078,588	15,258,897	38,977,822	6,097,989	15,517,099	88,814,910
Additions	0	0	0	212,934	778,276	810,596	1,801,806
Disposals	0	0	0	(1,989,002)	(4,610)	(1,064,374)	(3,057,986)
Write off	0	0	0	(19,900)	(10,785)	(134,906)	(165,591)
At 31 December	9,884,515	3,078,588	15,258,897	37,181,854	6,860,870	15,128,415	87,393,139
<b>ACCUMULATED DEPRECIATION</b>							
At 1 January	0	231,875	3,944,124	26,788,338	3,235,027	7,950,920	42,150,284
Charge for the financial year	0	19,375	1,014,967	1,675,485	356,573	1,585,591	4,651,991
Released on disposals	0	0	0	(1,430,914)	(3,585)	(846,093)	(2,280,592)
Write off	0	0	0	(18,849)	(7,150)	(62,381)	(88,380)
At 31 December	0	251,250	4,959,091	27,014,060	3,580,865	8,628,037	44,433,303
<b>NET BOOK VALUE</b>							
At 31 December	9,884,515	2,827,338	10,299,806	10,167,794	3,280,005	6,500,378	42,959,836

# notes to the financial statements

31 December 2008 (continued)

81

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land and buildings were valued in 2006 by Long Tian Chek, B.Sc, MRICS, MIS(M), of Henry Butcher Malaysia Sdn Bhd, an independent qualified valuer using the comparison method to reflect its fair value.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount that would have been included in the financial statements at the end of the financial year would be as follows:

	<b>GROUP</b>	
	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
Freehold land	5,828,125	388,686
Buildings on freehold land	2,653,761	388,923
Buildings on leasehold land	8,087,867	9,018,761
	<b>16,569,753</b>	<b>9,796,370</b>

Included in the Group's property, plant and equipment are assets acquired under hire-purchase agreements with net book values as follows:

	<b>GROUP</b>	
	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
Motor vehicles	3,289,699	2,933,920
Plant and machinery	1,256,062	0
	<b>4,545,761</b>	<b>2,933,920</b>

Included in the Group's additions to property, plant and equipment are assets purchased under hire-purchase agreements as follows:

	<b>GROUP</b>	
	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
Motor vehicles	2,274,723	872,372
Plant and machinery	1,305,000	0
	<b>3,579,723</b>	<b>872,372</b>

# notes to the financial statements

31 December 2008 (continued)

82

## 12. INVESTMENT PROPERTIES

	GROUP	
	2008 RM	2007 RM (RESTATED)
At 1 January (as previously reported)	23,594,000	23,594,000
Reclassification to property, plant and equipment (Note 11, 38)	(8,531,228)	(8,531,228)
At 1 January (as restated)	15,062,772	15,062,772
Additions	4,155	0
At 31 December	15,066,927	15,062,772

Investment properties are stated at fair value, representing open-market value determined by external valuers.

At 31 December 2008, the Group does not have any (2007: nil) unprovided contractual obligations for future repairs and maintenance.

## 13. LAND HELD FOR PROPERTY DEVELOPMENT

GROUP	FREEHOLD LAND RM	DEVELOPMENT EXPENDITURE RM	TOTAL RM
<b>2008</b>			
Cost:			
— At 1 January	36,397,187	598,019	36,995,206
— Additions	0	688,622	688,622
— Reclassification to property development costs (Note 19)	(36,397,187)	(1,286,641)	(37,683,828)
At 31 December	0	0	0
<b>2007</b>			
Cost:			
— At 1 January	21,126,938	295,104	21,422,042
— Additions	36,397,187	2,200,080	38,597,267
— Reclassification to property development costs (Note 19)	(21,126,938)	(1,897,165)	(23,024,103)
At 31 December	36,397,187	598,019	36,995,206

Land held for property development has been charged to a bank to secure a revolving credit facility of RM21,000,000.

# notes to the financial statements

31 December 2008 (continued)

83

## 14. INTEREST IN LEASEHOLD LAND

	GROUP	
	2008 RM	2007 RM
<b>Cost</b>		
At 1 January/31 December	5,300,000	5,300,000
<b>Accumulated Amortisation</b>		
At 1 January	623,529	155,882
Charge during the financial year	467,647	467,647
At 31 December	1,091,176	623,529
<b>Net Book Value</b>		
At 31 December	4,208,824	4,676,471

Interest in leasehold land arises from the acquisition of subsidiaries in the year 2006. The interest in leasehold land was determined based on the favourable incremental portion of lease rental as compared with the amount paid/incurred by the Group.

The interest in leasehold land was valued in 2006 by Long Tian Chek, B.Sc, MRICS, MIS(M) (Messrs Henry Butcher Malaysia Sdn Bhd), an independent qualified valuer using the investment method to reflect its fair value.

## 15. OTHER LONG TERM INVESTMENTS

	GROUP	
	2008 RM	2007 RM
<b>Investment in Unquoted Shares</b>		
At cost	340,000	340,000
Provision for diminution in value of investment	(45,475)	(45,475)
	294,525	294,525
Fair value	294,525	294,525

# notes to the financial statements

31 December 2008 (continued)

84

## 16. SUBSIDIARIES

Unquoted shares, at cost  
Unquoted shares, at valuation

COMPANY	
2008 RM	2007 RM
22,246,070	22,246,070
131,034,272	75,293,829
153,280,342	97,539,899

The subsidiaries are:

### PERCENTAGE OF EQUITY HELD

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2008 %	2007 %
<b>Direct Subsidiaries</b>				
Loh & Loh Constructions Sdn Bhd	Building and civil construction and investment holding	Malaysia	100	100
Loh & Loh Development Sdn Bhd	Property development and property investment	Malaysia	100	100
* Water Engineering Technology Sdn Bhd	Trading, contracting and mechanical & electrical engineering related activities	Malaysia	100	100
* Central Icon Sdn Bhd	Investment holding and provision of management services	Malaysia	90	90
<b>Subsidiaries of Loh &amp; Loh Constructions Sdn Bhd</b>				
Jutakim Sdn Bhd	Civil engineering	Malaysia	100	100
Loh & Loh Sato Kogyo JV Sdn Bhd	Civil engineering	Malaysia	100	51
Quality Quarry Sdn Bhd	Quarry operations	Malaysia	68	68
Loh & Loh Ikhmas Sdn Bhd	Civil engineering	Malaysia	70	70
Sepakat Sempurna Sdn Bhd	Dormant	Malaysia	100	60
<b>Subsidiary of Loh &amp; Loh Development Sdn Bhd</b>				
Turf-Tech Sdn Bhd	Property development	Malaysia	100	100

# notes to the financial statements

31 December 2008 (continued)

85

## 16. SUBSIDIARIES (continued)

NAME	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY HELD	
			2008 %	2007 %
<b>Subsidiaries of Water Engineering Technology Sdn Bhd</b>				
* WET Sales and Services Sdn Bhd	Trading and contracting in water related equipment	Malaysia	100	100
* WET Air Sdn Bhd	Design and supply of air pollution control systems	Malaysia	65	65
<b>Subsidiary of Central Icon Sdn Bhd</b>				
* Ladang Impian Sdn Bhd	Cultivation and selling of agricultural produce and investment holding	Malaysia	100	100
<b>Subsidiaries of Ladang Impian Sdn Bhd</b>				
* Ladang Impian 1 Sdn Bhd	Cultivation and selling of agricultural produce	Malaysia	100	100
* Ladang Impian 2 Sdn Bhd	Cultivation and selling of agricultural produce	Malaysia	100	100
<b>Subsidiary of Ladang Impian 1 Sdn Bhd</b>				
* Pasarakyat Sdn Bhd	Wholesale and retailing	Malaysia	100	100

\* Not audited by PricewaterhouseCoopers

- a. The acquisitions of Loh & Loh Constructions Sdn Bhd and Loh & Loh Development Sdn Bhd in prior financial years which met the criteria for merger accounting under MAS 2 were accounted for under that method. In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad recorded its investments in Loh & Loh Constructions Sdn Bhd and Loh & Loh Development Sdn Bhd at the nominal value of the ordinary shares issued as consideration. On consolidation, the excess of the carrying values of the investments over the nominal value of the shares acquired were taken to merger reserve.
- b. The unquoted shares are stated at valuation as the Company revalued its investment for a corporate exercise for issuance of bonus shares in prior financial years. Subsequent to the first revaluation, the unquoted shares are revalued using the adjusted net tangible assets approach during the current financial year, resulting in the recognition of revaluation surplus amounting to RM55,740,443.

# notes to the financial statements

31 December 2008 (continued)

86

## 17. GOODWILL

### GROUP

	2008 RM	2007 RM
At 1 January/31 December	192,499	192,499

## 18. DEFERRED TAXATION

### GROUP

	2008 RM	2007 RM
Deferred tax assets	213,956	439,332
Deferred tax liabilities		
— Subject to income tax	(2,391,766)	(4,125,983)
	(2,177,810)	(3,686,651)
At 1 January	(3,686,651)	(4,496,445)
(Charged)/credited to income statement (Note 8):		
— Property, plant and equipment	566,445	508,379
— Provisions	743,094	(258,058)
— Unutilised tax credits	0	(131,007)
— Interest in leasehold land	148,841	208,882
— Others	50,461	194,851
	1,508,841	523,047
Credited/(charged) to equity:		
— Property, plant and equipment	0	286,747
At 31 December	(2,177,810)	(3,686,651)
Subject to income tax:		
<b>Deferred Tax Assets (before offsetting)</b>		
Provisions	1,858,394	1,115,300
Property, plant and equipment	175,983	160,004
Others	252,776	202,315
	2,287,153	1,477,619
Offsetting	(2,073,197)	(1,038,287)
Deferred tax assets (after offsetting)	213,956	439,332

# notes to the financial statements

31 December 2008 (continued)

87

## 18. DEFERRED TAXATION (continued)

	GROUP	
	2008 RM	2007 RM
<b>Deferred Tax Liabilities (before offsetting)</b>		
Property, plant and equipment	(3,444,686)	(3,995,152)
Interest in leasehold land	(1,020,277)	(1,169,118)
	(4,464,963)	(5,164,270)
Offsetting	2,073,197	1,038,287
Deferred tax liabilities (after offsetting)	(2,391,766)	(4,125,983)

The amount of unused tax losses, unabsorbed capital and agricultural allowances (all of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	GROUP	
	2008 RM	2007 RM
Tax losses	11,115,854	11,321,841
Unabsorbed capital allowances	1,715,390	1,350,701
Unabsorbed agricultural allowances	787,281	619,906
	13,618,525	13,292,448

No deferred tax assets are recognised in respect of the above as it is not probable that taxable profit will be available against which they can be utilised.

# notes to the financial statements

31 December 2008 (continued)

88

## 19. PROPERTY DEVELOPMENT COSTS

	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Development costs:		
— At 1 January	34,265,702	0
— Transfer from land held for property development (Note 13)		
— Land cost	36,397,187	21,126,938
— Development costs	1,286,641	1,897,165
— Development costs incurred during the financial year	34,008,306	11,241,599
	<b>105,957,836</b>	<b>34,265,702</b>
Costs recognised as an expense in income statement:		
— At 1 January	(7,938,489)	0
— Recognised during the financial year	(45,681,994)	(7,938,489)
At 31 December	(53,620,483)	(7,938,489)
At 31 December	<b>52,337,353</b>	<b>26,327,213</b>
Development costs is analysed as follows:		
— Freehold land, at cost	57,524,125	21,126,938
— Development costs	48,433,711	13,138,764
— Costs recognised in income statement:		
— Prior year	(7,938,489)	0
— Current year	(45,681,994)	(7,938,489)
	<b>52,337,353</b>	<b>26,327,213</b>
Included in development costs incurred during the financial year:		
— Depreciation of property, plant and equipment	6,833	1,327

# notes to the financial statements

31 December 2008 (continued)

89

## 20. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	46,353,351	46,379,210	0	0
Retention sums	12,880,447	16,251,598	0	0
Total trade receivables	59,233,798	62,630,808	0	0
Allowance for doubtful debts	(3,891,281)	(4,107,643)	0	0
	55,342,517	58,523,165	0	0
Accrued billings (Note 21)	20,534,527	4,719,214	0	0
Amounts due from customers on contracts (Note 22)	8,109,410	19,085,833	0	0
Deposits	695,043	1,057,346	0	0
Prepayments	163,303	213,253	0	0
Other receivables	1,719,920	3,121,915	2,000	15,232
Allowance for doubtful debts	(1,000,086)	(844,038)	0	0
	85,564,634	85,876,688	2,000	15,232
The currency exposure profile of trade receivables is as follows:				
— Ringgit Malaysia	45,088,902	45,171,809	0	0
— US Dollar	789,399	771,304	0	0
— New Zealand Dollar	0	164,037	0	0
— Brunei Dollar	0	244,000	0	0
— Sterling Pound	0	28,060	0	0
— Australian Dollar	129,814	0	0	0
— Singapore Dollar	307,008	0	0	0
— Philippines Peso	38,228	0	0	0
	46,353,351	46,379,210	0	0

The credit terms of trade receivables ranged from 90 to 120 days (2007: 90 to 120 days). The Group's top 5 (2007: 5) customers makes up 46% (2007: 50%) of the Group's trade receivables. Management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

## 21. ACCRUED BILLINGS IN RESPECT OF PROPERTY DEVELOPMENT ACTIVITIES

	GROUP	
	2008 RM	2007 RM
Revenue recognised in income statement to date	73,672,109	11,433,578
Progress billings to date	(53,137,582)	(6,714,364)
Accrued billings (Note 20)	20,534,527	4,719,214

# notes to the financial statements

31 December 2008 (continued)

90

## 22. CONSTRUCTION CONTRACTS

	GROUP	
	2008 RM	2007 RM
Aggregate costs incurred to date	1,066,673,382	853,140,313
Attributable profits less recognised losses	118,747,185	91,924,983
	1,185,420,567	945,065,296
Progress billings	(1,241,194,956)	(973,700,409)
	(55,774,389)	(28,635,113)
	8,109,410	19,085,833
Amounts due from customers on contracts (Note 20)	(63,883,799)	(47,720,946)
Amounts due to customers on contracts (Note 29)	(55,774,389)	(28,635,113)
	1,764,000	6,824,174
Advances received on contracts (included in trade receivables)		
During the financial year, the following expenses have been included in the aggregate costs incurred to date of the Group:		
— Property, plant and equipment		
— Depreciation	1,095,154	2,329,106
— Write off	3,458	0
— Rental of buildings	313,036	298,639
— Hire of plant and machinery	762,386	1,612,336

## 23. INVENTORIES

	GROUP	
	2008 RM	2007 RM
At cost:		
— Consumables	207,379	222,856
— Water related equipment	374,155	344,821
	581,534	567,677

# notes to the financial statements

31 December 2008 (continued)

91

## 24. SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Investment in Unquoted Bonds in Malaysia</b>				
At cost	0	1,036,542	0	1,036,542
Accretion of discount net of amortisation of premium	0	(34,139)	0	(34,139)
	0	1,002,403	0	1,002,403
<b>Investment with Asset Management Company</b>				
At cost	60,801,711	4,801,820	54,189,016	4,801,820
Provision for diminution in value of investment	(1,935,205)	0	(1,709,793)	0
	58,866,506	4,801,820	52,479,223	4,801,820
<b>Investment in Shares Quoted in Malaysia</b>				
At cost	815,097	981,823	809,697	976,423
Provision for diminution in value of investment	(676,641)	(571,900)	(676,641)	(571,900)
	138,456	409,923	133,056	404,523
<b>Investment in Unit Trust in Malaysia</b>				
At cost	4,106,865	1,000,000	1,000,000	1,000,000
Provision for diminution in value of investment	(176,837)	0	(176,837)	0
	3,930,028	1,000,000	823,163	1,000,000
	62,934,990	7,214,146	53,435,442	7,208,746
Market value of investment in unquoted bonds in Malaysia	0	1,026,504	0	1,026,504
Market value of investment in quoted shares in Malaysia	138,456	409,923	133,056	404,523
Market value of investment in unit trust in Malaysia	3,930,028	1,407,477	823,163	1,407,477

# notes to the financial statements

31 December 2008 (continued)

92

## 24. SHORT TERM INVESTMENTS (continued)

The investment with asset management company comprises the following financial instruments:

	GROUP		COMPANY	
	2008 RM	2007 RM (RESTATED)	2008 RM	2007 RM (RESTATED)
Shares quoted in Malaysia:				
— At cost	10,784,125	4,673,591	4,174,375	4,673,591
— Provision in diminution in value of investment	(1,599,009)	0	(1,373,597)	0
	9,185,116	4,673,591	2,800,778	4,673,591
Other investment:				
— At cost	50,000,000	0	50,000,000	0
— Provision in diminution in value of investment	(336,195)	0	(336,195)	0
	49,663,805	0	49,663,805	0
Other receivables	17,585	128,229	14,640	128,229
	58,866,506	4,801,820	52,479,223	4,801,820
Market value of investment in quoted shares	9,185,116	5,840,189	2,800,778	5,840,189
Market value of other investment	49,663,805	0	49,663,805	0

# notes to the financial statements

31 December 2008 (continued)

93

## 25. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2008 RM	2007 RM (RESTATED)	2008 RM	2007 RM (RESTATED)
Short term deposits with licensed banks	25,262,291	78,956,035	2,424,801	16,476,345
Cash and bank balances	26,862,800	18,441,264	1,705,027	977,237
Bank balance held under the Housing Development Account	6,841,318	1,036,375	0	0
	58,966,409	98,433,674	4,129,828	17,453,582
Restricted deposits, cash and bank balances:				
— Short term deposits with licensed banks	(6,346,950)	(2,313,580)	(2,424,801)	(2,313,580)
— Cash and bank balances	(87,457)	(38,442)	(87,457)	(38,442)
Cash and cash equivalents	52,532,002	96,081,652	1,617,570	15,101,560

### Weighted Average Interest Rates (per annum) at Financial Year End

Short term deposits with licensed banks

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
Short term deposits with licensed banks	3.12	3.13	3.12	2.89

Short term deposits with licensed banks of the Group and Company have an average maturity of 15 and 25 days (2007: 14 and 27 days) respectively.

Bank balances are deposits held at call with banks and earn no interest.

Bank balances include balances amounting to RM6,841,318 (2007: RM1,036,375) which are maintained in designated Housing Development Accounts pursuant to the Housing Developers (Control and Licensing) Act, 1966 and Housing Regulations, 1991 in connection with the Group's property development projects. The utilisation of these balances are restricted before completion of the housing development projects and fulfilling all relevant obligations to the purchasers, such that the cash could only be withdrawn from such accounts for the purpose of completing the particular projects.

Included in deposits, cash and bank balances are amounts held in trust by a trustee under an investment management agreement for discretionary accounts and are not available for use:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term deposits with licensed Banks	6,346,950	2,313,580	2,424,801	2,313,580
Cash and bank balances	87,457	38,442	87,457	38,442
	6,434,407	2,352,022	2,512,258	2,352,022

# notes to the financial statements

31 December 2008 (continued)

94

## 26. SHARE CAPITAL

	COMPANY	
	2008 RM	2007 RM
Authorised 100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000
Issued and fully paid 68,000,000 ordinary shares of RM1 each	68,000,000	68,000,000

## 27. RETAINED EARNINGS

Under the single-tier system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hand of shareholders.

Companies with Section 108 credits as at 31 December 2008 may continue to frank dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2008, the Company has tax exempt income and tax credit under Section 108 of the Income Tax Act, 1967, amounting to approximately RM1,521,107 (2007: RM1,521,107) and RM4,985,657 (2007: RM5,071,941) respectively, to frank the payment of net dividends out of all its retained earnings without incurring any additional tax liability.

## 28. HIRE-PURCHASE CREDITORS

	GROUP	
	2008 RM	2007 RM
Amount payable	1,867,363	1,529,611
Finance charges	(127,781)	(127,485)
	1,739,582	1,402,126
Amount due within 1 year classified as trade and other payables (Note 29)	1,007,226	857,686
Amount due between 1 to 2 years	732,356	544,440
	1,739,582	1,402,126

The weighted average effective interest rate of hire-purchase creditors as at 31 December 2008 is 2.98% (2007: 3.15%) per annum. The fair value of hire-purchase creditors at balance sheet date is RM1,626,788 (2007: RM1,345,978).

# notes to the financial statements

31 December 2008 (continued)

95

## 29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	49,582,546	74,741,960	0	0
Amounts due to customers on contracts (Note 22)	63,883,799	47,720,946	0	0
Amounts due to subsidiaries	0	0	59,172,099	22,894,872
Amounts due to related parties	1,500,000	1,500,000	0	0
Other payables	2,576,694	5,188,288	477,635	607,572
Accruals	5,557,646	4,631,298	5,736	0
Hire-purchase creditors (Note 28)	1,007,226	857,686	0	0
	124,107,911	134,640,178	59,655,470	23,502,444

The credit terms of trade payables ranged from 60 to 90 days (2007: 60 to 90 days).

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amounts due to related parties (Saroma Engineering Sdn Bhd and Ikhmas Jaya Sdn Bhd) are unsecured, interest free and have no fixed terms of repayment.

	GROUP	
	2008 RM	2007 RM
The currency exposure profile of trade payables is as follows:		
— Ringgit Malaysia	49,514,163	74,676,115
— US Dollar	32,026	2,491
— Euro	36,357	26,304
— Singapore Dollar	0	8,990
— Sterling Pound	0	28,060
	49,582,546	74,741,960

## 30. SHORT TERM BORROWINGS

	GROUP	
	2008 RM	2007 RM
Bankers' acceptances	0	1,345,000

The weighted average effective interest rate of the bankers' acceptances as at 31 December 2007 was 4.15% per annum.

# notes to the financial statements

31 December 2008 (continued)

96

## 31. CONTINGENT LIABILITIES (UNSECURED)

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Guarantees given to banks for Group's performance/ tender guarantees granted to customers	67,065,241	72,129,385	2,308,979	2,308,979

The Company had given guarantee to banks amounting to RM286,950,000 (2007: RM286,950,000) for banking facilities extended to subsidiaries of which RM64,756,262 (2007: RM69,820,406) have been utilised as at 31 December 2008.

## 32. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

RELATED PARTIES	RELATIONSHIPS
Ikhmas Jaya Sdn Bhd	Corporate shareholder of Loh & Loh Ikhmas Sdn Bhd
Saroma Engineering Sdn Bhd	Corporate shareholder of Quality Quarry Sdn Bhd
Sato Kogyo Co. Ltd	Corporate shareholder of Loh & Loh Sato Kogyo JV Sdn Bhd
Sato Kogyo (M) Sdn Bhd	Associate of Sato Kogyo Co. Ltd
Intercircle Management Sdn Bhd	A company in which Tan Sri Abdul Rashid bin Abdul Manaf, a former Director of the Company, was a major shareholder and director
Swisslane Granite Sdn Bhd	A company in which directors of Saroma Engineering Sdn Bhd have equity interest
CMS Trust Management Berhad	A subsidiary of Cahya Mata Berhad, a substantial shareholder of UBG Berhad, the holding company of Loh & Loh Corporation Berhad

# notes to the financial statements

31 December 2008 (continued)

97

## 32. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

### Significant Transactions with Related Parties

In the ordinary course of business, the Company's significant transactions with its related companies are as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Progress billings paid/payable to:				
— Sato Kogyo (M) Sdn Bhd	0	1,470,858	0	0
— Saroma Engineering Sdn Bhd	83,718	3,241,007	0	0
Purchase of goods from Swisslane Granite Sdn Bhd	0	49,374	0	0
Fees paid for advisory services rendered by a Director of the Company	40,500	54,000	0	0
Management fees paid/payable to CMS Trust Management Berhad	43,279	0	0	0
Secretarial fees paid to Intercircle Management Sdn Bhd	35,606	39,563	31,547	35,849
Advances to/(from) subsidiaries:				
— Loh & Loh Constructions Sdn Bhd	0	0	(36,516,301)	2,118,472
— Loh & Loh Development Sdn Bhd	0	0	100,000	1,500,000
— Turf-Tech Sdn Bhd	0	0	150,000	282,185
— Loh & Loh Sato Kogyo JV Sdn Bhd	0	0	0	2,185
— Jutakim Sdn Bhd	0	0	(5,463)	5,463
— Sepakat Sempurna Sdn Bhd	0	0	0	2,185
— Loh & Loh Ikhmas Sdn Bhd	0	0	(5,463)	5,463

### Transactions with Key Management Personnel of the Group

The key management personnel of the Group are as follows:

- Y.A.M. Tengku Dato' Rahimah binti Almarhum Sultan Mahmud
- Loh Kim Tai
- Loh Kim Kah
- Lee Hon Keong
- Woon Wee Seng
- Tan Teong Teh
- Yan Kok Wah
- Lee Bing
- Tan Swee Hing
- Kong Seong Hee
- Yap Kam Biow
- John Henning De Kock
- Heng Kooi Tick

# notes to the financial statements

31 December 2008 (continued)

98

## 32. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

The aggregate amount of remuneration received/receivable by key management personnel (including Executive Directors) of the Group and Company for the financial year are as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors' fees	248,500	288,000	152,500	288,000
Salaries and bonus	3,812,799	3,232,729	0	0
Defined contribution plan	416,664	329,326	0	0
Estimated money value of benefits-in-kind	88,549	67,858	0	0
	4,566,512	3,917,913	152,500	288,000

Sale of development properties to:

	SALES VALUE		BILLINGS DURING THE FINANCIAL YEAR		BALANCE OUTSTANDING	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Loh Kim Tai	0	2,462,130	856,895	246,213	308,979	110,532
Loh Kim Kah	0	4,713,390	1,462,776	471,339	295,367	259,428
Yan Kok Wah	0	1,211,760	545,292	121,176	121,176	106,176
Lee Hon Keong	1,225,620	0	674,091	0	122,562	0

The sale of development properties to the above key management personnel was at a staff discount equivalent to 10% of the listed price. The discount is claimable for only 1 unit of property per purchaser.

Any balances outstanding are expected to be settled by cash within the normal credit period.

The related party transactions described above were entered into in the normal course of business and have been established under negotiated terms.

## 33. SEGMENTAL INFORMATION

The Group is primarily organised within Malaysia into four main business segments:

- Construction — building and civil construction and mechanical and electrical engineering related activities
- Investments — investment holding
- Trading — trading in water related equipment, wholesale and retailing
- Property development — development of residential properties

# notes to the financial statements

31 December 2008 (continued)

99

## 33. SEGMENTAL INFORMATION (continued)

2008	PROPERTY					TOTAL RM
	CONSTRUCTION RM	INVESTMENTS RM	TRADING RM	DEVELOPMENT RM	ELIMINATIONS RM	
<b>REVENUE</b>						
Revenue from external customers	227,517,462	677,064	16,785,340	62,238,531	0	307,218,397
Revenue from transactions with other business segments	46,223,889	5,930,250	1,145,717	0	(53,299,856)	0
	273,741,351	6,607,314	17,931,057	62,238,531	(53,299,856)	307,218,397
Segment results	34,959,319	3,289,697	3,152,458	17,110,769	(5,924,250)	52,587,993
Unallocated corporate expenses	(14,465,602)	(1,052,489)	(3,991,564)	(1,099,812)	478,625	(20,130,842)
Profit from operations						32,457,151
Finance cost						(109,823)
Taxation						(8,825,078)
Profit for the financial year						23,522,250
<b>OTHER INFORMATION</b>						
Segment assets	121,422,013	174,842,620	20,848,023	110,559,582	(100,609,697)	327,062,541
Unallocated corporate assets						1,094,446
Consolidated total assets						328,156,987
Segment liabilities	119,004,940	483,371	3,242,921	4,847,361	(10,160)	127,568,433
Unallocated corporate liabilities						3,976,745
Consolidated total liabilities						131,545,178
Capital expenditure	5,197,591	0	20,440	208,340	0	5,426,371
Property, plant and equipment written off	958,570	0	48,560	1,280	0	1,008,410
Depreciation of property, plant and equipment:						
— Capitalised in contract work in progress	989,968	0	105,186	0	0	1,095,154
— Capitalised under property development	0	0	0	6,833	0	6,833
— Income statement	1,170,869	0	1,074,850	75,215	19,375	2,340,309

Capital expenditure comprises additions to property, plant and equipment (Note 11).

# notes to the financial statements

31 December 2008 (continued)

100

## 33. SEGMENTAL INFORMATION (continued)

2007	CONSTRUCTION INVESTMENTS		PROPERTY TRADING DEVELOPMENT		ELIMINATIONS	TOTAL
	RM	RM	RM	RM		
<b>REVENUE</b>						
Revenue from external customers	267,316,719	2,300,079	11,849,202	11,433,578	0	292,899,578
Revenue from transactions with other business segments	40,942,080	5,930,250	1,282,240	0	(48,154,570)	0
	308,258,799	8,230,329	13,131,442	11,433,578	(48,154,570)	292,899,578
Segment results	33,578,949	7,467,147	2,731,509	4,085,692	(5,786,248)	42,077,049
Unallocated corporate expenses						(18,567,694)
Profit from operations						23,509,355
Finance cost						(126,956)
Taxation						(6,842,111)
Profit for the financial year						16,540,288
<b>OTHER INFORMATION</b>						
Segment assets	178,816,731	146,799,810	21,104,021	71,033,811	(99,259,941)	318,494,432
Unallocated corporate assets						1,025,669
Consolidated total assets						319,520,101
Segment liabilities	132,376,050	0	3,203,423	530,672	0	136,110,145
Unallocated corporate liabilities						6,347,297
Consolidated total liabilities						142,457,442
Capital expenditure	1,506,935	0	17,300	277,571	0	1,801,806
Depreciation of property, plant and equipment:						
— Capitalised in contract work in progress	2,329,106	0	0	0	0	2,329,106
— Capitalised under property development	0	0	0	1,327	0	1,327
— Income statement	1,188,869	0	1,002,894	12,480	117,315	2,321,558

Capital expenditure comprises additions to property, plant and equipment (Note 11).

# notes to the financial statements

31 December 2008 (continued)

101

## 35. FINANCIAL INSTRUMENTS

### Forward Foreign Exchange Contracts

The Group entered into forward foreign exchange contracts to manage its exposure on foreign currency cash flows generated from anticipated transactions denominated in foreign currencies. In general, the Group's policy is to enter into forward foreign exchange contracts for up to 100% of such anticipated payments.

HEDGED ITEMS 2008	CURRENCY TO BE RECEIVED	CURRENCY TO BE PAID	RINGGIT MALAYSIA EQUIVALENT	CONTRACTUAL RATE
Future purchases of materials:				
— SEK 546,800	Ringgit Malaysia	Swedish Krona (SEK)	248,794	1 SEK = RM0.455
— GBP 37,049	Ringgit Malaysia	Pound Sterling (GBP)	194,484	1 GBP = RM5.249

The fair value of net unrecognised forward contracts of the Group as at 31 December 2008 was a favourable net position of RM2,247.

## 36. JOINTLY CONTROLLED ENTITY

Details of an unincorporated joint venture held by a subsidiary are as follows:

NAME OF JOINTLY CONTROLLED ENTITY	EFFECTIVE INTEREST		PRINCIPAL ACTIVITY
	2008 %	2007 %	
Water Engineering Technology Sdn Bhd — Envitech Sdn Bhd JV	50	50	To undertake project management in relation to sewage treatment plants and related activities

The Group's aggregate share of the assets, liabilities, income and expenses of the jointly controlled entity is as follows:

	GROUP	
	2008 RM	2007 RM
Non-current assets	0	34,364
Current assets	3,894,034	6,901,806
Non-current liabilities	0	(10,169)
Current liabilities	(802,469)	(5,349,074)
Net assets	3,091,565	1,576,927
Revenue	6,802,890	8,149,214
Expenses	4,708,923	6,643,113

# notes to the financial statements

31 December 2008 (continued)

102

## 37. ACQUISITIONS DURING THE FINANCIAL YEAR

During the current financial year, the Group acquired the following additional interest in subsidiaries:

- a. On 16 September 2008, Loh & Loh Constructions Sdn Bhd ('LLCSB'), a wholly-owned subsidiary company of Loh & Loh Corporation Berhad ('LLCB'), acquired two thousand four hundred fifty (2,450) ordinary shares of RM1.00 each of Loh & Loh Sato Kogyo JV Sdn Bhd ('LLSK') representing 49% of the issued and paid up share capital of LLSK from Sato Kogyo Co. Ltd, for a cash consideration of RM1. Following the acquisition, LLSK became a wholly-owned subsidiary company of LLCSB.
- b. On 16 September 2008, Loh & Loh Constructions Sdn Bhd ('LLCSB'), a wholly-owned subsidiary company of Loh & Loh Corporation Berhad ('LLCB'), acquired forty (40) ordinary shares of RM1.00 each of Sepakat Sempurna Sdn Bhd ('SSSB') representing 40% of the issued and paid up share capital of SSSB for a cash consideration of RM1.00. Following the acquisition, SSSB became a wholly-owned subsidiary company of LLCSB.

The above acquisitions have no significant effect on the financial results of the Group in the current financial year and the financial position of the Group as at the end of the current financial year.

## 38. COMPARATIVES

During the current financial year, certain comparative figures of the Group and Company have been reclassified to better reflect the nature of the balances.

GROUP	AS PREVIOUSLY	RECLASSIFICATION	AS
	REPORTED 2007		RESTATED 2007
	RM	RM	RM
<b>Non-current Assets</b>			
Property, plant & equipment	34,428,608	8,531,228	42,959,836
Investment properties	23,594,000	(8,531,228)	15,062,772
<b>Equity Attributable to Equity Holders</b>			
Revaluation reserves	3,668,322	553,463	4,221,785
Retained earnings	103,238,928	(553,463)	102,685,465
<b>Current Assets</b>			
Short term investments	9,566,168	(2,352,022)	7,214,146
Deposits, cash and bank balances	96,081,652	2,352,022	98,433,674

# notes to the financial statements

31 December 2008 (continued)

103

## 38. COMPARATIVES (continued)

COMPANY	AS PREVIOUSLY REPORTED 2007 RM	RECLASSIFICATION RM	AS RESTATED 2007 RM
<b>Current Assets</b>			
Short term investments	9,560,768	(2,352,022)	7,208,746
Deposits, cash and bank balances	15,101,560	2,352,022	17,453,582

## 39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 March 2009.

# statement by directors

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

104

We, Tengku Dato' Rahimah binti Almarhum Sultan Mahmud and Tuan Syed Ahmad bin Alwee Alsree, two of the Directors of Loh & Loh Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 54 to 103 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2008 and of the results of the Group and Company and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2009.

**Y.A.M. Tengku Dato' Rahimah binti  
Almarhum Sultan Mahmud**  
Director

**Tuan Syed Ahmad bin  
Alwee Alsree**  
Director

# statutory declaration

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

I, Loh Kim Kah, the Director primarily responsible for the financial management of Loh & Loh Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 103 are, in my opinion, 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.

**Loh Kim Kah**

Subscribed and solemnly declared by the abovenamed Loh Kim Kah at Kuala Lumpur on 27 March 2009, before me.

**Aminuddin bin Ahmad**  
W 358  
Commissioner for Oaths  
25-3 Jalan Sri Hartamas 7  
Taman Sri Hartamas  
50480 Kuala Lumpur, Malaysia

# report of the auditors

to the Members of Loh & Loh Corporation Berhad (Company No. 389765-V)

105

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Loh & Loh Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 103.

### 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, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity'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, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

- a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b. We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 16 to the financial statements.
- c. We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d. The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

# report of the auditors

to the Members of Loh & Loh Corporation Berhad (Company No. 389765-V) (continued)

106

## 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.

### **PricewaterhouseCoopers**

(No. AF : 1146)

Chartered Accountants

Kuala Lumpur

27 March 2009

### **Lee Tuck Heng**

(No. 2092/09/10 (J))

Chartered Accountant