



**FARLIM GROUP  
(MALAYSIA) BHD**

(82275-A)

發林集團(馬)有限公司

*Annual Report 2008*



*Bringing Development to a New Level*

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Seventh Annual General Meeting of the Company will be held at Holiday Villa, Ivory 12, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 June 2009 at 10.00 a.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2008 and the Reports of the Directors and the Auditors thereon. **RESOLUTION 1**
2. To approve the payment of Directors' Fees for the year ended 31 December 2008. **RESOLUTION 2**
3. To re-elect the following Directors who retire:
  - 3.1 pursuant to Article 104 of the Company's Articles of Association
    - a) Dato' Haji Mohd Iqbal Bin Kuppa Pitchai Rawther **RESOLUTION 3**
    - b) Encik Ahmad Kamarudin bin Ismail **RESOLUTION 4**
  - 3.2 pursuant to Article 87 of the Company's Articles of Association  
Datuk Dr. Chew Han Ching **RESOLUTION 5**
4. To consider and, if thought fit, pass with or without modifications the following resolutions as Resolutions pursuant to Section 129(6) of the Companies Act, 1965 :

" **THAT** Mr. Koay Seng Leong, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting. " **RESOLUTION 6**

" **THAT** Dato' Zainol Abidin Bin Dato' Haji Salleh, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting. " **RESOLUTION 7**

" **THAT** Mr. Lim Yat Koi @ Lim Yoke Kwai, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting. " **RESOLUTION 8**
5. To re-appoint Baker Tilly Monteiro Heng as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 9**
6. As special business, to consider and, if thought fit, pass with or without modifications the following resolution as an Ordinary Resolution:

" **THAT**, subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given for the Directors to exercise, pursuant to Section 132D of the Companies Act, 1965, the power to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such approval shall continue in force until the conclusion of the next Annual General Meeting of the Company. " **RESOLUTION 10**
7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

### By Order of the Board

**Kwong Yook Faan**  
(MAICSA 7031263)

**Margaret Pelly**  
(LS 04402)

**Sin May Peng**  
(MAICSA 7018354)

Company Secretaries

25 May 2009

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notes

A member entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. If the member is a corporation, the proxy form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing. To be valid, the proxy form must be completed, signed and deposited at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Bandar Sri Subang, 46000 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

### **Ordinary Resolution 10 - Resolution pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution proposed under item 6 of the agenda, if passed, will give the Directors of the Company, from the date of the above General Meeting, power to allot and issue shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This approval will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting, and is in addition to the power given to the Directors to issue shares under Section 132D (6A) of the Companies Act, 1965.

# STATEMENT ACCOMPANYING NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

## 1.0 Directors seeking re-election/re-appointment at the Twenty-Seventh Annual General Meeting pursuant to:

- 1.1 Article 104 of the Company's Articles of Association
- (i) Dato' Haji Mohd Iqbal Bin Kuppa Pitchai Rawther
  - (ii) Encik Ahmad Kamarudin bin Ismail
- 1.2 Article 87 of the Company's Articles of Association
- Datuk Dr. Chew Han Ching
- 1.3 Section 129(6) of the Companies Act, 1965
- (i) Mr. Koay Seng Leong
  - (ii) Dato' Zainol Abidin Bin Dato' Haji Salleh
  - (iii) Mr. Lim Yat Koi @ Lim Yoke Kwai

## 2.0 Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2008

Names of Directors	No. of Meetings	
	Held	Attended
1. Tan Sri Dato' Seri Lim Gait Tong	5	5
2. Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	5	5
3. Mr. Ng Bock Tye	5	5
4. Puan Sri Datin Seri Chin Chew Lin	5	5
5. Mr. Lim Yat Koi @ Lim Yoke Kwai	5	5
6. Mr. Koay Seng Leong	5	5
7. Dato' Zainol Abidin Bin Dato' Haji Salleh	5	5
8. Encik Ahmad Kamarudin Bin Ismail	5	5
9. Datuk Dr. Chew Han Ching (appointed as Director with effect from July 2, 2008)	1	1

## 3.0 The venue, date and time of the Twenty-Seventh Annual General Meeting

Holiday Villa, Ivory 12, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 June 2009 at 10.00 a.m.

## 4.0 Further details of Directors who are standing for re-election:

### 4.1 DATO' HAJI MOHD. IQBAL BIN KUPPA PITCHAI RAWTHER - Aged 65, Malaysian

*Executive and Non-Independent*

He obtained a Certificate in Education from the University of Birmingham in 1964. Subsequently, he obtained his Bachelor of Economics Degree (Honours) and a Masters Degree in Business Administration in 1971 and 1973 respectively, both from the University of Malaya. He then furthered his studies and obtained the International Management Teacher's Programme certificate from the joint programme organised by the Harvard Graduate School of Business Administration and the Centre D' Enseignement Superior Des Affairs, Paris, France in 1978. In 1993, he received a doctorate in management from La Salle University, United States of America.

Currently, he is a Fellow of the Chartered Institute of Bankers, London, and a Fellow of the Malaysian Institute of Management.

## STATEMENT ACCOMPANYING NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING (cont'd)

### 4.0 Further details of Directors who are standing for re-election (cont'd)

#### 4.1 DATO' HAJI MOHD. IQBAL BIN KUPPA PITCHAI RAWTHER - Aged 65, Malaysian (Cont'd)

*Executive and Non-Independent*

He started his career with the Ministry of Education from 1965 to 1969. During this period, he also served as the National Education Officer of the National Union of Teaching Professionals. In 1971, he joined Malaysian International Merchant Bank Berhad as Corporate Finance Officer during which he pioneered leasing and produced a research volume on "Leasing in Malaysia" before leaving in 1974. In 1974 when the University of Malaya implemented the policy of using Bahasa Malaysia for tertiary education, he responded to a call from the University and joined the Faculty of Economics and Administration as a lecturer. Among his many achievements include being awarded the Sir Frederick Gallahan Memorial Award by the Australian-Malaysian Association of Australia in 1976 in recognition of his entrepreneurial management in Malaysia. Also, a team led by him to promote entrepreneurial management in Malaysia won the Malaysian Young Managers Competition in 1997 and subsequently, the Asian Young Managers Competition in the same year. When Bank Negara Malaysia set up the Institute of Bankers in 1979, he took up the appointment as Executive Director. He relinquished the position in 1985 and has since been involved in the private sector, including his current commitments to Farlim Group (Malaysia) Bhd. He also served on the Council of the Malaysian Institute of Management ("MIM") from 1984 to 1991 and concurrently held the positions of MIM's Vice-Chairman and Chairman of its Management Committee from 1989 to 1991. He has also served as an Adviser to the Peace and Happiness through Prosperity Institute in Japan from 1984 to 1990 and Japan's Foundation for Asian Management Development from 1989 to 1992.

He joined Farlim Group (Malaysia) Bhd. as a Director on 4 May 1982. Currently, he is an Executive Director of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He holds 2,257,000 shares and has deemed interest in 60,571,234 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except the following:

1. Baka Suci Sdn. Bhd. - 1 share
2. Victory Ace Sdn. Bhd. - 1 share
3. Farlim Marketing Sdn. Bhd. - 168,750 shares through a corporate shareholder

He does not have any family relationship with any Director and major/substantial shareholder of Farlim Group (Malaysia) Bhd. He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any.

#### 4.2 ENCIK AHMAD KAMARUDIN BIN ISMAIL K.M.N., P.K.T. - Aged 68, Malaysian

*Non-Executive and Independent*

He spent his entire working life in government service in the Malaysian Royal Customs & Excise Department. Having graduated from The U.S. Customs Academy, he held numerous positions in the government departments mainly as a Deputy Director of Customs in Johor, Director of Tariff & Classification, Director of Tax Collection, Director of Administration & Finance and Head of Intelligence all at national level at HQ in Kuala Lumpur before assuming the post of State Director of Customs Penang.

His extensive experience in customs matters entails the administration and supervision of 1,200 staff in the state of Penang, collection of revenue on goods imported and exported, sales tax, service tax, excise duties, etc.; (the revenue collection for 1994 was RM1.2 billion), finance and budgeting of millions of ringgit of allocations, and the operations of free trade zones, bonded warehouses, manufacturing warehouses, ports, airports, post office, sales and service tax establishments, petroleum installations and excise factories and the prevention of all forms of smuggling.

He had represented Malaysia at the World Customs Organisation meetings in Brussels, Belgium, meetings of the ASEAN Working Committee on Customs Matters and bilateral meetings between Malaysia, Singapore, Thailand, Philippines and Indonesia. He was also a member of the State Industrial Development Committee and various other state committees involving development, trade, tourism and sports. He was elected Chairman of the State Liaison Committee between Customs and the private sector that comprises Malay, Chinese and Indian Chambers of Commerce, Federation of Malaysian Manufacturers (FMM), Penang Freight Forwarders Association (PFFA), FREPENCA and other shipping and trade associations and their representatives in Penang.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 27 June 2002. He does not hold any Directorship in other public companies. He does not hold any shares in Farlim Group (Malaysia) Bhd. and its subsidiaries.

He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd. He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any.

## STATEMENT ACCOMPANYING NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING (cont'd)

### 4.0 Further details of Directors who are standing for re-election (cont'd)

#### 4.3 DATUK DR. CHEW HAN CHING P.G.D.K. - Aged 57, Malaysian

*Non-Executive and Independent*

Qualified with Ph. D. in Civil Engineering and served several public companies listed on Bursa Malaysia Securities Berhad, he has vast experience in the property development and construction industry for over 30 years. He was appointed as Executive Director for Putera Capital Berhad, CEO of Datuk Keramat Holding Berhad, Group Managing Director of the property division of FACB Berhad and CEO of the property division of MBf Holding Berhad and lately as the Managing Director of CMS Property Development Sdn Bhd. During his appointment with CMS property, he is responsible for the entire vision to plan, strategize, develop, expand the CMS Group's land bank, which includes maneuvering the successful development of the 5,000 acre site riverine township of Bandar Samariang and also identify opportunities for future property development and project management. He is also the man behind the substantive costs saving exercise which contributed to material profit margin for the Company.

He had also successfully finalised and secured the agreements for the construction of 1,000 units of single terrace housing for army personnel (Koperasi Perumahan Angkatan Tentera Berhad), sale of land to Chung Hua Primary School Management Committee to relocate a Chinese Primary School and Kindergarten to Bandar Samariang and sale of land for the Halal Hub development. Datuk Dr. Chew also pioneered and motivated the sales and marketing team and lead to a remarkable and measurable performance whereby an improvement of 165% in total sales revenue and reduction of 63% in total number of ready-built properties was achieved. Improved market awareness of Bandar Baru Samariang and CMS Property Development as a developer on an expansionary and aggressive growth path was achieved.

As Executive Director of Putera Capital Berhad, he led the construction of accommodation facilities for 6,000 students at Universiti Teknologi Malaysia in Skudai, Johor and Tuanku Jaafar Power Station Rehabilitation Project, Port Dickson for Tenaga Nasional Berhad. And a Memorandum of Agreement was entered into between China National Electric Equipment Corporation and a Group of Malaysian Companies for The 500KV "Missing Link" Project in Malaysia worth about RM3.5 billion.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 2 July 2008. He does not sit on any Board Committee of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended the only one Board Meeting held after his appointment as a Director during the financial year ended 31 December 2008. He is among the Independent Directors who make up one-third of the total number of Directors.

#### 4.4 MR. KOAY SENG LEONG - Aged 78, Malaysian

*Non-Executive and Independent*

He is a Chartered Accountant of Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants of Australia, Fellow of the Chartered Tax Institute of Malaysia, Member of Malaysian Institute of Certified Public Accountants, Member of Singapore Institute of Certified Public Accountants and Commerce Graduate of the Swinburne Institute of Technology, Victoria, Australia.

He is currently a Senior Partner of Koay Seng Leong & Co., Chartered Accountants in Public Practice, established since 1969.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 29 June 2006. He does not hold any Directorship in other public companies. He has a direct shareholding of 4,000 shares in Farlim Group (Malaysia) Bhd. but does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd.

He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd. He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any.

## STATEMENT ACCOMPANYING NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING (cont'd)

### 4.0 Further details of Directors who are standing for re-election (cont'd)

#### 4.5 DATO' ZAINOL ABIDIN BIN DATO' HAJI SALLEH - Aged 75, Malaysian

*Non-Executive and Independent*

He graduated with a Bachelor of Arts in History and Malay Studies from the University of Malaya. He has also obtained a Certificate in Advance Management Programme from University of Hawaii and a Postgraduate Diploma in Public Administration from University of Manchester, England.

He is a retired senior government administrative officer with 30 years of experience. He had held many senior posts in the Federal Government Ministries, State-Government Department and local government. Among the senior posts held were Director of Malaysian Students Department of New Zealand from 1972 to 1975, Federal Financial Officer cum Acting Federal Secretary of Sabah from 1975 to 1977 and Deputy Director Administration of General Hospital Kuala Lumpur from 1977 to 1980. From 1980 to 1983, he was Under Secretary Cabinet of Prime Minister's Department. He was appointed as Director of Service Division, Public Services Department Kuala Lumpur from 1983 to 1986. He retired from civil service after serving as State Secretary Penang from 1986 to 1988. After retirement, he was President of Municipal Council Penang from 1988 to 1990. He was Chairman of Penang Port Commission from 1 January 1994 until 31 December 1995.

Currently, he holds directorships in a number of public limited and private limited companies including Farlim Group (Malaysia) Bhd. He holds other Directorship in Sungai Ara Estate Bhd. He has a direct shareholding of 29,667 shares in Farlim Group (Malaysia) Bhd. and does not hold any shares in its subsidiaries.

He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd. He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any.

#### 4.6 MR. LIM YAT KOI @ LIM YOKE KWAI - Aged 70, Malaysian

*Executive and Non-Independent*

He had completed his secondary education. He started working at the age of 20 and now has more than 30 years of property development experience. In 1961, he secured his Class B licence as a contractor and contracted works between 1961 and 1974 with various governmental agencies, such as the Lembaga Letrik Negara, Jabatan Kerja Raya, Department of Irrigation and Drainage and Jabatan Telekom with projects in Perak, Penang, Selangor Darul Ehsan and Kuala Lumpur. He now heads Farlim Marketing Sdn Bhd and is involved in the marketing and trading of construction materials.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 4 May 1982. He does not sit on any Board Committee of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He has a direct shareholding of 10,000 shares and deemed interest in 60,571,234 shares held through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd.

He is a brother of Tan Sri Dato' Seri Lim Gait Tong, Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd. and Director/Shareholder of its holding company Farlim Holding Sdn. Bhd. He is also a brother-in-law of Puan Sri Datin Seri Chin Chew Lin, Director of Farlim Group (Malaysia) Bhd. and its holding company Farlim Holding Sdn. Bhd. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Tan Sri Dato' Seri Lim Gait Tong  
Dato' Haji Mohd. Iqbal Bin Kuppia Pitchai Rawther  
Ng Bock Tye  
Puan Sri Datin Seri Chin Chew Lin  
Lim Yat Koi @ Lim Yoke Kwai  
Koay Seng Leong  
Dato' Zainol Abidin Bin Dato' Haji Salleh  
Ahmad Kamarudin Bin Ismail  
Datuk Dr. Chew Han Ching

### SECRETARIES

Kwong Yook Faan  
Margaret Pelly  
Sin May Peng

### REGISTERED OFFICE

No. 2-8 Bangunan Farlim  
Jalan PJS 10/32  
Bandar Sri Subang  
46000 Petaling Jaya  
Selangor Darul Ehsan  
T: (03) 5635 5533  
F: (03) 5635 0301

### SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd  
Level 26 Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
T: (03) 2721 2222  
F: (03) 2721 2530/2721 2531

### AUDITORS

Baker Tilly Monteiro Heng  
Chartered Accountants

### PRINCIPAL BANKERS

AmBank Berhad  
Bank Kerjasama Rakyat Malaysia  
CIMB Bank Berhad  
Citibank Berhad  
Malayan Banking Berhad  
Public Bank Berhad  
RHB Bank Berhad  
Standard Chartered Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad



# CORPORATE STRUCTURE

AS AT 20 APRIL 2009



## FINANCIAL HIGHLIGHTS

### REVENUE

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Turnover					
- continuing	<b>60,746</b>	51,013	53,883	92,502	200,924
- discontinued	–	–	114,548	123,861	–
Profit/(Loss) Before Tax					
- continuing	<b>5,083</b>	5,787	20,563	(962)	(19,354)
- discontinued	–	–	(15,304)	(25,681)	–
Profit/(Loss) After Tax					
- continuing	<b>3,962</b>	5,766	19,655	(3,323)	(20,622)
- discontinued	–	–	(15,668)	(26,030)	–
Weighted Average Number of Shares In Issue (‘000 shares)	<b>120,724</b>	120,000	120,000	120,000	120,000
Gross Earnings/(Loss) Per Share (sen)					
- continuing	<b>4.21</b>	4.82	17.0	(0.8)	(16)
- discontinued	–	–	(12.8)	(21.4)	–
Net Earnings/(Loss) Per Share (sen)					
- continuing	<b>3.19</b>	4.96	16.5	(2.9)	(11)
- discontinued	–	–	(8.3)	(13.3)	–

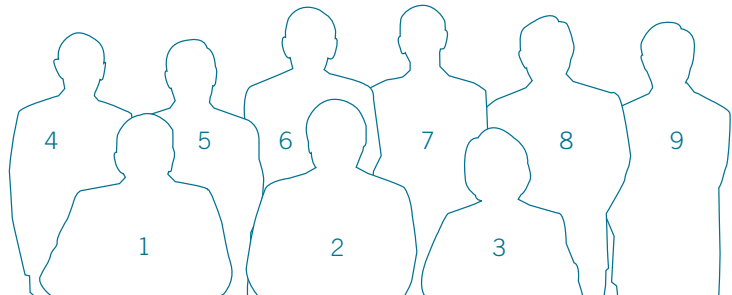
### BALANCE SHEETS

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Paid-up Capital	<b>121,000</b>	120,000	120,000	120,000	120,000
Shareholders' Funds	<b>105,534</b>	82,371	76,420	88,162	109,853
Net Tangible Assets	<b>89,858</b>	66,695	59,718	69,160	89,410
Net Tangible Assets Per Share (RM)	<b>0.74</b>	0.56	0.50	0.58	0.75
Net Assets Per Share (RM)	<b>0.87</b>	0.69	0.64	0.73	0.92

## BOARD OF DIRECTORS



1. Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther
2. Tan Sri Dato' Seri Lim Gait Tong - **Chairman**
3. Puan Sri Datin Seri Chin Chew Lin
4. Dato' Zainol Abidin Bin Dato' Haji Salleh
5. Mr. Lim Yat Koi @ Lim Yoke Kwai
6. Mr. Koay Seng Leong
7. Mr. Ng Bock Tye
8. Encik Ahmad Kamarudin Bin Ismail
9. Datuk Dr. Chew Han Ching



## EXECUTIVE COMMITTEE/AUDIT COMMITTEE/MANAGEMENT COMMITTEE



### EXECUTIVE COMMITTEE

*from left to right*

- \* Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther
- \* Tan Sri Dato' Seri Lim Gait Tong - Chairman
- \* Mr. Ng Bock Tye



### AUDIT COMMITTEE

*from left to right*

- \* Dato' Zainol Abidin Bin Dato' Haji Salleh
- \* Mr. Koay Seng Leong - Chairman
- \* Encik Ahmad Kamarudin Bin Ismail



### MANAGEMENT COMMITTEE

*from left to right*

- \* Mr. Lim Hock Eng
- \* Mr. Lim Cheng Kee
- \* Mr. Tan Keng Hock
- \* Mr. Ng Hong Kiat - Chairman
- \* Mdm Ooi Poh Tin
- \* Mr. Kwong Yook Faan



### TAN SRI DATO' SERI LIM GAIT TONG

Aged 66, Malaysian  
Executive and Non-Independent  
Also as Chief Executive

He started his business career as a contractor with his father's construction business at the age of 15 and subsequently commenced his own construction company, Lim Gait Tong Construction, as a sole proprietorship in 1959. In 1962, he was awarded the Society Anonyme Des Etains De Kinta ("SEK") Mining Relocation Contract for 200 units of houses, the Kampar railway station and the Kampar market. In 1964, following a massive landslide, he rebuilt a sizable portion of the Ringlet and Brinchang townships in Cameron Highlands. In the same year, he obtained his JKR Class C Status which permitted him to tender for jobs throughout the Federation.

From 1964 to 1968, he undertook various projects under Lim Gait Tong Construction and his family's development company. He was involved extensively in meeting the construction requirements of Island and Peninsular Group of Companies in Penang. He was the main contractor for the Island Park and Jesselton Heights housing projects, which were then among the biggest private sector efforts in Penang.

Thereafter, from 1969 to 1975, he completed the Taman Evergreen and Taman Goodwood projects in Old Klang Road, Kuala Lumpur. He was instrumental to the development of Taman Cheras Utama project in Cheras, Kuala Lumpur and Taman KKB Utama project in Kuala Kubu Bahru through an affiliated company, Perumahan Farlim Sdn Bhd. He initiated the development of Bandar Baru Ayer Itam, which is the biggest private sector development in Penang. In recognition of his achievement in the construction/property sectors and contribution to the society, he was conferred the Grand Fellowship Award by the British Graduates Association Malaysia. Currently, he is the Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a first Director on 12 March 1982. He is the Chairman of the Executive Committee comprising Members of the Board. He holds 10,000 shares and has deemed interest in 60,571,234 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except the following:

1. Baka Suci Sdn. Bhd. - 1 share
2. Victory Ace Sdn. Bhd. - 1 share

He also holds Directorship in Unico Holdings Bhd.

He is the spouse of Puan Sri Datin Seri Chin Chew Lin, Director of Farlim Group (Malaysia) Bhd. and its holding company Farlim Holding Sdn. Bhd. He is also a brother of Mr. Lim Yat Koi @ Lim Yoke Kwai, Director of Farlim Group (Malaysia) Bhd. and Director/Shareholder of its holding company Farlim Holding Sdn. Bhd. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is not among the Independent Directors who make up one-third of the total number of Directors.



**DATO' HAJI MOHD. IQBAL BIN KUPPA  
PITCHAI RAWTHER**

Aged 65, Malaysian  
Executive and Non-Independent

He obtained a Certificate in Education from the University of Birmingham in 1964. Subsequently, he obtained his Bachelor of Economics Degree (Honours) and a Masters Degree in Business Administration in 1971 and 1973 respectively, both from the University of Malaya. He then furthered his studies and obtained the International Management Teacher's Programme certificate from the joint programme organised by the Harvard Graduate School of Business Administration and the Centre D' Enseignement Superior Des Affairs, Paris, France in 1978. In 1993, he received a doctorate in management from La Salle University, United States of America.

Currently, he is a Fellow of the Chartered Institute of Bankers, London, and a Fellow of the Malaysian Institute of Management.

He started his career with the Ministry of Education from 1965 to 1969. During this period, he also served as the National Education Officer of the National Union of Teaching Professionals. In 1971, he joined Malaysian International Merchant Bank Berhad as Corporate Finance Officer during which he pioneered leasing and produced a research volume on "Leasing in Malaysia" before leaving in 1974. In 1974 when the University of Malaya implemented the policy of using Bahasa Malaysia for tertiary education, he responded to a call from the University and joined the Faculty of Economics and Administration as a lecturer. Among his many achievements include being awarded the Sir Frederick Gallahan Memorial Award by the Australian-Malaysian Association of Australia in 1976 in recognition of his entrepreneurial management in Malaysia. Also, a team led by him to promote entrepreneurial management in Malaysia won the Malaysian Young Managers Competition in 1997 and subsequently, the Asian Young Managers Competition in the

same year. When Bank Negara Malaysia set up the Institute of Bankers in 1979, he took up the appointment as Executive Director. He relinquished the position in 1985 and has since been involved in the private sector, including his current commitments to Farlim Group (Malaysia) Bhd. He also served on the Council of the Malaysian Institute of Management ("MIM") from 1984 to 1991 and concurrently held the positions of MIM's Vice-Chairman and Chairman of its Management Committee from 1989 to 1991. He has also served as an Adviser to the Peace and Happiness through Prosperity Institute in Japan from 1984 to 1990 and Japan's Foundation for Asian Management Development from 1989 to 1992. Currently, he is an Executive Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a Director on 4 May 1982. He sits on the Executive Committee comprising Members of the Board and on the Employees' Share Option Scheme Committee of the Company. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholder of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is not among the Independent Directors who make up one-third of the total number of Directors.



## MR. NG BOCK TYE

Aged 69, Malaysian  
Executive and Non-Independent

A Chartered Town Planner by profession, he graduated in Town Planning from the University of Melbourne, Australia in 1971. He later completed postgraduate study in Regional Planning at the University of London in 1979. Currently, he is a member of the Royal Town Planning Institute, United Kingdom, the Royal Australian Planning Institute and a Fellow Member of the Malaysian Institute of Planners.

Prior to joining Farlim Group (Malaysia) Bhd., he had served in various senior positions in the Federal Department of Town and Country Planning. These include State Director of Town & Country Planning Department of Trengganu, Director of Regional Planning and Director of Rural Planning in the Federal Department of Town and Country Planning, Peninsular Malaysia. Later followed by a secondment to the Regional Development Authority, Johor ("KEJORA") as Director of Planning Division. In recognition of his contribution to the planning and implementation of a new township, Bandar Baru Ayer Itam in Penang, the Institute of Planners, Malaysia conferred him the Excellence in Planning Award 1992.

Currently, he is an Executive Director of Farlim Group (Malaysia) Bhd. and Committee Member of the Northern Region Branch of the Malaysian Institute of Planners (MIP).

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 19 August 1983. He sits on the Executive Committee comprising Members of the Board. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is not among the Independent Directors who make up one-third of the total number of Directors.



## PUAN SRI DATIN SERI CHIN CHEW LIN

Aged 63, Malaysian  
Executive and Non-Independent

She has more than 16 years of banking experience with The Chase Manhattan Bank NA, and was first head of the Personnel Department from 1976 to 1980. From 1981 to 1985, she headed the Audit Department and was also involved in the lending and private banking services. Puan Sri Chin is now the Group Personnel Director of Farlim Group (Malaysia) Bhd. and is currently entrusted with the Group's overall human resources functions.

She was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 1 January 1995. She is the Chairman of the Employees' Share Option Scheme Committee and a Member of Remuneration Committee of Directors of the Company. She does not hold any Directorship in other public companies.

She is the spouse of Tan Sri Dato' Seri Lim Gait Tong, Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd. and Director/Shareholder of its holding company Farlim Holding Sdn. Bhd. She is also the sister-in-law of Mr. Lim Yat Koi @ Lim Yoke Kwai, Director of Farlim Group (Malaysia) Bhd. and Director/Shareholder of its holding company Farlim Holding Sdn. Bhd. Save as above, she has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

She does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. She has no convictions for offences within the past ten years other than traffic offences, if any. She attended all of the five Board Meetings held during the financial year ended 31 December 2008. She is not among the Independent Directors who make up one-third of the total number of Directors.



## MR. LIM YAT KOI @ LIM YOKE KWAI

Aged 70, Malaysian  
Executive and Non-Independent

He had completed his secondary education. He started working at the age of 20 and now has more than 30 years of property development experience. In 1961, he secured his Class B license as a contractor and contracted works between 1961 and 1974 with various governmental agencies, such as the Lembaga Letrik Negara, Jabatan Kerja Raya, Department of Irrigation and Drainage and Jabatan Telekom with projects in Perak, Penang, Selangor Darul Ehsan and Kuala Lumpur. He now heads Farlim Marketing Sdn Bhd and is involved in the marketing and trading of construction materials.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 4 May 1982. He does not sit on any Board Committee of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies.

He is a brother of Tan Sri Dato' Seri Lim Gait Tong, Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd. and Director/Shareholder of its holding company Farlim Holding Sdn. Bhd. He is also a brother-in-law of Puan Sri Datin Seri Chin Chew Lin, Director of Farlim Group (Malaysia) Bhd. and its holding company Farlim Holding Sdn. Bhd. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that set out in the Disclosure Statements and/or the Financial Statements for the year ended 31 December 2008. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is not among the Independent Directors who make up one-third of the total number of Directors.



## MR. KOAY SENG LEONG

Aged 78. Malaysian  
Non-Executive and Independent

He is a Chartered Accountant of Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants of Australia, Fellow of the Chartered Tax Institute of Malaysia, Member of Malaysian Institute of Certified Public Accountants, Member of Singapore Institute of Certified Public Accountants and Commerce Graduate of the Swinburne Institute of Technology, Victoria, Australia.

He is currently a Senior Partner of Koay Seng Leong & Co., Chartered Accountants in Public Practice, established since 1969.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 29 June 2006. He is the Chairman of the Audit Committee comprising Members of the Board and a Member of Nomination Committee of Directors of the Company. He does not hold any Directorship in other public companies.

He does not have any family relationship

with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd. He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is among the Independent Directors who make up one-third of the total number of Directors.



## DATO' ZAINOL ABIDIN BIN DATO' HAJI SALLEH

Aged 75, Malaysian  
Non-Executive and Independent

He graduated with a Bachelor of Arts in History and Malay Studies from the University of Malaya. He has also obtained a Certificate in Advance Management Programme from University of Hawaii and a postgraduate Diploma in Public Administration from University of Manchester, England.

He is a retired senior government administrative officer with 30 years of experience. He had held many senior posts in the Federal Government Ministries, State-Government Department and local government. Among the senior posts held were Director of Malaysian Students Department of New Zealand from 1972 to 1975, Federal Financial Officer cum Acting Federal Secretary of Sabah from 1975 to 1977 and Deputy Director Administration of General Hospital Kuala Lumpur from 1977 to 1980. From 1980 to 1983, he was Under Secretary Cabinet of Prime Minister's Department. He was appointed as Director of Service Division, Public Services Department Kuala Lumpur from 1983 to 1986. He retired from civil service after serving as State Secretary Penang from 1986 to 1988. After retirement, he was President of Municipal Council Penang from 1988 to 1990. He was Chairman of Penang Port Commission from 1 January 1994 until 31 December 1995. Currently, he holds directorships in a number of public limited and private limited companies including Farlim Group (Malaysia) Bhd.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 21 July 1999. He is the Chairman of Remuneration Committee of Directors. He sits on the Nomination Committee of Directors, the Audit Committee comprising Members of the Board and the Employees' Share Option Scheme Committee of the Company. He holds other Directorships in Sungai Ara Estate Bhd. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is among the Independent Directors who make up one-third of the total number of Directors.



**ENCIK AHMAD KAMARUDIN BIN ISMAIL  
K.M.N., P.K.T.**

Aged 68, Malaysian  
Non-Executive and Independent

He spent his entire working life in government service in the Malaysian Royal Customs & Excise Department. Having graduated from The U.S. Customs Academy, he held numerous positions in the government departments mainly as a Deputy Director of Customs in Johor, Director of Tariff & Classification, Director of Tax Collection, Director of Administration & Finance and Head of Intelligence all at national level at HQ in Kuala Lumpur before assuming the post of State Director of Customs Penang.

His extensive experience in customs matters entails the administration and supervision of personnel in the country and state of Penang, collection of revenue on goods imported and exported, sales tax, service tax, excise duties, etc; finance and budgeting, and the operations of free trade zones, bonded warehouses, manufacturing warehouses, ports, airports, post office, sales and service tax establishments, petroleum installations and excise factories and the prevention of all forms of smuggling.

He had represented Malaysia at the World Customs Organisation meetings in Brussels, Belgium, meetings of the ASEAN Working Committee on Customs Matters and bilateral meetings between Malaysia, Singapore, Thailand, Philippines and Indonesia. He was also a member of the State Industrial Development Committee and various other

state committees involving development, trade, tourism and sports. He was elected Chairman of the State Liaison Committee between Customs and the private sector that comprises Malay, Chinese and Indian Chambers of Commerce, Federation of Malaysian Manufacturers (FMM), Penang Freight Forwarders Association (PFFA), FREPENCA and other shipping and trade associations and their representatives in Penang.

In 1992, he was awarded The Medal Kesatria Mangku Negara (K.M.N.) by D.Y.M.M. Yang DiPertuan Agong and The Medal Pingat Kelakuan Terpuji (P.K.T.) by His Excellency The Yang DiPertua Negeri Pulau Pinang.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 27 June 2002. He is the Chairman of Nomination Committee of Directors. He sits on the Remuneration Committee of Directors and Audit Committee comprising Members of the Board. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended all of the five Board Meetings held during the financial year ended 31 December 2008. He is among the Independent Directors who make up one-third of the total number of Directors.



**DATUK DR. CHEW HAN CHING**  
**P.G.D.K.**

Aged 57, Malaysian  
Non-Executive and Independent

Qualified with Ph.D. in Civil Engineering and served several public companies listed on Bursa Malaysia Securities Berhad, he has vast experience in the property development and construction industry for over 30 years. He was appointed as Executive Director for Putera Capital Berhad, CEO of Datuk Keramat Holding Berhad, Group Managing Director of the property division of FACB Berhad and CEO of the property division of MBf Holding Berhad and lately as the Managing Director of CMS Property Development Sdn Bhd. During his appointment with CMS property, he is responsible for the entire vision to plan, strategize, develop, expand the CMS Group's land bank, which includes maneuvering the successful development of the 5,000 acre site riverine township of Bandar Samariang and also identify opportunities for future property development and project management. He is also the man behind the substantive costs saving exercise which contributed to material profit margin for the Company.

He had also successfully finalised and secured the agreements for the construction of 1,000 units of single terrace housing for army personnel (Koperasi Perumahan Angkatan Tentera Berhad), sale of land to Chung Hua Primary School Management Committee to relocate a Chinese Primary School and Kindergarten to Bandar Samariang and sale of land for the Halal Hub development. Datuk Dr. Chew also pioneered and motivated the sales and marketing team and lead to a remarkable and measurable performance whereby an improvement of 165% in total sales revenue and reduction of 63% in total number of ready-built properties was achieved. Improved market awareness of Bandar Baru Samariang and CMS Property Development as a developer on an expansionary and aggressive growth path was achieved.

As Executive Director of Putera Capital Berhad, he led the construction of accommodation facilities for 6,000 students at Universiti Teknologi Malaysia in Skudai, Johor and Tuanku Jaafar Power Station Rehabilitation Project, Port Dickson for Tenaga Nasional Berhad. And a Memorandum of Agreement was entered into between China National Electric Equipment Corporation and a Group of Malaysian Companies for The 500KV "Missing Link" Project in Malaysia worth about RM3.5 billion.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 2 July 2008. He does not sit on any Board Committee of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company. He has no convictions for offences within the past ten years other than traffic offences, if any. He attended the only one Board Meeting held after his appointment as a Director during the financial year ended 31 December 2008. He is among the Independent Directors who make up one-third of the total number of Directors.

## CHAIRMAN'S STATEMENT

“ I have pleasure in presenting, on behalf of the Board of Directors, the Annual Report and Financial Statements of Farlim Group (Malaysia) Bhd. and its group of companies for the financial year ended 31 December 2008. ”



I have pleasure in presenting, on behalf of the Board of Directors, the Annual Report and Financial Statements of Farlim Group (Malaysia) Bhd. and its group of companies for the financial year ended 31 December 2008.

The global economic downturn brought about consequent upon and following the financial crisis in the United States in the second half of the year 2008 has undoubtedly given rise to significant and substantial impetus to the economies of countries worldwide including Malaysia. The adverse impact thereof necessitated the formulation of strategies to surmount the economic turmoil. In Malaysia, the first economic stimulus package of RM7 billion had been unveiled for implementation and the second economic stimulus package of RM60 billion was announced recently. Further stimulus package will, as and when the need arises, be considered for implementation. We are confident that the efforts from both the government and the private sectors to tide over the current economic recession will yield fruitful result.

With the anticipated improvement of the Malaysian economy on the strength of the government stimulus packages complemented by the private sector endeavour, the property sector which is among the first to be adversely affected in a declining economy will, we believe, be able to sail through the economic storm.

### FINANCIAL PERFORMANCE

In the year under review, the profit before tax of the Group amounted to RM5 million compared to the profit before tax of RM6 million for the financial year ended 31 December 2007. The turnover in the year 2008 had escalated to RM61 million from RM51 million in the previous year.

### DIVIDEND

The Board of Directors has recommended that no dividend be declared for the financial year ended 31 December 2008.

### OVERVIEW OF THE GROUP'S OPERATIONS

Development by the Group of medium cost residential units to cater for the needs of the middle income group had, in the year under review, not been changed in line with its strategy for development of affordable and quality homes apart from provision of amenities to serve the community in development projects.

In the year 2008, the Group had embarked on sourcing of additional land bank and new projects for improvement of profitability of the Group's operations.

### PROSPECTS

The current global economic downturn has not dampened the prospect of swift recovery of the Malaysian economy. With the strong commitment of the Malaysian government in revitalizing the economic strength of the country by introduction and implementation of economic stimulus packages one after the other, the sight of light at the end of the tunnel is, we are confident, not far. The adequacy of domestic resources for economic enhancement and strengthening reinforces our hope of an early economic recovery.

The prospect of achievement of the desired economic growth in the year ahead is, on the above basis, not far-fetched.

It is Farlim's policy to continue striving for greater productivity and achievements notwithstanding that the economic environment may not be as conducive as that in the previous year.

### ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express our appreciation to the management and staff of Farlim Group (Malaysia) Bhd. and its group of companies for their contribution to the Group during the year under review.

I wish to also record my gratitude to my fellow Directors for their committed efforts during the year towards achievement of our corporate objectives.

Finally, I would like, on behalf of the Group, to thank our valued shareholders, customers and business associates and the authorities for their support rendered to the Group in the year 2008.

**TAN SRI DATO' SERI LIM GAIT TONG**  
CHAIRMAN

## PENYATA PENERUS

Saya bagi pihak Lembaga Pengarah dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Farlim Group (Malaysia) Bhd serta kumpulan syarikat-syarikat bagi tahun kewangan berakhir 31 Disember 2008.

Kemerosotan ekonomi dunia akibat krisis kewangan yang dialami oleh Amerika Syarikat pada separuh kedua tahun 2008 telah menjana peningkatan dalam dorongan terhadap ekonomi-ekonomi seluruh dunia termasuk Malaysia. Perumusan strategi yang baik diperlukan untuk mengatasi kesan negatif kemerosotan ekonomi. Di Malaysia, pakej perangsang ekonomi pertama sebanyak RM7 bilion kini sedang diimplimentasikan, sedangkan pakej perangsang ekonomi kedua yang bernilai RM60 bilion telahpun diumumkan baru-baru ini. Pakej perangsang ekonomi seterusnya akan diimplimentasikan sekiranya perlu. Justeru, kami yakin bahawa usaha-usaha daripada pihak kerajaan serta sektor-sektor swasta untuk mengatasi masalah kemelesetan ekonomi kini akan melahirkan keputusan-keputusan yang positif.

Sektor hartanah merupakan di antara yang terawal terjejas akibat ekonomi yang kian merosot. Namun demikian, dengan jangkaan pemulihan ekonomi Malaysia disebabkan keberkesanan pakej-pakej perangsang kerajaan serta usaha-usaha sektor swasta, kami percaya bahawa kami akan dapat mengatasi tempoh yang mencabar tersebut.

### PRESTASI KEWANGAN

Dalam tahun kewangan yang ditinjau, untung sebelum cukai Kumpulan berjumlah RM5 juta berbanding dengan untung sebelum cukai RM6 juta pada tahun kewangan berakhir 31 Disember 2007. Perolehan bagi tahun 2008 telah meningkat ke RM61 juta dari RM51 juta pada tahun sebelumnya.

### DIVIDEN

Lembaga Pengarah telah mencadangkan bahawa tiada dividen yang diisytiharkan bagi tahun kewangan berakhir 31 Disember 2008.

### TINJAUAN KESELURUHAN OPERASI-OPERASI KUMPULAN

Pembangunan unit-unit kediaman kos sederhana Kumpulan demi memenuhi keperluan golongan berpendapatan sederhana pada tahun yang ditinjau tidak berubah. Kumpulan masih giat berusaha, sejajar dengan strategi pembangunan kediaman yang berharga berpatutan lagi berkualiti, selain peruntukan kemudahan sebagai perkhidmatan bagi masyarakat dalam projek-projek pembangunan.

Dalam tahun 2008, Kumpulan telah memulakan usaha mencari sumber bank tanah tambahan dan projek-projek baru demi meningkatkan keuntungan operasi Kumpulan.

### PROSPEK

Kemerosotan ekonomi dunia semasa tidak melembapkan prospek pemulihan pantas bagi ekonomi Malaysia. Dengan komitmen kukuh daripada kerajaan Malaysia untuk memulihkan semula kekuatan ekonomi negara dengan memperkenalkan dan melaksanakan pakej-pakej perangsang ekonomi berturut-turut, kami yakin bahawa cahaya di penghujung terowong tidak jauh lagi. Sumber domestik yang cukup untuk peningkatan dan penguatan ekonomi mengukuhkan harapan kami untuk pemulihan ekonomi yang awal.

Berdasarkan jangkaan tersebut, prospek pertumbuhan ekonomi yang dikehendaki bagi tahun akan datang sememangnya dapat dicapai.

Adalah menjadi polisi Farlim untuk terus berusaha demi mempertingkatkan produktiviti dan pencapaian kami, walaupun suasana ekonomi kini tidak begitu kondusif berbanding tahun lepas.

### PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya mengambil kesempatan untuk merekodkan setinggi-tinggi penghargaan kepada pihak pengurusan dan kakitangan Farlim Group (Malaysia) Bhd serta kumpulan syarikat-syarikat atas sumbangan mereka kepada Kumpulan sepanjang tahun yang ditinjau.

Saya juga ingin mengucapkan terima kasih kepada Lembaga Pengarah atas usaha-usaha dan komitmen mereka sepanjang tahun ke arah mencapai objektif korporat.

Akhir sekali, saya bagi pihak Kumpulan turut mengucapkan terima kasih kepada para pemegang saham, pelanggan serta rakan perniagaan dan pihak berkuasa yang dihargai atas segala sokongan mereka terhadap Kumpulan pada tahun 2008.

### TAN SRI DATO' SERI LIM GAIT TONG PENERUS

## 主席献词

本人很高兴代表董事会提呈发林集团(马)有限公司及属下公司截至2008年12月31日之常年报告和财务结册。

美国于2008年下半年的金融危机所引发的全球经济下滑，已无疑的对世界各国包括马来西亚的经济造成重大和实质的冲击。由此产生的不利影响促使各国拟定策略，以克服经济动荡所带来的冲击。在马来西亚，首个70亿零吉的振兴经济配套已予以实行，而第二个600亿零吉的振兴经济配套亦已在最近宣布。在必要时，政府将考虑实施更多的振兴经济配套。我们对政府和私人界在致力克服目前的经济衰退方面将取得丰硕的成果深具信心。

我们相信，马来西亚的经济在政府实行振兴经济配套和私人界的配合下获得预期的改善之同时，最先受到经济衰退打击领域之一的产业界，将能够顺利渡过这个经济风暴。

### 财务表现

在过去的一年，集团取得5百万零吉的税前盈利。截至2007年12月31日的税前盈利为6百万零吉。2008年的营业额已由前年的5千1百万零吉增至6千1百万零吉。

### 股息

董事会建议在截至2008年12月31日的财政年度不派发股息。

### 集团运作总观

集团以迎合中等收入人士需求而兴建中价住宅单位为发展项目的方针在过去一年内并没有改变，以符合其发展策略，即除了兴建付得起和具素质的房屋之外，亦在发展项目为社区提供便利。

集团于2008年致力提升土地库储存量和寻求新发展计划，以增进集团的营运盈利。

### 前景

当前的全球经济衰退并未淡化马来西亚欲迅速达致经济复苏的前景。随着马来西亚政府作出通过推行和实施一连串的振兴经济方案以促使国家经济复苏的重大承诺，我们对隧道尽头显曙光的期望不久得以落实深具信心。此外，拥有促进和强化我国经济发展的国内丰富资源，将进一步加强我们对经济早日复苏的希望。

基于上述有利的情况，在未来的一年里达致理想的经济增长，乃是指日可待。

发林集团的营运方针，尽管经济环境与去年的相比可能较为逊色，仍是继续努力提升生产力和成就。

### 鸣谢

本人仅代表董事会感谢发林集团(马)有限公司及属下公司的管理层和员工在过去的一年对集团作出贡献。

我也对各董事在过去一年里为实现集团的企业目标作出承诺和努力表示感激。

最后，本人代表集团感谢我们的股东，顾客，商业伙伴和有关当局在2008年给予集团的支持。

丹斯里拿督斯里林玉唐  
董事主席兼总裁

# AUDIT COMMITTEE REPORT

## 1. THE AUDIT COMMITTEE

The Audit Committee comprises three (3) members of the Board, all of whom are Non-Executive Independent Directors.

The members during the financial year ended 31 December 2008 are as follows:

Mr Koay Seng Leong, FCA. (AUST.) <i>Chairman</i>	<i>Non-Executive Independent Director</i> <i>Chartered Accountant of Malaysian Institute of Accountants</i>
Dato' Zainol Abidin Bin Dato' Hj. Salleh	<i>Non-Executive Independent Director</i>
Encik Ahmad Kamarudin Bin Ismail	<i>Non-Executive Independent Director</i>

The Secretary to the Committee is as follows:

Mr Kwong Yook Faan	<i>Company Secretary</i>
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## 2. MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its Terms of Reference. The Audit Committee held a total of five (5) meetings during the financial year ended 31 December 2008, with details of attendance at each meeting as follows:

Names of Committee Members	No. of Meetings	
	Held*	Attended
Mr Koay Seng Leong	5	5
Dato' Zainol Abidin Bin Dato' Haji Salleh	5	5
Encik Ahmad Kamarudin Bin Ismail	5	5

\* On 25 February 2008, 29 April 2008, 17 May 2008, 24 June 2008 and 25 November 2008.

## 3. TERMS OF REFERENCE

### 3.1 Purpose

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, system of internal control and audit process.

### 3.2 Composition

The Audit Committee consists of three (3) members elected from among the members of the Board, all of whom are non-executive and independent. The chairman of the Audit Committee is elected from among its members.

## AUDIT COMMITTEE REPORT (cont'd)

### 3. TERMS OF REFERENCE (cont'd)

#### 3.3 Authority

The Audit Committee is empowered to, in accordance with the procedures determined by the Board of Directors and at the cost of the Company:

- investigate any matters within its Terms of Reference;
- have full and unrestricted access to all information in relation to the Company and its subsidiaries (“the Group”);
- have direct communication channels with the External Auditors and Internal Auditors;
- obtain external independent professional advice or assistance; and
- convene closed meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

#### 3.4 Meetings and Attendance

The Audit Committee shall meet at least four (4) times a year or as and when the need arises.

The quorum for a meeting shall be two. Directors, employees, auditors or others may attend meetings upon the invitation of the Audit Committee.

#### 3.5 Duties and Responsibilities

The Audit Committee shall, amongst others, discharge the following duties and responsibilities:

- Review with the Internal Auditors, the scope, functions, competency and adequacy of resources, authority, internal audit programmes and results, processes or investigations undertaken and the action taken on their recommendations;
- Review the quarterly results and annual financial statements of the Group prior to the approval by the Board of Directors;
- Review any related party transactions and conflict of interest situations, including any transactions, procedures or course of conduct;
- Review with the External and Internal Auditors, the effectiveness of the Group’s system of internal controls, including information technology security and control;
- Review the effectiveness of the External Auditors, including their appointment, audit fees and any related issues;
- Review the effectiveness of the Internal Auditors’ functions, including the appointment or termination of senior internal audit staff, and the assessment and resignation of internal audit staff;
- Consider other issues assigned by the Board of Directors;
- Report its activities, issues and related recommendations to the Board of Directors; and
- Review and verify all documents if so required pursuant to Listing Requirements of Bursa Malaysia Securities Berhad.

## AUDIT COMMITTEE REPORT (cont'd)

### 4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2008, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference. The main areas of activities undertaken by the Audit Committee were as follows:

- (a) Reviewed the Internal Audit plan;
- (b) Reviewed the major findings of Internal Audit reports and their recommendations relating thereto;
- (c) Reviewed the quarterly financial results of the Company and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa Malaysia Securities Berhad;
- (d) Reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval;
- (e) Reviewed with the Internal Auditors their reports;
- (f) Reviewed with the External Auditors their audit plan; and
- (g) Reviewed the Audit Committee Report, Statement on Internal Control and such other documents required pursuant to Listing Requirements of Bursa Malaysia Securities Berhad.

### 5. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT

The Audit Committee is assisted by the Internal Auditors who undertake the audit and compliance functions of the Group in line with the Internal Audit plan.

Internal Audit focuses on determining whether the controls provide reasonable assurance of effective and efficient operations, as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts.

The Internal Audit Plan covers the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance with the internal control systems which comprise key components of control environment, risk assessment process, operational control activities, information and communication system and monitoring practices.

## CORPORATE GOVERNANCE STATEMENTS

The Board of Directors which is entrusted with the principal responsibility for good corporate governance of the Company is endeavouring to secure fulfillment of its responsibility in this aspect.

In manifestation of its commitment for good corporate governance as enumerated in The Malaysian Code of Corporate Governance, appropriate measures have been or are being taken by the Company for compliance with the said Code.

### Statement on how the Company has applied the principles of Corporate Governance

#### A Directors

##### (i) The Board

The Board of Directors of the Company comprises nine Members, of whom five are Executive and Non-Independent Directors.

##### (ii) Board Balance

The Board Members who are from varied background are equipped with relevant knowledge and/or experience for proper running of the management machinery towards achievement of objectives of the Company. The Board is headed by the Chairman who is also the Managing Director and Chief Executive for implementation of decisions of the Board. To alleviate the risk where the roles of Chairman, Managing Director and Chief Executive are combined, sufficient number of Independent Directors has been maintained to meet the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors unless otherwise approved by Bursa Malaysia Securities Berhad.

##### (iii) Supply of Information

Members of the Board are given easy access to quality information required by the Board in the discharge of its duties. Data and reports in both soft and hard copies are readily available to the Board Members. Board Meetings which are scheduled to be held at least five times yearly are also presented with relevant reports for decision-making of the issues concerned. The Executive Committee (EXCO) comprising three Board Members who meet on a quarterly basis are provided with reports from the Management Committee comprising senior management personnel. Minutes of Board as well as EXCO Meetings are circulated to all Board Members including Non-Executive Directors after each meeting.

##### (iv) Appointments to the Board

A Nomination Committee of Directors currently comprising three Non-Executive and Independent Directors has been set up in relation to, inter alia, appointments to the Board.

New appointments to the Board will be made only after consultation and deliberation among existing Board Members taking into account the candidate's suitability based on, among others, his or her qualification, experience and calibre prior to formal resolution being passed to that effect.

##### (v) Re-election

All Directors including the Managing Director are subject to retirement every three years on the basis that one-third in number of the Directors are to retire by rotation at each Annual General Meeting but are eligible for re-election.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### **B Directors' Remuneration**

#### **(i) The level and make-up of remuneration**

The remuneration of Board Members are broadly categorised into those to be paid to Executive and Non-Executive Directors. The Executive Directors including the Managing Director or Executive Chairman are remunerated both in cash and in kind taking into consideration, inter alia, their experience, positions, responsibilities and performance. The Non-Executive Directors are paid fees for their services as Directors subject to shareholders' approval at Annual General Meeting and allowances for attending meetings of the Board and its Committees.

#### **(ii) Procedure**

Formal and transparent procedure will be set out for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors, whether Executive or Non-Executive, who will abstain from discussion and participation in decisions on their own remuneration packages.

#### **(iii) Disclosure**

Details of remuneration of Directors are as set out in this Annual Report. Standards will be set which provide a rational and objective remuneration policy.

### **C Shareholders**

#### **(i) Dialogue between companies and investors**

The Company is ready for entering into dialogue with institutional shareholders based on mutual understanding of objectives.

#### **(ii) The Annual General Meeting**

The Company is prepared for use of the Annual General Meeting for communication with shareholders and welcomes their participation.

### **D Accountability and Audit**

#### **(i) Financial reporting**

The Board presents in the Annual Report to shareholders a balanced and understandable assessment of the position and prospects of the Company.

#### **(ii) Internal control**

The Board, in line with safeguarding shareholders' investments and assets of the Company, has set up an Internal Control Department which covers not only financial control but also that of operational aspect.

#### **(iii) Relationship with Auditors**

The Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Auditors of the Company on the basis of the link between the Audit Committee and the Auditors.

The functions of the Audit Committee include, inter alia, review of external audit plan as well as external Auditors' Report.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### Statement on the extent of compliance with the Best Practices in Corporate Governance

#### AA Board of Directors

##### I Principal responsibilities of the Board

The Board in discharge of its stewardship responsibilities has endeavoured to bring about strategic planning, overseeing the conduct of the operations, identifying principal risks and reviewing internal control systems and information systems, and will also look into succession planning and investor relation programmes or shareholder communication policy.

##### II Chairman & Chief Executive Officer

The posts of Chairman and Chief Executive are held by one and the same person from 22 July 1988 and may be reviewed in compliance with the requirements of The Malaysian Code on Corporate Governance to ensure a division of responsibilities and balance of power and authority.

##### III Board Balance

Currently, the Board comprises nine members, of whom four being more than one-third are Non-Executive and Independent Directors who are persons of caliber, credibility and/or with requisite experience to render independent judgement on relevant issues.

#### Size of Non-Executive Participation

##### IV Directors representing minority shareholders

The Board may, in addition to the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors, consider appointment of additional Directors which fairly reflects the investment in the Company by minority shareholders.

##### V Largest shareholder other than the majority shareholder

The largest shareholder of the Company is also the majority shareholder which is the holding company.

##### VI One-third Independent Directors

The Company is in compliance with the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors.

##### VII Senior Independent Non-Executive Director

A Senior Independent Non-Executive Director has been identified for conveying concerns over the combination of roles of Chairman and Chief Executive.

##### VIII Appointments to the Board

A Nomination Committee comprising exclusively Non-Executive Directors namely Encik Ahmad Kamarudin Bin Ismail (Chairman), Mr. Koay Seng Leong and Dato' Zainol Abidin Bin Dato' Haji Salleh, all of whom are independent, has been appointed, with the responsibility of proposing new nominees for appointment as Board Members and for assessing Directors on an on-going basis.

The functions of the Nomination Committee are, inter alia, the following:

- a. Recommend to the Board candidates for all directorships to be filled by the shareholders or the Board;
- b. Consider in making its recommendations candidates for directorships proposed by the Chief Executive and within the bounds of practicability by any other senior executive or any Director or shareholder; and
- c. Recommend to the Board candidates who are Directors to fill the seats on Board committees.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### Statement on the extent of compliance with the Best Practices in Corporate Governance (cont'd)

#### AA Board of Directors (cont'd)

##### IX Review of quality mix of Board Members

Annual review will, as and when deemed fit, be made by the Board through the Nomination Committee of the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors will bring to the Board.

##### X Annual assessment of performance of the Board

The Board will consider implementation of a process to be carried out by the Nomination Committee on an annual basis for assessing the effectiveness of the Board as a whole and the committees of the Board, and for assessing the contribution of each individual Director.

##### XI Services of Company Secretary

The requisite services of Company Secretary have been secured who will, inter alia, effect proper documentation of all appointments, endeavour procurement of required information for the records of the Company and for the purposes of meeting statutory obligations as well as obligations arising from listing rules of Stock Exchanges or other regulatory requirements.

##### XII Size of Board

The size of the Board is nine in number in compliance with the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors.

The Board will, from time to time, examine its size with a view to determining the impact of the number of members upon its effectiveness.

##### XIII Directors' Training

Orientation and education programmes will, if deemed fit, be arranged for new recruits to the Board as an integral element of the process of appointing new Directors.

#### Board structures and procedures

##### XIV Board Meetings

The Board meets with due notice and agenda on a regular basis which are properly minuted. During the year, five Board Meetings had been held, details of attendance of which by each individual Director are as set out in this Annual Report.

##### XV Formal schedule of matters

There are formal schedule of matters specifically reserved to the Board for decision-making to ensure that the direction and control of the Company are firmly in its hands.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### Statement on the extent of compliance with the Best Practices in Corporate Governance (cont'd)

#### AA Board of Directors (cont'd)

##### Relationship of the Board to management

##### XVI Position descriptions and corporate objectives

The Board together with the Chief Executive will develop position descriptions for the Board and for the Chief Executive setting out limits to management's responsibilities.

The corporate objectives will be approved by the Board or developed with the Chief Executive who is responsible for meeting.

##### XVII Quality of information

The Board has access to quality information which is not only historical or bottom line and financial-oriented but also that goes beyond assessing the quantitative performance of the Company such as customer satisfaction, product and service quality among others.

##### XVIII Information organising

The Chairman of the Board undertakes primary responsibility for organising information required, such as that to be arranged for circulation by the Company Secretary, for Board Meetings and to Directors on a timely basis.

As the Chairman is also the Chief Executive in this particular case, the Board will have in place a procedure to ensure that its items for agenda of Board Meetings are included for Board Meetings and relevant information is provided accordingly.

##### XIX Access to information

Directors have access to all information within the Company whether as a full Board or in their individual capacity in furtherance of their duties.

##### XX Access to advice

There will be an agreed procedure for Directors whether as a full Board or in their individual capacity in furtherance of their duties to take independent professional advice at the expense, if any, of the Company.

##### XXI Company Secretary

The Directors have access to the advice and services of the Company Secretary.

##### XXII Appointment of Company Secretary

The Company Secretary who meets the requirements is appointed by the Board for discharge of the duties and termination of his or her services is a matter of the Board as a whole.

The Board recognises that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

##### XXIII Use of Board Committees

The authority or terms of reference of committees appointed by the Board are determined whether expressed or implied for a particular purpose. Authority to act on behalf of the Board is delegated if required.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### Statement on the extent of compliance with the Best Practices in Corporate Governance (cont'd)

#### AA Board of Directors (cont'd)

##### XXIV Remuneration Committee

A Remuneration Committee of Directors consisting mainly of Non-Executive Directors has been set up to recommend to the Board remuneration of Executive Directors in all its forms drawing from outside advice as necessary.

The Members of the said Committee are as follows:

1. Dato' Zainol Abidin Bin Dato' Haji Salleh (Chairman);
2. Puan Sri Datin Seri Chin Chew Lin; and
3. Encik Ahmad Kamarudin Bin Ismail.

Executive Directors will play no part in decisions on their own remuneration. Determination of remuneration packages of Non-Executive Directors is a matter of the Board as a whole. The individuals concerned will abstain from discussion of their own remuneration.

#### BB Accountability and Audit

##### The Audit Committee

###### I Composition

An Audit Committee has been established comprising three Non-Executive and Independent Directors with expressed terms of reference which deal with its authority and duties.

The Chairman of Audit Committee is a Non-Executive and Independent Director.

###### II Duties of Audit Committee are as set out hereunder:

- A) review and report the following to the Board of Directors:
1. with the external Auditors, the audit plan;
  2. with the external Auditors, their evaluation of the system of internal controls;
  3. with the external Auditors, their audit report;
  4. the co-operation given by the employees of the Company to the external Auditors;
  5. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  6. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  7. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - i) changes in or implementation of major accounting policy changes, if any;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements.
  8. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of integrity;
  9. any change of external Auditors of the Company; and
  10. whether there is reason (supported by grounds) to believe that the Company's external Auditors are not suitable for re-appointment.
- B) recommend the nomination of external Auditors; and
- C) such other functions as may be agreed by the Committee and the Board of Directors.

## CORPORATE GOVERNANCE STATEMENTS (cont'd)

### Statement on the extent of compliance with the Best Practices in Corporate Governance (cont'd)

#### BB Accountability and Audit (cont'd)

##### III External Auditors

The external Auditors or their representatives are among those who usually attended the Audit Committee Meetings.

The Audit Committee meets with the external Auditors without the presence of the Board Members who are Executive Directors.

##### IV Authority to investigate

The Audit Committee has explicit authority to investigate any matter within its terms of reference, the resources which it needs to do so and full access to information.

The Committee will be able to obtain external professional advice and to invite others with relevant experience to attend if the need arises.

##### V Audit Committee Meetings

The Audit Committee meets regularly with due notice and agenda in compliance with the requirements of Bursa Malaysia Securities Berhad. Proceedings of the meetings are properly minuted.

##### VI Disclosure of activities

Details of activities of the Audit Committee are disclosed by the Board in an informative way including the number of Audit Committee Meetings held during the year and attendance of each individual Director at the said Meetings.

#### CC Shareholders

##### The relationship between the Board and shareholders

The Board will maintain an effective communication policy for the Board and management to communicate effectively with its shareholders, stakeholders and the public generally.

This policy will effectively interpret the operations of the Company to the shareholders and must accommodate feedback from shareholders, which will be factored into the business decisions of the Company.

### Statement explaining the Board of Directors' responsibility for preparing the Annual Audited Financial Statements

Board of Directors' confirms its responsibility for preparation of the Annual Audited Financial Statements.

Date: 21 April 2009

## STATEMENT ON INTERNAL CONTROL

### Introduction

This statement is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad with regard to the Group's compliance with the Best Practices in Corporate Governance that "The board of the listed companies should maintain a sound system of internal control to safeguard shareholders' investments and Group's assets."

### Board Responsibility

The Board acknowledges its overall responsibility for maintaining a sound system of internal control for the Group and responsibility for reviewing the integrity and adequacy of the system thereof including the system for compliance with laws, regulations, rules, directives, procedures and guidelines.

The process of reviewing the adequacy and integrity of internal control is a continual exercise and is regularly reviewed for its effectiveness, adequacy and integrity so as to safeguard shareholders' investment and the Group's assets.

The system of internal control is designed to ensure that the risks faced by the Group's business operations are identified and managed at acceptable levels rather than to eliminate those risks. Therefore, the system can only provide reasonable but not absolute assurance against risk of material misstatement, fraud or loss.

### Risk Management Framework

The Board regards risk management as a vital and integral part of the Group's business operations and practices.

The Board acknowledges that all areas of the Group's activities involve certain degree of risk. The Group's risk management assessment is an ongoing process which allows the Board to identify, assess and manage significant risk profiles of each aspect of financial and business operations within the defined risk parameters faced by the Group throughout the financial year.

The functional management is responsible for the identification and assessment of risks and implementing the policies, procedures and guidelines and system of internal control in order to mitigate these risks on an ongoing basis.

The Board has ultimate responsibility for the Group's risk management framework and its effectiveness. However, the risk management framework is designed to manage rather than eliminate the risk of failure to achieve the goals and objectives of the Group. This process has been put in place for the year and is reviewed periodically by the Board through Audit Committee which is supported by the internal audit function.

The Board acknowledges that there are risks affecting achievement of the overall objectives of the Group and these are manageable. For the financial year, the overall risk control framework remains valid and is operating satisfactorily.

### Key Elements of Internal Control System

The following are the key elements of the Group's internal control:

- Well-defined authority limit structures with clear lines of responsibilities and delegation of authority and financial limits to management personnel so as to minimize risks of unauthorized transactions.
- Clearly defined relevant authority limits for all aspects of operating units.
- Clearly defined written company policies and internal standard operating policies and procedures.
- A detailed budget and planning process which is monitored and approved at operating unit level.
- Scheduled monthly management meetings with review on the progress of the business operations and financial performance.
- The Group has an internal audit function which reports directly to the Audit Committee. Its primary responsibility is to provide the Committee with reasonable assurance that the Group's internal control system continues to operate adequately and effectively.
- Internal control function carries out audit review on compliance with operation procedures and assess adequacy and integrity of the system of internal control. Areas of recommendations for improvement are highlighted with follow-up on corrective actions taken.

### Conclusion

The Board is satisfied that the system of internal control is adequate and satisfactory. There are no major weaknesses in the system of internal control during the year, which would have significant financial impact on the Group's performance or operations.

This Statement is made in respect of the financial year ended 31 December 2008 and in accordance with a resolution of the Board of Directors dated April 21, 2009.

## DISCLOSURE STATEMENTS

AS AT 21 APRIL 2009

### 1.0 Directors' Remuneration for the financial year ended 31 December 2008

1.1 Aggregate remuneration of Directors with categorisation into appropriate components:

	Fees RM	Salaries, Bonuses, Allowances, Other Emoluments &/ or Benefits in Kind RM	Provision for Retirement Benefits RM
Executive	–	909,080	295,000
Non-Executive	84,000	12,500	–

1.2 Number of Directors whose remuneration falls in the following bands:

Remuneration Band	Number of Directors	
	Executive	Non-Executive
Below RM50,000	1	4
RM150,001 to RM200,000	2	–
RM200,001 to RM250,000	1	–
RM250,001 to RM300,000	1	–

### 2.0 Board of Directors' Meetings

A total of five Board Meetings were held during the financial year ended 31 December 2008.

### 3.0 Material Contracts

There are no material contracts subsisting at the end of the financial year ended 31 December 2008 or entered into since the end of the previous financial year involving Directors and Major Shareholders' interests save and except for the amount of RM57,842,725.55 owing by the holding company Farlim Holding Sdn. Bhd. (FHSB) as at 31 December 2008 comprising principal loan of RM41,384,737.00 and interest capitalised of RM16,457,988.55. Other details such as proposed repayment of the amount owing are as set out in Note 10 to the Financial Statements for the year ended 31 December 2008.

The relationship between FHSB and the Directors or Major Shareholders of Farlim Group (Malaysia) Bhd. ["FG(M)B"] is that the Directors namely Tan Sri Dato' Seri Lim Gait Tong, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Mr. Ng Bock Tye, Puan Sri Datin Seri Chin Chew Lin and Mr. Lim Yat Koi @ Lim Yoke Kwai are also Directors and/or Shareholders of FHSB and that FHSB is also a Major Shareholder of FG(M)B.

### 4.0 Revaluation Policy

The Group is to review the market value of its landed properties on an annual basis in accordance with the impairment policy.

Previously, the Group's policy was to revalue its landed properties at least once in every 5 years.

## DISCLOSURE STATEMENTS (cont'd)

AS AT 21 APRIL 2009

### 5.0 Employees' Share Option Scheme

Statement by the Audit Committee in relation to the allocation of options pursuant to a share scheme for employees as required under Paragraph 8.21A of Listing Requirements of Bursa Malaysia Securities Berhad (BMSB) is as follows:

- i) Farlim Group (Malaysia) Bhd. has disclosed to employees the criteria for allocation of options pursuant to a share scheme for employees; and
- ii) Farlim Group (Malaysia) Bhd. has ensured that allocation of options pursuant to a scheme is verified by the Audit Committee as being in compliance with the criteria referred to above at the end of the financial year ended 31 December 2008.

Breakdown of the options offered to and exercised (if any) by Non-Executive Directors pursuant to a share scheme for employees in respect of the financial year ended 31 December 2008 pursuant to Appendix 9C Part A (26) of Listing Requirements of BMSB is as follows:

<b>Name of Director</b>	<b>Amount of Options Offered</b>	<b>Amount of Options Exercised</b>
Koay Seng Leong	–	–
Dato' Zainol Abidin Bin Dato' Haji Salleh	–	–
Ahmad Kamarudin Bin Ismail	–	–
Datuk Dr. Chew Han Ching	–	–

### 6.0 Continuing Education Programme ('CEP')

The Board of Directors had resolved that the Board of Directors, having evaluated and determined the training needs of its Directors in accordance with Listing Requirements of BMSB, was of the view that its Directors had satisfied such training needs and would, as and when deemed appropriate, attend further training to be determined from time to time.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Farlim Group (Malaysia) Bhd and its subsidiaries (Farlim or the Group) have the corporate social responsibility in mind in the provision of residential and commercial properties to meet the needs of the community.

Our commitment to CSR is focused on ensuring sustainable and viable growth for our businesses, employees, customers, shareholders as well as the communities and environment that we operate in.

### HOUSING

As a housing developer and corporate citizen, Farlim has not only undertaken various projects to provide housing and commercial units to cater for the needs of the people in Malaysia but also responded to the government's call to provide low-cost housing to the poor.

Farlim continues to uphold its corporate social responsibility by providing affordable housing to the general community to assist them in the house-ownership programme.

### INFRASTRUCTURE AND FACILITIES

Farlim has not only built housing and commercial units but also provided a good network of infrastructure and adequate facilities and amenities in the schemes developed by the Group.

Such facilities provided by Farlim jointly with the relevant authorities and other organisations in Penang include among others schools, market, hawker centres, government clinic, community hall and petrol service stations to serve the needs of the community.

### FINANCIAL CONTRIBUTION

As an integral part of the communities in discharging their corporate social responsibility, Farlim continues its effort in caring for the people in need by providing financial contributions to various funds such as school building and education funds and to organisations like spastics centres, orphanage, hospice and other charitable bodies in line with Farlim's commitment to contribution to assist the under-privileged group.

### EMPLOYEE DEVELOPMENT

The Group carried out regular in-house training and development programmes for the staff to enhance the technical competencies as well as supervisory skills in order to develop and maintain a competent staff force.

The Group also acknowledges the need to provide the opportunities for staff interaction by having regular social gathering for enhancement of relationship among employees and creation of closer rapport between one and another.

Farlim shall continue to explore opportunities in an effort to increase the contribution to the community at large. The Group's commitment and sincerity in giving back to the community will continue to be part of the Group's corporate culture.

### MARKET PLACE

The Group is fully aware of the importance of effective and timely communication with stakeholders and, as such, endeavors to make timely release of information on the Group's business activities and performance to the stakeholders.

### AFTER SALES SERVICE

The Group continues to provide after sales service in assisting its property owners to sell or rent their properties and also to refinance their properties by coordinating with the various parties.

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# FINANCIAL STATEMENTS

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Farlim Group (Malaysia) Bhd. ("the Company) and its subsidiaries ("the Group") for the financial year ended 31 December 2008.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 39 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the financial year	<b>3,962,001</b>	<b>3,020,933</b>
Attributable to:		
Equity holders of the Company	<b>3,856,284</b>	<b>3,020,933</b>
Minority interests	<b>105,717</b>	–
	<b>3,962,001</b>	<b>3,020,933</b>

### DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2008.

### RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

### BAD AND DOUBTFUL DEBTS

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

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

### CURRENT ASSETS

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

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

### VALUATION METHODS

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

## DIRECTORS' REPORT (cont'd)

### CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 36 to the financial statements.

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital was increased from RM120,000,000/- to RM121,000,000/- by way of the issuance of 1,000,000 ordinary shares of RM1/- each arising from the conversion of 1,000,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM1/- nominal value each at a conversion price of RM1/- per ordinary share.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

During the financial year, the Company did not issue any debentures.

### IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

Pursuant to the Proposed Debt Settlement Scheme as disclosed in Note 23 and Note 40(a) to the financial statements, the Company issued of 20,326,100 of 3 years 2% ICULS at a nominal amount of RM1/- each to all the Syndicated Lenders and Bilateral Lenders on 28 March 2008.

On 28 March 2008, one of the Bilateral Lenders has issued a conversion notice to convert 1,000,000 nominal value of ICULS into 1,000,000 new ordinary shares of RM1/- each of the Company. The new ordinary shares of the Company were issued on 11 April 2008, listed and quoted on 16 April 2008.

The salient terms of the ICULS are disclosed in Note 19 to the financial statements.

### REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS ("RCSLS")

Pursuant to the Proposed Debt Settlement Scheme as disclosed in Note 23 and Note 40(a) to the financial statements, the Company issued 7,242,570 nominal value of RCSLS at 100% of the nominal amount of RM1/- each to one of its Bilateral Lenders on 28 March 2008.

The Company has fully redeemed the RCSLS on 26 December 2008.

## DIRECTORS' REPORT (cont'd)

### EMPLOYEES' SHARE OPTION SCHEME

The Farlim Group (Malaysia) Bhd.'s Employees' Share Option Scheme ("ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 25th June 2003 and shall be in force for a period of ten (10) years from the date of implementation on 22 September 2003.

The Company had been granted an exemption by the Companies Commission of Malaysia from having to disclose the details of option holders who have been granted options in aggregate of less than 70,000 options. The options shall be in force for a period of ten (10) years. The details of the option holders in aggregate of 70,000 options and above are set out below:

#### Options Exercisable (including directors) Over Ordinary Shares of RM1/- each

	Exercisable at 1.1.2008	Additional Exercisable	Exercised	Lapsed	Exercisable at 31.12.2008
Tan Sri Dato' Seri Lim Gait Tong	525,000	–	–	–	525,000
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	525,000	–	–	–	525,000
Ng Bock Tye	525,000	–	–	–	525,000
Lim Yat Koi @ Lim Yoke Kwai	525,000	–	–	–	525,000
Puan Sri Datin Seri Chin Chew Lin	455,000	–	–	–	455,000
Ng Hong Kiat @ Ng Han Kiat	375,000	–	–	–	375,000
Ooi Poh Tin	375,000	–	–	–	375,000
Tan Keng Hock	375,000	–	–	–	375,000
Lim Hock Eng	270,000	–	–	–	270,000
Lim Cheng Kee	230,000	–	–	–	230,000
Kwong Yook Faan	195,000	–	–	–	195,000
Chow Soey Mei	150,000	–	–	–	150,000
Heng Tin Giou	115,000	–	–	–	115,000
Hor Chee Keong	85,000	–	–	–	85,000
Lim Cheow Lin	85,000	–	–	–	85,000
Lee Liak Chin	85,000	–	–	–	85,000
Teh Lee Eng	85,000	–	–	–	85,000
Cheng Cheang Teik	100,000	–	–	–	100,000
Iskandar Bin Wahab	100,000	–	–	–	100,000
Ong Yee Min	100,000	–	–	–	100,000
Ng Chee Shin	70,000	–	–	–	70,000

The details of the ESOS are set out in Note 18 to the financial statements.

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Seri Lim Gait Tong  
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther  
Ng Bock Tye  
Puan Sri Datin Seri Chin Chew Lin  
Lim Yat Koi @ Lim Yoke Kwai  
Koay Seng Leong  
Dato' Zainol Abidin Bin Dato' Haji Salleh  
Ahmad Kamarudin Bin Ismail  
Datuk Dr. Chew Han Ching

- appointed on 2.7.2008

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company, its holding company and subsidiaries during the financial year ended 31st December 2008 are as follows:

	Number of ordinary shares of RM1/- each			
	At 1.1.2008	Bought	Sold	At 31.12.2008
The Company				
<b>Farlim Group (Malaysia) Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	10,000	–	–	10,000
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	2,257,000	–	–	2,257,000
Ng Bock Tye	10,000	–	–	10,000
Puan Sri Datin Seri Chin Chew Lin	10,000	–	–	10,000
Lim Yat Koi @ Lim Yoke Kwai	10,000	–	–	10,000
Koay Seng Leong	4,000	–	–	4,000
Dato' Zainol Abidin Bin Dato' Haji Salleh	29,667	–	–	29,667
The holding company				
<b>Farlim Holding Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	45,773	–	–	45,773
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	15,355	–	–	15,355
Ng Bock Tye	2,303	–	–	2,303
Lim Yat Koi @ Lim Yoke Kwai	3,071	–	–	3,071
The subsidiary companies				
<b>Baka Suci Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	1	–	–	1
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	1	–	–	1
<b>Victory Ace Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	1	–	–	1
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	1	–	–	1
<b>Farlim Marketing Sdn. Bhd.</b>				
<b>Direct</b>				
Lim Yat Koi @ Lim Yoke Kwai	50,000	–	–	50,000

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTERESTS (cont'd)

The following directors who held office at the end of the financial year had interest in options exercisable during the financial year under the Company's ESOS:

	Unissued shares of RM1/- each under Option, exercisable at RM1/- per share			
	Exercisable At 1.1.2008	Entitlement	Exercised	Exercisable At 31.12.2008
Tan Sri Dato' Seri Lim Gait Tong	525,000	–	–	525,000
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	525,000	–	–	525,000
Ng Bock Tye	525,000	–	–	525,000
Puan Sri Datin Seri Chin Chew Lin	455,000	–	–	455,000
Lim Yat Koi @ Lim Yoke Kwai	525,000	–	–	525,000

Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther who held office at year end is, by virtue of his interest in a corporate shareholder, deemed interested in 168,750 shares in a subsidiary company, Farlim Marketing Sdn. Bhd., as at 1 January 2008 and 31 December 2008.

By virtue of their interests in shares in the holding company as substantial shareholders, Tan Sri Dato' Seri Lim Gait Tong and Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther are also deemed interested in shares in the Company to the extent the holding company has an interest.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company and its related corporations and options in the Company during the financial year.

In accordance with the Companies Act, 1965 and the Articles of Association of the Company, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Ahmad Kamarudin Bin Ismail, Dato' Zainol Abidin Bin Dato' Haji Salleh, Datuk Dr. Chew Han Ching, Koay Seng Leong and Mr. Lim Yat Koi @ Lim Yoke Kwai retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the Directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS of the Company.

## DIRECTORS' REPORT (cont'd)

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 40 to the financial statements.

### **HOLDING COMPANY**

The directors regard Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the holding company.

### **AUDITORS**

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

TAN SRI DATO' SERI LIM GAIT TONG  
Director

DATO' HAJI MOHD. IQBAL BIN KUPPA PITCHAI RAWTHER  
Director

Kuala Lumpur

Date: 21 April 2009

**BALANCE SHEETS**  
AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	4,061,204	3,327,770	1,744,577	1,660,212
Investment property	4	295,688	300,000	–	–
Prepaid land lease payments	5	184,675	187,094	94,544	95,822
Land held for property development	6(a)	32,741,970	47,363,034	4,290,596	10,147,096
Investment in subsidiaries	7	–	–	32,189,300	32,237,498
Other investments	8	3,070,951	3,696,672	3,064,384	3,687,040
Goodwill on consolidation	9	15,675,749	15,675,749	–	–
Amount owing by holding company	10	57,845,556	58,800,699	57,842,726	58,797,869
Amount owing by subsidiaries	11	–	–	28,894,183	29,408,032
<b>CURRENT ASSETS</b>					
Inventories	12	2,916,371	636,291	160,878	160,878
Property development costs	6(b)	19,679,550	27,014,160	7,540,583	16,838,307
Trade receivables	13	24,094,309	31,107,933	6,771,215	5,343,318
Other receivables	14	8,861,853	7,194,588	6,157,431	5,705,554
Tax recoverable		34,859	71,173	–	–
Fixed deposits	15	90,755	70,904	–	–
Cash and bank balances	16	8,105,046	9,517,765	6,422,929	6,908,903
		63,782,743	75,612,814	27,053,036	34,956,960
Assets held for sale	17	12,773,157	–	5,273,884	–
<b>TOTAL ASSETS</b>		<b>190,431,693</b>	<b>204,963,832</b>	<b>160,447,230</b>	<b>170,990,529</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the Company					
Share capital	18	121,000,000	120,000,000	121,000,000	120,000,000
Irredeemable convertible unsecured loan stocks (equity component)	19	18,307,093	–	18,307,093	–
Reserves	20	(33,773,010)	(37,629,167)	(17,677,928)	(20,698,734)
Shareholders' funds		105,534,083	82,370,833	121,629,165	99,301,266
Minority interests		378,808	273,091	–	–
<b>Total Equity</b>		<b>105,912,891</b>	<b>82,643,924</b>	<b>121,629,165</b>	<b>99,301,266</b>

**BALANCE SHEETS (cont'd)**  
AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>NON-CURRENT LIABILITIES</b>					
Provisions	21	<b>7,973,260</b>	7,652,010	<b>7,248,280</b>	6,953,280
Hire purchase payables	22	<b>291,433</b>	221,594	<b>291,433</b>	194,799
Long term borrowings	23	<b>19,608,255</b>	27,483,305	–	–
Deferred tax liabilities	24	–	375	–	–
Irredeemable convertible unsecured loan stocks (liability component)	19	<b>431,181</b>	–	<b>431,181</b>	–
		<b>28,304,129</b>	35,357,284	<b>7,970,894</b>	7,148,079
<b>CURRENT LIABILITIES</b>					
Trade payables	25	<b>13,659,321</b>	15,156,857	<b>2,939,951</b>	3,028,862
Other payables	26	<b>20,275,173</b>	8,717,691	<b>11,973,249</b>	2,577,181
Provisions	21	<b>13,336,247</b>	11,560,225	<b>8,549,751</b>	6,031,336
Amount owing to subsidiaries	27	–	–	<b>5,321,837</b>	6,433,264
Amount owing to directors	28	<b>524,704</b>	3,072,653	<b>502,748</b>	2,879,124
Hire purchase payables	22	<b>94,689</b>	70,882	<b>94,689</b>	55,216
Long term borrowing due within one year	23	<b>6,778,394</b>	47,650,640	–	42,883,796
Irredeemable convertible unsecured loan stock (liability component)	19	<b>341,746</b>	–	<b>341,746</b>	–
Tax payables		<b>1,204,399</b>	733,676	<b>1,123,200</b>	652,405
		<b>56,214,673</b>	86,962,624	<b>30,847,171</b>	64,541,184
<b>Total Liabilities</b>		<b>84,518,802</b>	122,319,908	<b>38,818,065</b>	71,689,263
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>190,431,693</b>	204,963,832	<b>160,447,230</b>	170,990,529

The accompanying notes form an integral part of these financial statements.

## INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	29	<b>60,745,917</b>	51,012,605	<b>40,387,306</b>	18,381,778
Cost of sales		<b>(47,690,400)</b>	(38,581,957)	<b>(31,672,140)</b>	(9,569,171)
<b>GROSS PROFIT</b>		<b>13,055,517</b>	12,430,648	<b>8,715,166</b>	8,812,607
Other income		<b>2,375,672</b>	12,776,397	<b>1,689,260</b>	12,102,587
Administrative expenses		<b>(11,363,003)</b>	(12,478,298)	<b>(7,130,002)</b>	(8,876,858)
Finance costs (net)	30	<b>1,017,453</b>	(7,195,447)	<b>1,209,669</b>	(6,569,368)
Investing activities	31	<b>(3,065)</b>	254,057	<b>(48,198)</b>	2,639,350
<b>PROFIT BEFORE TAXATION</b>	32	<b>5,082,574</b>	5,787,357	<b>4,435,895</b>	8,108,318
Taxation	33	<b>(1,120,573)</b>	(21,279)	<b>(1,414,962)</b>	(652,405)
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>3,962,001</b>	5,766,078	<b>3,020,933</b>	7,455,913
Attributable to:					
Equity holders of the Company		<b>3,856,284</b>	5,950,764	<b>3,020,933</b>	7,455,913
Minority interests		<b>105,717</b>	(184,686)	–	–
		<b>3,962,001</b>	5,766,078	<b>3,020,933</b>	7,455,913
<b>Earnings per share attributable to equity holders of the Company</b>	34	<b>3.19</b>	4.96		
<b>Diluted Earnings per share (Sen)</b>	34	<b>2.87</b>	–		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	← Attributable to Equity Holders of the Company →					Total RM
		Share Capital RM	Share Premium RM	ICULS (Equity Component) RM	Accumulated Losses RM	Minority Interests RM	
<b>Group</b>							
Balance at 1st January 2007		120,000,000	29,578,426	–	(73,158,357)	4,567,362	80,987,431
Disposal of subsidiaries		–	–	–	–	(4,109,585)	(4,109,585)
Net profit for the financial year		–	–	–	5,950,764	(184,686)	5,766,078
Balance at 31st December 2007		120,000,000	29,578,426	–	(67,207,593)	273,091	82,643,924
Net profit for the financial year					3,856,284	105,717	3,962,001
Issue of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	19	–	–	19,254,366	–	–	19,254,366
Conversion of ICULS		1,000,000	(127)	(947,273)	–	–	52,600
Balance at 31st December 2008		<b>121,000,000</b>	<b>29,578,299</b>	<b>18,307,093</b>	<b>(63,351,309)</b>	<b>378,808</b>	<b>105,912,891</b>
<b>Company</b>							
Balance at 1st January 2007		120,000,000	29,578,426	–	(57,733,073)	–	91,845,353
Net profit for the financial year		–	–	–	7,455,913	–	7,455,913
Balance at 31st December 2007		120,000,000	29,578,426	–	(50,277,160)	–	99,301,266
Net profit for the financial year		–	–	–	3,020,933	–	3,020,933
Issue of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	19	–	–	19,254,366	–	–	19,254,366
Conversion of ICULS		1,000,000	(127)	(947,273)	–	–	52,600
Balance at 31st December 2008		<b>121,000,000</b>	<b>29,578,299</b>	<b>18,307,093</b>	<b>(47,256,227)</b>	<b>–</b>	<b>121,629,165</b>

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	2008 RM	Group 2007 RM	2008 RM	Company 2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Profit before taxation	5,082,574	5,787,357	4,435,895	8,108,318
Adjustments for:				
Amortisation of prepaid land lease payments	2,419	2,419	1,278	1,278
Bad debts written off	12,506	3,869	99,528	1,349,803
Depreciation	233,101	303,804	178,977	170,104
Dividend income	(105)	(148)	(1,180,000)	–
Forfeiture of deposits	(29,800)	(29,529)	(29,800)	(29,529)
Gain on disposal of property, plant and equipment	(19,544)	(158,346)	–	(124,597)
Gain on disposal of subsidiaries	–	(513,136)	–	(2,639,350)
Impairment loss on				
- investments property	–	259,079	–	–
- investments in subsidiaries	–	–	48,198	–
- other investment	3,065	–	–	–
Interest expenses	1,706,265	8,658,467	1,538,682	8,378,446
Interest income	(2,723,718)	(1,463,020)	(2,748,351)	(1,809,078)
Loss on disposal of investment property	–	73,800	–	73,800
Property, plant and equipment written off	463	2,306	463	2,230
Provision for directors' retirement benefits	321,250	321,250	295,000	295,000
Reversal of impairment loss on other investment	–	(4,937)	–	–
Reversal of LAD no longer required	(8,621)	–	(8,621)	–
Waiver of interest expense	–	(9,234,049)	–	(9,234,049)
	<b>4,579,855</b>	4,009,186	<b>2,631,249</b>	4,542,376
<b>Changes In Working Capital:</b>				
Inventories	(2,280,080)	(417,471)	–	–
Receivables	5,154,227	(6,542,889)	(2,059,400)	(3,214,279)
Payables	9,673,553	3,914,787	8,920,764	919,739
Property development costs	13,137,425	5,504,580	12,407,376	(4,133,167)
	<b>30,264,980</b>	6,468,193	<b>21,899,989</b>	(1,885,331)
Interest paid	–	(4,849)	–	–
Interest received	433,630	208,449	481,021	583,795
Tax (paid)/refund	(613,911)	404,474	(637,367)	–
Dividend received	105	148	873,200	–
Net Operating Cash Flow	<b>30,084,804</b>	7,076,415	<b>22,616,843</b>	(1,301,536)

CASH FLOW STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from redemption of other investments	<b>622,656</b>	634,590	<b>622,656</b>	634,590
Interest received	<b>22,757</b>	29,288	-	-
Amount owing by/to subsidiaries	-	-	<b>(697,106)</b>	9,312,655
Disposal of subsidiaries, net of cash disposed*	-	15,929,169	-	5,189,350
Proceeds from disposal of property, plant and equipment	<b>19,547</b>	160,323	<b>1</b>	126,573
Proceeds from disposal of investment property	-	180,000	-	180,000
Purchase of property, plant and equipment (Note 35)	<b>(762,688)</b>	(117,427)	<b>(63,806)</b>	(95,357)
Net Investing Cash Flow	<b>(97,728)</b>	16,815,943	<b>(138,255)</b>	15,347,811
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Fixed deposits held as security value	<b>(19,149)</b>	99,694	-	148,698
Net change in amount owing by holding company	<b>2,367,000</b>	3,895,971	<b>2,367,000</b>	3,896,001
Drawdown of term loans	<b>2,166,150</b>	7,900,265	-	-
Net change in directors' accounts	<b>(1,306,083)</b>	1,088,872	<b>(1,134,510)</b>	909,540
Interest paid	<b>(3,230,422)</b>	(5,621,161)	<b>(923,620)</b>	(2,487,410)
Repayment of long term borrowings	<b>(31,270,235)</b>	(32,344,080)	<b>(23,209,539)</b>	(19,509,726)
Payment to hire purchase payables	<b>(106,354)</b>	(128,658)	<b>(63,893)</b>	(26,072)
Net Financing Cash Flow	<b>(31,399,093)</b>	(25,109,097)	<b>(22,964,562)</b>	(17,068,969)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(1,412,017)</b>	(1,216,739)	<b>(485,974)</b>	(3,022,694)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>9,539,665</b>	10,756,404	<b>6,908,903</b>	9,931,597
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>8,127,648</b>	9,539,665	<b>6,422,929</b>	6,908,903
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>				
Cash and bank balances	<b>8,105,046</b>	9,517,765	<b>6,422,929</b>	6,908,903
Fixed deposits	<b>90,755</b>	70,904	-	-
	<b>8,195,801</b>	9,588,669	<b>6,422,929</b>	6,908,903
Less: Fixed deposits held as security value (Note15)	<b>(68,153)</b>	(49,004)	-	-
Cash and cash equivalents	<b>8,127,648</b>	9,539,665	<b>6,422,929</b>	6,908,903

CASH FLOW STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

**Group**

\* The cash flow on disposal of the subsidiaries of the Group is as follows:

	<b>2007</b>
	<b>RM</b>
Assets and liabilities disposed	
Property, plant and equipment	6,719,768
Receivables	1,029,510
Cash and cash equivalent	16,961
Property development expenditure	10,824,601
Goodwill on consolidation	1,025,956
Tax recoverable	17,871
Hire purchase payables	(32,116)
Payables	(59,972)
Minority interests	(4,109,585)
Gain on disposal of subsidiaries	513,136
	<hr/>
	15,946,130
Less: Cash and cash equivalent disposed	(16,961)
Disposal of subsidiaries, net of cash disposed	<hr/> <hr/>
	15,929,169

**Company**

	<b>2007</b>
	<b>RM</b>
The cash flow on disposal of subsidiaries of the Company is as follows:	
Total proceeds from disposal - cash consideration	5,200,000
Expenses directly attributable to the disposal, paid in cash	(10,650)
Net disposal proceeds	<hr/> <hr/>
	5,189,350

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 39 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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

The registered office of the Company is located at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Bandar Sri Subang, 46000 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The holding company is Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia with its registered office located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 April 2009.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have also been prepared under the historical cost basis.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It is also require the directors' best knowledge of current events and actions, and therefore actual results may differ.

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 2.4 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 New FRS, Amendments to FRS and IC Interpretations

##### (a) Adoption of New FRS, Amendments to FRS and IC Interpretations

The Group and the Company had adopted the following new FRS, amendments to FRS and IC Interpretations ("IC Int") that are relevant to their operations and are mandatory for the current financial year:

##### FRS

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants And Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

##### IC Interpretations

IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Share in Co-operative Entities and Similar Instruments
IC Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IC Int 8	Scope of FRS 2

The adoption of the above new FRS, amendments to FRS and IC Int did not result in any substantial changes in the Group's and the Company's accounting policies, and have any material impact on the results and the financial positions of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 New FRS, Amendments to FRS and IC Interpretations (cont'd)

##### (b) New FRS and IC Interpretations that are issued, not yet effective and have not been early adopted

The Group and the Company have not adopted the following new FRS and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

<u>New FRS</u>		<b>Effective for financial periods beginning on or after</b>
FRS 4	Insurance Contracts	1st January 2010
FRS 7	Financial Instruments: Disclosures	1st January 2010
FRS 8	Operating Segments	1st July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1st January 2010
 <u>IC Int</u>		
IC Int 9	Reassessment of Embedded Derivatives	1st January 2010
IC Int 10	Interim Financial Reporting and Impairment	1st January 2010

Other than FRS 139, the directors do not anticipate that the application of the above new FRS and IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and of the Company.

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

#### 2.3 Summary of Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

##### (a) Subsidiaries and Basis of Consolidation

###### (i) Subsidiaries

Subsidiaries are 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.

In the Company's separate financial statements, investments in subsidiaries are stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the income statement.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any unamortised goodwill is reflected as a gain or loss on disposal in the consolidated income statement.

###### (ii) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up at the same reporting date.

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 the aggregate of the fair values of the assets acquired, equity instruments issued and liabilities and contingent 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, irrespective of the extent of any minority interest.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (a) Subsidiaries and Basis of Consolidation (cont'd)

###### (ii) Basis of Consolidation (cont'd)

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

Minority interests represent the portion of the profit or loss and net assets of subsidiaries 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 losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on the consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

##### (b) Goodwill on Consolidation

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s). Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes 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 arise.

##### (c) Investments

Long term investment in quoted and unquoted shares are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s).

Short term quoted investment is stated at the lower of cost and market value and unquoted investment is stated at the lower of cost and net realisable value.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont't)

#### 2.3 Summary of Significant Accounting Policies (cont't)

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement as incurred.

No depreciation is provided on the freehold land as it has infinite useful life.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Buildings	2% - 4.5%
Buildings improvements	10% - 15%
Plant and machinery	9% - 20%
Motor vehicles	18% - 20%
Furniture, fittings and equipment	10% - 20%

The residual values and useful lives of property, plant and equipment are reviewed and adjusted if appropriate, at each balance sheet date. The effects of any revisions of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the financial year the asset is derecognised.

##### (e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both and are not substantially occupied by the Group. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s).

Depreciation of investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties. The annual rate used to depreciate the buildings is 2%.

No depreciation is provided on the freehold land as it has indefinite useful life.

Investment properties is derecognised when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains or losses on the retirement or disposal of investment properties are recognised in the income statement in the year in which they arise.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont't)

#### 2.3 Summary of Significant Accounting Policies (cont't)

##### (f) Property Development Activities

###### (i) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and is carried at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(s).

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and is expected to be completed within the normal operating cycle.

###### (ii) 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.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by reference to the surveys of work performed.

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

Any foreseeable loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately in the income statement.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

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.

##### (g) Borrowing Costs

Borrowing costs incurred on property development projects are capitalised and included as part of development expenditure. The capitalisation of borrowing costs commences when expenditure for the property development projects and borrowing costs are being incurred and the activities that are necessary to prepare the property development projects for its intended sale are in progress. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the property development projects for its intended sale are completed.

Borrowing costs incurred in financing the construction-in-progress are capitalised as part of the cost of the assets. Capitalisation will cease when the relevant assets are ready for their intended use.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (h) Employee Benefits

###### (i) Short-term employee benefits

Wages, salaries, social security contributions, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

###### (ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

###### (iii) Equity compensation benefits

The Company's ESOS, an equity-settled, share-based compensation plan, allows the Group's employees to acquire shares of the Company. The Group has applied FRS2 in accordance with its transitional provisions which allow no compensation cost or obligation is recognised for ESOS granted before 31st December 2004. When the options are exercised, equity is increased by the amount of the proceeds received.

###### (iv) Defined benefit plan

The Group operates an unfunded benefits scheme for eligible employees and provision is made for all eligible employees based on the Group's retirement benefits scheme for executive and non executives.

##### (i) Inventories

Inventories of completed units for resale are stated at the lower of cost and net realisable value. Cost includes apportioned land cost and development expenditure incurred.

##### (j) Receivables

Receivables are carried at anticipated realisable values. In estimating the realisable values, an allowance is made for doubtful receivables based on a review of all outstanding amounts as at the balance sheet date. Bad debts are written off to the income statement during the financial year in which they are identified.

##### (k) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future, whether or not billed to the Group.

##### (l) Construction Contracts

Construction works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contract sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to the income statement as and when incurred.

When the outcome of a construction contract can be reliably estimated, contract revenue is recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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

When costs incurred on construction contracts plus recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract works.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (m) Leases

###### (i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

###### (ii) 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 leases. Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests for the land element and the buildings element of the lease at the inception of the lease. The up-front payments relating to the land element represents prepaid lease payment and are amortised to the income statement on a straight line basis over the lease term.

##### (n) Provisions for Liabilities

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

##### (o) Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year 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 differences arise from goodwill or negative goodwill 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (o) Taxation (cont'd)

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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree identifiable assets, liabilities and contingent liabilities over the cost of the combination.

##### (p) Foreign Currency Transactions

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional currency and presentation currency.

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates ruling at the balance sheet date. All exchange differences are included in the income statement.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### (q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

##### (r) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

###### (i) Property development

Revenue from sale of property development projects is recognised based on the stage of completion method as described in Note 2.3(f)(ii).

###### (ii) Sales of completed properties

Revenue from sale of completed properties is recognised upon the execution of sale and purchase agreement with the purchasers.

###### (iii) Sales of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

###### (iv) Construction contract

Revenue from construction contract is recognised based on the stage of completion method as described in Note 2.3(l).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (r) Revenue Recognition (cont'd)

###### (v) Dividend income

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

###### (vi) Interest income

Interest income is recognised on accrual basis.

Interest income from late payments by house buyers is recognised on a receipt basis.

###### (vii) Rental income

Rental income is recognised on accrual basis.

###### (viii) Inter-company sales

Inter-company sales are excluded from the revenue of the Group.

##### (s) Impairment of Assets

The carrying amounts of assets other than inventories, construction contract assets, deferred tax assets and non-current assets held for sale, and financial assets (except for investment in subsidiaries) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each balance sheet date or frequently when indications of impairment are identified.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired on a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (t) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### (u) Irredeemable Convertible Unsecured Loan Stock ("ICULS")

ICULS with fixed coupon rate are regarded as compound instruments consisting of an equity component and a liability component.

At the issue date, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instrument; this amount is carried as liability on the amortised cost basis on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option does not change in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest for an equivalent financial instrument to the instrument at the issue date. The difference between this amount and the interest paid is added to the carrying amount of the ICULS.

##### (v) Segmental Information

Segment reporting is presented in respect of the Group's business segments. The primary reporting segment information is in respect of business segment as the Group's risk and returns are affected predominately by differences in the business operation.

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segments assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenue, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

All income, expenses, assets and liabilities are directly allocated to each reported segment. Interest income and other income and expenses which cannot be allocated to respective segment on a reasonable basis are disclosed as either unallocated income or unallocated expenses, while the related assets and liabilities are disclosed as unallocated assets and unallocated liabilities.

The accounting policies used in deriving the individual segment revenue, segment results, segment assets and segment liabilities are the same as those disclosed in the summary of significant accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### (w) Non-current Asset Held For Sale

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

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. On initial classification as held for sale, non-current asset is measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in income statement.

##### (x) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts, bankers' acceptance and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts other short term borrowings which are repayable on demand and deposits pledged to financial institutions.

#### 2.4 Summary of Significant Accounting Estimates and Judgements

##### (a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

##### (i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The management estimates that the useful lives of the property, plant and equipment to be 5 to 50 years. The carrying amounts of the Group and the Company's property, plant and equipment as at 31 December 2008 were RM4,061,204/- (2007: RM3,327,770/-) and RM1,744,577/- (2007: RM1,660,212/-) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore, the future depreciation charge could be revised.

##### (ii) Property development costs

The Group recognised property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by reference to the surveys of work performed.

Significant judgements are required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as recoverability of the development projects. In making the judgement, the management's evaluation is based on past experience and by relying on the work of specialists.

The accumulated profits recognised for the property development project of the Group and of the Company amounted to RM10,287,376/- (2007: RM9,436,228/-) and RM4,611,410/- (2007: RM3,327,357/-) respectively. Any difference in the estimation of total property development revenue and costs will impact the results of the Group and the Company.

##### (iii) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash generating units (CGU) to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cashflows. The carrying amount of goodwill as at 31 December 2008 was RM15,675,749/- (2007: RM15,675,749/-).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.4. Summary of Significant Accounting Estimates and Judgements (cont'd)

##### (a) Key sources of estimation uncertainty (cont'd)

###### (iv) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total unrecognised deferred tax assets of the Group were RM7.8 million (2007: RM8.1 million).

###### (v) Impairment loss on investment property and property, plant and equipment

The Group has recognised impairment loss on investment property and property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit ("CGU") to which the investment property and property, plant and equipment are allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of investment property and property, plant and equipment of the Group as at 31st December 2008 were RM295,688/- (2007: RM300,000/-) and RM4,061,204/- (2007: RM3,327,770/-) respectively.

###### (vi) Recoverable of receivables

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

###### (vii) Net realisable values of inventories

Reviews are made periodically by management on slow moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

###### (viii) Provisions

The Group recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Group's current best estimate.

###### (ix) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency.

The Group consults with legal counsel on matters related to litigation and other experts both within and outside the Group with respect to matters in the ordinary course of business.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.4. Summary of Significant Accounting Estimates and Judgements (cont'd)

##### (a) Key sources of estimation uncertainty (cont'd)

###### (x) Construction contract

The Group recognised contract revenue and cost in the income statement by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgements are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and cost, as well as recoverability of the construction projects. In making the judgement, the management's evaluation is based on past experience and by relying on the work of specialists.

The accumulated profits recognised for the construction project of the Group and of the Company amounted to RM692,445/- (2007-: RMNil/-). Any difference in the estimation of total contract revenue and costs will impact the results of the Group and the Company.

##### (b) Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT

Group						Furniture, Fittings and Equipment	Total
2008	Buildings	Freehold Land	Buildings Improvements	Plant and Machinery	Motor Vehicles		
	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>							
At 1st January 2008	1,311,652	1,869,244	810,398	139,729	2,466,299	3,785,680	10,383,002
Additions	667,863	–	–	–	245,890	48,935	962,688
Disposals/write-offs	–	–	–	–	(612,451)	(9,476)	(621,927)
At 31st December 2008	<b>1,979,515</b>	<b>1,869,244</b>	<b>810,398</b>	<b>139,729</b>	<b>2,099,738</b>	<b>3,825,139</b>	<b>10,723,763</b>
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1st January 2008	325,122	–	806,762	121,729	2,177,063	3,624,556	7,055,232
Charge for the financial year	34,247	–	1,190	9,000	138,356	45,996	228,789
Disposals/write-offs	–	–	–	–	(612,449)	(9,013)	(621,462)
At 31st December 2008	359,369	–	807,952	130,729	1,702,970	3,661,539	6,662,559
<b>Net Book Value at 31st December 2008</b>	<b>1,620,146</b>	<b>1,869,244</b>	<b>2,446</b>	<b>9,000</b>	<b>396,768</b>	<b>163,600</b>	<b>4,061,204</b>

Group						Furniture, Fittings and Equipment	Total
2007	Buildings	Freehold Land	Buildings Improvements	Plant and Machinery	Motor Vehicles		
	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>							
At 1st January 2007	2,500,060	8,539,523	819,348	139,729	4,659,476	3,845,723	20,503,859
Additions	–	–	–	–	298,006	51,212	349,218
Reclassifications	(1,188,408)	–	–	–	–	–	(1,188,408)
Disposal of subsidiaries	–	(6,670,279)	(8,950)	–	(153,587)	(93,852)	(6,926,668)
Disposals/write-offs	–	–	–	–	(2,337,596)	(17,403)	(2,354,999)
At 31st December 2007	1,311,652	1,869,244	810,398	139,729	2,466,299	3,785,680	10,383,002
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1st January 2007	669,525	–	813,741	112,729	4,484,787	3,620,274	9,701,056
Charge for the financial year	40,188	–	1,970	9,000	138,536	106,689	296,383
Reclassifications	(384,591)	–	–	–	–	–	(384,591)
Disposal of subsidiaries	–	–	(8,949)	–	(108,673)	(89,278)	(206,900)
Disposals/write-offs	–	–	–	–	(2,337,587)	(13,129)	(2,350,716)
At 31st December 2007	325,122	–	806,762	121,729	2,177,063	3,624,556	7,055,232
<b>Net Book Value at 31st December 2007</b>	<b>986,530</b>	<b>1,869,244</b>	<b>3,636</b>	<b>18,000</b>	<b>289,236</b>	<b>161,124</b>	<b>3,327,770</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company					Furniture, Fittings and Equipment	Total
2008	Buildings	Freehold Land	Buildings Improvements	Motor Vehicles		
	RM	RM	RM	RM	RM	RM
<b>Cost</b>						
At 1st January 2008	1,245,059	264,940	656,581	1,175,069	2,182,504	5,524,153
Additions	–	–	–	245,890	17,916	263,806
Disposals/write-offs	–	–	–	(495,000)	(9,476)	(504,476)
At 31st December 2008	<b>1,245,059</b>	<b>264,940</b>	<b>656,581</b>	<b>925,959</b>	<b>2,190,944</b>	<b>5,283,483</b>
<b>Accumulated Depreciation and Impairment Loss</b>						
At 1st January 2008	216,347	–	656,537	894,166	2,096,891	3,863,941
Charge for the financial year	25,725	–	–	130,026	23,226	178,977
Disposals/write-offs	–	–	–	(494,999)	(9,013)	(504,012)
At 31st December 2008	242,072	–	656,537	529,193	2,111,104	3,538,906
<b>Net Book Value at 31st December 2008</b>	<b>1,002,987</b>	<b>264,940</b>	<b>44</b>	<b>396,766</b>	<b>79,840</b>	<b>1,744,577</b>

Company					Furniture, Fittings and Equipment	Total
2007	Buildings	Freehold Land	Buildings Improvements	Motor Vehicles		
	RM	RM	RM	RM	RM	RM
<b>Cost</b>						
At 1st January 2007	2,433,467	264,940	656,581	2,602,304	2,170,465	8,127,757
Additions	–	–	–	298,006	29,142	327,148
Reclassifications	(1,188,408)	–	–	–	–	(1,188,408)
Disposals/write-offs	–	–	–	(1,725,241)	(17,103)	(1,742,344)
At 31st December 2007	1,245,059	264,940	656,581	1,175,069	2,182,504	5,524,153
<b>Accumulated Depreciation and Impairment Loss</b>						
At 1st January 2007	569,271	–	656,537	2,538,552	2,052,206	5,816,566
Charge for the financial year	31,667	–	–	80,848	57,589	170,104
Reclassifications	(384,591)	–	–	–	–	(384,591)
Disposals/write-offs	–	–	–	(1,725,234)	(12,904)	(1,738,138)
At 31st December 2007	216,347	–	656,537	894,166	2,096,891	3,863,941
<b>Net Book Value at 31st December 2007</b>	<b>1,028,712</b>	<b>264,940</b>	<b>44</b>	<b>280,903</b>	<b>85,613</b>	<b>1,660,212</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment of the Group and of the Company with net book values of RM2,821,651/- (2007: RM2,844,839/-) and RM663,689/- (2007: RM679,868/-) respectively have been pledged to financial institutions to secure banking facilities granted to the Company and certain subsidiaries as stated in Note 23 to the financial statements.

Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase instalment plans with net book values as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Motor vehicles	<b>396,762</b>	280,901	<b>396,762</b>	280,898

### 4. INVESTMENT PROPERTY

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Freehold Land and Building</b>				
<b>Cost</b>				
At 1st January	<b>618,450</b>	888,450	-	270,000
Disposal	-	(270,000)	-	(270,000)
At 31st December	<b>618,450</b>	618,450	-	-
<b>Accumulated Depreciation and Impairment Loss</b>				
At 1st January	<b>59,371</b>	68,150	-	16,200
Disposal	-	(16,200)	-	(16,200)
Impairment loss	<b>259,079</b>	259,079	-	-
Charge for the financial year	<b>4,312</b>	7,421	-	-
At 31 st December	<b>322,762</b>	318,450	-	-
<b>Net Book Value at 31st December</b>	<b>295,688</b>	300,000	-	-

#### Group

The fair value for the investment property of the Group on 31 December 2008 are RM300,000/- and (2007: RM300,000/-). The fair value of the investment property are estimated by the directors of the Company based on the open market value.

As at balance sheet date, the certificate of title to the freehold land and building has yet to be registered in the name of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 5. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1st January	<b>187,094</b>	189,513	<b>95,822</b>	97,100
Amortisation for the financial year	<b>(2,419)</b>	(2,419)	<b>(1,278)</b>	(1,278)
At 31st December	<b>184,675</b>	187,094	<b>94,544</b>	95,822

Leasehold land of the Group and of the Company with carrying values of RM138,171/- (2007: RM139,961/-) and RM48,040/- (2007: RM48,689/-) respectively have been pledged to financial institutions to secure banking facilities granted to the Company and certain subsidiaries as stated in Note 23 to the financial statements.

As at the balance sheet date, the certificate of title to the leasehold land of a subsidiary with carrying value of RM31,302/- (2007: RM31,698/-) was registered in the name of another subsidiary.

### 6. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COST

#### (a) Land held for property development

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of the financial year				
- freehold land	<b>28,204,006</b>	31,383,922	-	-
- leasehold land	<b>17,419,179</b>	17,419,179	<b>9,921,566</b>	9,921,566
- development costs	<b>1,739,849</b>	13,080,040	<b>225,530</b>	4,164,632
	<b>47,363,034</b>	61,883,141	<b>10,147,096</b>	14,086,198
Add: Costs incurred during the financial year				
- development costs	<b>55,551</b>	243,596	-	-
- transfer from property, plant and equipment	-	803,817	-	803,817
	<b>55,551</b>	1,047,413	-	803,817
Less: Transfer to property development costs	<b>(1,903,458)</b>	(4,742,919)	<b>(582,616)</b>	(4,742,919)
Transfer to asset held for sale (Note 17)				
- leasehold land	<b>(12,752,029)</b>	-	<b>(5,254,416)</b>	-
- development costs	<b>(21,128)</b>	-	<b>(19,468)</b>	-
	<b>(12,773,157)</b>	-	<b>(5,273,884)</b>	-
Disposal of subsidiaries (Note 7)	-	(10,824,601)	-	-
	<b>32,741,970</b>	47,363,034	<b>4,290,596</b>	10,147,096

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COST (cont'd)

#### (a) Land held for property development (cont'd)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At end of the financial year				
- freehold land	<b>27,648,549</b>	28,204,006	-	-
- leasehold land	<b>4,218,300</b>	17,419,179	<b>4,218,300</b>	9,921,566
- development costs	<b>875,121</b>	1,739,849	<b>72,296</b>	225,530
	<b>32,741,970</b>	47,363,034	<b>4,290,596</b>	10,147,096

#### (b) Property development costs

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of the financial year				
- freehold land/leasehold land	<b>12,905,346</b>	12,105,292	<b>2,476,391</b>	1,676,337
- development costs	<b>96,865,905</b>	58,434,468	<b>32,281,014</b>	16,762,766
- accumulated costs charged to income statement	<b>(82,757,091)</b>	(42,285,037)	<b>(17,919,098)</b>	(3,790,531)
	<b>27,014,160</b>	28,254,723	<b>16,838,307</b>	14,648,572
Add: Costs incurred during the financial year				
- development costs	<b>32,575,820</b>	29,926,275	<b>18,981,220</b>	7,013,086
- transfer from land held for property development	<b>1,903,458</b>	4,742,919	<b>582,616</b>	4,742,919
	<b>34,479,278</b>	34,669,194	<b>19,563,836</b>	11,756,005
Less: Costs recognised in income statement during the financial year	<b>(41,813,888)</b>	(35,909,757)	<b>(28,861,560)</b>	(9,566,270)
	<b>19,679,550</b>	27,014,160	<b>7,540,583</b>	16,838,307
At end of the financial year				
- freehold land/leasehold land	<b>2,286,278</b>	12,905,346	<b>1,423,390</b>	2,476,391
- development costs	<b>73,024,233</b>	96,865,905	<b>27,273,028</b>	32,281,014
- accumulated costs recognised in income statement	<b>(55,630,961)</b>	(82,757,091)	<b>(21,155,835)</b>	(17,919,098)
	<b>19,679,550</b>	27,014,160	<b>7,540,583</b>	16,838,307

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COST (cont'd)

The leasehold and freehold land of the Group and of the Company with carrying values of RM27,338,819/- (2007: RM36,775,435/-) and RM Nil/- (2007: RM6,880,665/-) respectively, have been pledged to financial institutions to secure banking facilities granted to a subsidiary as stated in Note 23 to the financial statements.

Included in development costs of the Group incurred during the financial year are interest expenses of RM2,170,265/- (2007: RM2,858,579/-).

The related property development costs closed out from completed phases during the financial year amounted to:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Leasehold land	10,780,225	–	658,701	–
Development expenditure	57,256,151	480,588	24,062,481	480,588

### 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2008 RM	2007 RM
Unquoted shares at cost	32,937,498	32,937,498
Less: Accumulated impairment losses	(748,198)	(700,000)
	<b>32,189,300</b>	<b>32,237,498</b>

The Group's equity interest in the subsidiaries, country of incorporation and their respective principal activities are disclosed in Note 39 to the financial statements.

#### 2007

- On 14 September 2007, the Company had completed the disposal of its entire investment in a 51% owned subsidiary company, Cantum Properties Sdn. Bhd., for a cash consideration of RM5,200,000/- in accordance with the terms and conditions of the Share Sale Agreement dated 26th June 2007.
- On 28 December 2007, a wholly owned subsidiary of the Company, Bandar Subang Sdn. Bhd., had completed the disposal of its entire investment in Cabaran Resorts Sdn. Bhd. for a cash consideration of RM10,800,000/- in accordance with the terms and conditions of the Share Sale Agreement dated 19 October 2007.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 7. INVESTMENT IN SUBSIDIARIES (cont'd)

The effects of the disposal of these subsidiaries on the financial results of the Group for the financial year ended 31st December 2007 are as follows:

	<b>Group At the date of disposal 2007 RM</b>
Revenue	716,603
Other income	–
Expenses	(646,919)
Profit before taxation	69,684
Taxation	(24,000)
Increase in Group net profit for the financial year	<u>45,684</u>

The effects of the disposal of these subsidiaries on the financial position of the Group as at 31st December 2007 are as follows:

	<b>At the date of disposal 2007 RM</b>
Assets and liabilities disposed	
Property, plant and equipment	6,719,768
Property development expenditure	10,824,601
Trade and other receivables	1,029,510
Goodwill on consolidation	1,025,956
Tax recoverable	17,871
Cash and bank balances	16,961
Trade and other payables	(59,972)
Hire purchase payable	(32,116)
Minority interests	(4,109,585)
Net assets disposed	<u>15,432,994</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 8. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Quoted shares in Malaysia at cost	24,360	24,360	-	-
Less: Impairment loss	(17,793)	(14,729)	-	-
	<b>6,567</b>	9,631	-	-
Unquoted shares at cost	<b>75,830</b>	121,620	<b>26,647</b>	72,436
Less: Impairment loss	(49,183)	(49,183)	-	-
	<b>26,647</b>	72,437	<b>26,647</b>	72,436
Preference shares at cost	<b>3,037,737</b>	3,614,604	<b>3,037,737</b>	3,614,604
	<b>3,070,951</b>	3,696,672	<b>3,064,384</b>	3,687,040

The market value of the quoted shares as at 31 December 2008 is RM6,567/- (2007: RM9,631/-).

### 9. GOODWILL ON CONSOLIDATION

	Group	
	2008 RM	2007 RM
<b>Cost</b>		
Balance as at 1st January	17,797,926	18,823,882
Less: Disposal of subsidiaries	-	(1,025,956)
Balance as at 31st December	<b>17,797,926</b>	17,797,926
<b>Accumulated amortisation and impairment losses</b>		
Balance as at 1st January	2,122,177	2,122,177
Add: Impairment during the financial year	-	-
Balance as at 31st December	<b>2,122,177</b>	2,122,177
Net carrying amount at 31st December	<b>15,675,749</b>	15,675,749

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 10. AMOUNT OWING BY HOLDING COMPANY

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Portion due within one year	–	–	–	–
Portion due after one year	<b>57,845,556</b>	58,800,699	<b>57,842,726</b>	58,797,869
	<b>57,845,556</b>	58,800,699	<b>57,842,726</b>	58,797,869

The directors regard Farlim Holding Sdn. Bhd. (“FHSB”), a company incorporated and domiciled in Malaysia, as the holding company.

The amount owing by FHSB comprises of advances together with interest accrued. The advances are unsecured and bear interest at 3.70% (2007: 8.75%) per annum.

Based on the repayment proposal previously submitted by FHSB, the amount owing shall be fully repaid by 31 December 2009 either in the form of a cash payment or otherwise derived from the sale of assets by a related company of FHSB. The completion of the said sale would only be implemented upon the conclusion of a litigation in respect of the said assets now underway in the Court.

As a consequence of the delay in the finalisation of the sale of assets, the full repayment date of the amount owing by FHSB has been extended to 31 December 2011 vide the New Repayment Proposal submitted by FHSB on 15 December 2008.

Notwithstanding the above variation, FHSB has fully complied with the interest payment in accordance with the agreed terms.

In view of the above, the directors of the Company are of the opinion that the amount owing by the holding company will be recovered in due course and no allowance for doubtful debts is required to be incorporated in the current year’s income statement.

### 11. AMOUNT OWING BY SUBSIDIARIES

#### Company

The amount owing by subsidiaries is unsecured, has no fixed terms of repayment and is interest free except for an amount of RM13,310,433/- (2007: RM13,770,050/-) owing by a subsidiary company which bears interest at 2.00% - 8.75% (2007: 8.75%) per annum.

### 12. INVENTORIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>At Cost</b>				
Completed units of shoplots and houses	<b>2,916,371</b>	636,291	<b>160,878</b>	160,878

#### Group

The completed units of shoplots and houses of RM95,023/- (2007: RM95,023/-) have been pledged to licensed banks to secure banking facilities granted to a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 13. TRADE RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	24,516,269	31,529,893	6,771,215	5,343,318
Less: Allowance for doubtful debts	(421,960)	(421,960)	–	–
	<b>24,094,309</b>	31,107,933	<b>6,771,215</b>	5,343,318

The Group's normal trade credit terms range from 15 to 90 days.

### 14. OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables	1,526,257	634,766	12,978	64,923
Deposits	7,277,651	6,281,317	6,096,325	5,374,325
Prepayments	57,945	278,505	48,128	266,306
	<b>8,861,853</b>	7,194,588	<b>6,157,431</b>	5,705,554

#### Group and Company

Included in other deposits is an amount of RM5,000,000/- (2007: RM5,000,000/-) which represents deposit paid towards the acquisition of 100% equity interest in a company for a total consideration of RM47,000,000/-. The above acquisition has been terminated and the Company has commenced legal action to recover the deposit paid together with compensation as mentioned in Note 42(b). The directors are of the opinion that this amount is recoverable.

### 15. FIXED DEPOSITS

	Group	
	2008 RM	2007 RM
Fixed deposits placed with - licensed banks	90,755	70,904

Fixed deposits placed with licensed banks of the Group amounting to RM68,153/- (2007: RM49,004/-) are pledged to the licensed banks to secure banking facilities granted to certain subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 16. CASH AND BANK BALANCES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	<b>4,411,055</b>	6,498,611	<b>3,683,265</b>	5,545,771
Cash held under Housing Development Account	<b>3,693,991</b>	3,019,154	<b>2,739,664</b>	1,363,132
	<b>8,105,046</b>	9,517,765	<b>6,422,929</b>	6,908,903

Cash held under Housing Development Account represents receipts from purchasers of residential properties less payments or withdrawals pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

The interest earned from the Housing Development Account of the Group and of the Company ranges from 1.50% to 2.00% (2007: 1.50% to 2.00%) per annum.

### 17. ASSETS HELD FOR SALE

On 25th November 2008, the Company and its wholly-owned subsidiary, Bandar Subang Sdn. Bhd., had separately entered into Sale and Purchase Agreements with Amanbay Sdn Bhd for the proposed disposals of three pieces of land held for property development for a total cash consideration of RM12,850,000/-.

The proposed disposals were completed on 19 February 2009 and the Group and the Company registered a loss on disposals of RM15,120/- and a profit of RM35,408/- respectively.

As at balance sheet date, the certificates of title to respective these three pieces of land of the Company and its subsidiaries with carrying value of RM12,773,157/- and RM5,273,884/- respectively have yet to be registered in the name of the Company and its subsidiary.

### 18. SHARE CAPITAL

	Group and Company			
	Number of Shares		Share Capital	
	2008 Unit	2007 Unit	2008 RM	2007 RM
Ordinary shares of RM1/ – each				
Authorised				
At 1st January/31st December	<b>500,000,000</b>	500,000,000	<b>500,000,000</b>	500,000,000
Issued and fully paid				
At 1st January	<b>120,000,000</b>	120,000,000	<b>120,000,000</b>	120,000,000
Conversion from ICULS to new ordinary shares (Note 19)	<b>1,000,000</b>	–	<b>1,000,000</b>	–
At 31st December	<b>121,000,000</b>	120,000,000	<b>121,000,000</b>	120,000,000

- (a) During the financial year, the Company issued 1,000,000 ordinary shares of RM1/- each arising from the conversion of 1,000,000 ICULS of RM1/- nominal value each at the conversion price of RM1/- per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with existing ordinary shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 18. SHARE CAPITAL (cont'd)

#### (b) Employees' Share Option Scheme ("ESOS")

The main features of the ESOS are as follows:

- (i) The total number of new shares to be offered under the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS. The Company will, during the Option period, keep available sufficient authorised and unissued shares to satisfy all outstanding Options which may be exercisable throughout the duration of the ESOS.
- (ii) An Eligible Employee is an employee of the Company or its subsidiaries ("the Group") who at the date of allocation:
  - (a) has attained the age of eighteen (18) years;
  - (b) is a confirmed employee of the Group with at least one (1) year of continuous service; or
  - (c) is an employee or Executive Director of a subsidiary acquired during the duration of the Scheme, being the employee or the Executive Director who must complete at least six (6) months of continuous services.
- (iii) The basis of allotment and maximum allowable allotment to eligible employees are:
  - (a) The number of shares to be offered to any Eligible Employee shall not be less than 100 shares nor more than 525,000 shares.
  - (b) The actual allocation to an Eligible Employee shall be essentially based on seniority of job position, length of service and performance with the Group.

At the discretion of the ESOS Committee, where an Eligible Employee is promoted, he/she may be eligible for consideration for new additional shares up to the Maximum Allowable Allotment for the category to which he/she has been promoted.

- (iv) The option price of each share shall be based on a discount of not more than 10% of the weighted average market price of the ordinary shares of the Company as shown in the Daily Official List for the five (5) market days immediately preceding the offer date, subject to the minimum price of RM1/- being the par value of the ordinary shares of the Company.
- (v) The Option granted to a Grantee is exercisable only by that Grantee during his/her employment with the Group and within the Option period subject to Bye-Law 18 of the Bye-Laws.

The Option can be exercised by the Grantee in accordance with the following schedule:

Number of Options Granted	Percentage of Options Exercisable				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 25,000	100%	–	–	–	–
25,000 to less than 100,000	40%*	30%	30%**	–	–
100,000 and above	20%	20%	20%	20%	20%

\* 40% or 25,000 Options, whichever is the higher

\*\* 30% or the remaining number of Options unexercised.

The Option may be exercised in full or in part provided that such exercise of the Option shall not be less than and shall be multiples of 100 shares. Subject to the foregoing, a partial exercise of an Option shall not preclude the grantee from exercising his Option with respect to the balance of the new shares comprised in his Option.

- (vi) The new shares to be allotted upon the exercise of an Option shall upon issuance and allotment, rank pari passu in all respects with the existing issued shares of the Company except that they will not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise be declared, made or paid, the record date of which is on or before the allotment date.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 18. SHARE CAPITAL (cont'd)

#### (b) Employees' Share Option Scheme ("ESOS") (cont'd)

The movements in the options exercisable by the Eligible Employees during the financial year to take up unissued ordinary shares of RM1/- each at the option price of RM1/- per share were as follows:

Options Exercisable Over Ordinary Shares of RM1/ - each			
Exercisable At 1.1.2008	Entitlement	Lapsed	Exercisable At 31.12.2008
7,907,000	–	930,000	6,977,000

### 19. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

2008	Group and Company		Total RM
	Equity Component RM	Liability Component RM	
<b>Nominal value</b>			
At 1st January	–	–	–
Issued during the financial year	19,254,366	1,071,734	20,326,100
Adjustment for the conversion of ICULS	–	127	127
Converted to ordinary share during the financial year	(947,273)	(52,727)	(1,000,000)
At 31st December	18,307,093	1,019,134	19,326,227
Expense recognised in income statements:			
At 1st January	–	–	–
Recognised during the financial year			
- ICULS interest	–	48,186	48,186
At 31st December	–	48,186	48,186
2% Coupon interest paid:			
At 1st January	–	–	–
Paid during the financial year	–	(294,393)	(294,393)
At 31st December	–	(294,393)	(294,393)
At 31st December	18,307,093	772,927	19,080,020

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (cont'd)

	<b>Group and Company 2008 RM</b>
<b>ICULS (liability component)</b>	
Represented by:	
Current	
- not later than one year	341,746
Non-current	
- later than one year and not later than five years	431,181
At 31st December	<u>772,927</u>

Pursuant to the Company's Proposed Debt Settlement Scheme as disclosed in Note 40(a) the Company had completed the issuance of 20,326,100 of 3 years 2% ICULS at nominal amount of RM1/- each on 28 March 2008.

The salient terms of the ICULS are as follows:

- (a) The ICULS which were issued on 28 March 2008 ("Issued Date") shall mature on the date falling three (3) years from the issue date. The maturity date shall be 28 March 2011 ("Maturity Date").
- (b) The ICULS are convertible into Farlim Group (Malaysia) Bhd. ("FGMB") new share at a conversion price of RM1- each.
- (c) The holder of ICULS may exercise their rights to convert their ICULS into FGMB's new share at anytime commencing from the Issue Date of the ICULS up to maturity date of the ICULS. ("Conversion Period") Any outstanding ICULS not converted shall at the end of the Conversion Period be automatically converted into FGMB' new share.
- (d) The ICULS are non-transferable and non-tradable.
- (e) The ICULS bear a coupon rate of 2% per annum payable semi-annually in arrears on the nominal value outstanding.

### 20. RESERVES

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-distributable</b>				
Share premium	<b>29,578,299</b>	29,578,426	<b>29,578,299</b>	29,578,426
<b>Distributable</b>				
Accumulated losses	<b>(63,351,309)</b>	(67,207,593)	<b>(47,256,227)</b>	(50,277,160)
Total	<b>(33,773,010)</b>	(37,629,167)	<b>(17,677,928)</b>	(20,698,734)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 21. PROVISIONS

Group	Property Development Expenditure RM	Liquidated Ascertained Damages RM	Directors' Retirement Benefits RM	Total RM
At 1st January 2007	14,645,489	8,621	7,330,760	21,984,870
(Utilised)/Addition during the financial year	(3,093,885)	–	321,250	(2,772,635)
At 31st December 2007	11,551,604	8,621	7,652,010	19,212,235
Addition/(Utilised) during the financial year	1,784,643	(8,621)	321,250	2,097,272
At 31st December 2008	13,336,247	–	7,973,260	21,309,507
<b>2008</b>				
Current	<b>13,336,247</b>	–	–	<b>13,336,247</b>
Non-current	–	–	<b>7,973,260</b>	<b>7,973,260</b>
	<b>13,336,247</b>	–	<b>7,973,260</b>	<b>21,309,507</b>
<b>2007</b>				
Current	11,551,604	8,621	–	11,560,225
Non-current	–	–	7,652,010	7,652,010
	11,551,604	8,621	7,652,010	19,212,235
<b>Company</b>				
At 1st January 2007	12,709,066	8,621	6,658,280	19,375,967
(Utilised)/Addition during the financial year	(6,686,351)	–	295,000	(6,391,351)
At 31st December 2007	6,022,715	8,621	6,953,280	12,984,616
Addition/(Utilised) during the financial year	2,527,036	(8,621)	295,000	2,813,415
At 31st December 2008	8,549,751	–	7,248,280	15,798,031
<b>2008</b>				
Current	<b>8,549,751</b>	–	–	<b>8,549,751</b>
Non-current	–	–	<b>7,248,280</b>	<b>7,248,280</b>
	<b>8,549,751</b>	–	<b>7,248,280</b>	<b>15,798,031</b>
<b>2007</b>				
Current	6,022,715	8,621	–	6,031,336
Non-current	–	–	6,953,280	6,953,280
	6,022,715	8,621	6,953,280	12,984,616

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 21. PROVISIONS (cont'd)

#### (i) Property Development Expenditure

Provision for property development expenditure is made in respect of probable outflow of resources related to land and development activities of the Group and of the Company.

#### (ii) Liquidated Ascertained Damages

Provision for liquidated ascertained damages ("LAD") is in respect of projects undertaken by the Group and the Company. LAD is recognised for expected LAD claims based on the contract agreements.

#### (iii) Directors' Retirement Benefits

Provision for directors' retirement benefits is based on existing contractual obligations with the directors which is equivalent to two months salary of the respective directors for every year of service. The entitlement is based on the last drawn salary prior to retirement.

### 22. HIRE PURCHASE PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Minimum hire-purchase payments				
- not later than one year	<b>110,652</b>	83,484	<b>110,652</b>	65,748
- later than one year and not later than five years	<b>313,192</b>	238,692	<b>313,192</b>	210,612
- later than five years		-	-	-
	<b>423,844</b>	322,176	<b>423,844</b>	276,360
Less: Future interest charges	<b>(37,722)</b>	(29,700)	<b>(37,722)</b>	(26,345)
Present value of hire-purchase payables	<b>386,122</b>	292,476	<b>386,122</b>	250,015
Current				
- not later than one year	<b>94,689</b>	70,882	<b>94,689</b>	55,216
Non-current				
- later than one year and not later than five years	<b>291,433</b>	221,594	<b>291,433</b>	194,799
- later than five years	-	-	-	-
	<b>291,433</b>	221,594	<b>291,433</b>	194,799
	<b>386,122</b>	292,476	<b>386,122</b>	250,015

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. LONG TERM BORROWINGS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Secured</b>				
Syndicated loan	–	7,355,116	–	7,355,116
Bilateral loans	–	35,528,680	–	35,528,680
Revolving credits	<b>1,193,834</b>	1,958,679	–	–
Bridging loan	<b>25,192,815</b>	30,291,470	–	–
	<b>26,386,649</b>	75,133,945	–	42,883,796
Portion due after one year	<b>(19,608,255)</b>	(27,483,305)	–	–
Portion due within one year	<b>6,778,394</b>	47,650,640	–	42,883,796

#### Group and Company

Pursuant to the Company's Proposed Debt Settlement Scheme, the bilateral loan had been restructured into term loans or converted into Redeemable Convertible Secured Loan Stocks ("RCSLS") on 28th March 2008. On even date, RM20,326,100 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at 100% of the nominal value amount of RM1/- each had been issued to syndicated and bilateral lenders for the settlement of interest outstanding. On 31 December 2008, the term loans and RCSLS had been fully settled and redeemed.

The revolving credit of the subsidiary is secured over the land under development, landed properties and corporate guarantee of the Company. The revolving credit is repayable by fixed half yearly instalment by way of redemption of titles if earlier, or one lump sum payment at the end of the term of the facilities.

The bridging loan of a subsidiary is secured over a freehold land, joint and several guaranteed by directors of the subsidiary and also a corporate guarantee of the Company.

The repayment terms of the long term borrowings are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Within the next twelve months	<b>6,778,394</b>	47,650,640	–	42,883,796
After the next twelve months				
- not later than two years	<b>4,585,591</b>	4,797,890	–	–
- later than two years but not later than five years	<b>12,006,000</b>	12,403,945	–	–
- later than five years	<b>3,016,664</b>	10,281,470	–	–
	<b>19,608,255</b>	27,483,305	–	–
	<b>26,386,649</b>	75,133,945	–	42,883,796

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. DEFERRED TAX LIABILITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1st January	375	877	-	-
Transfer to income statements (Note 33)	(375)	(502)	-	-
At 31st December	-	375	-	-
Timing differences between net book values and the corresponding tax written down values	-	375	-	-

The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deductible temporary differences	57,682	494,902	-	-
Unutilised tax losses	31,042,038	31,907,272	-	-
Potential unrecognised deferred tax assets	7,774,930	8,100,543	-	-

The unutilised tax losses are available indefinitely for offset against future profit of the subsidiaries. The availability of the unutilised tax losses for offsetting against future profit of the subsidiaries is subject to no substantial changes in shareholding of the subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

### 25. TRADE PAYABLES

#### Group and Company

Included in trade payables is an amount of RM1,755,796/- (2007: RM2,015,826/-) which represents retention sum payable.

#### Group

Included in trade payables is an amount of RM2,502,420/- (2007: RM2,502,420/-) owing to a former contractor of a subsidiary which is under dispute. The dispute has been referred to arbitration. As at the date of this report, the outcome of the arbitration is still pending as mentioned in Note 42(a).

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	14,807,216	6,816,948	8,443,162	2,145,438
Deposits	4,146,366	363,740	3,004,477	9,600
Accruals	1,321,591	1,537,003	525,610	422,143
	<b>20,275,173</b>	<b>8,717,691</b>	<b>11,973,249</b>	<b>2,577,181</b>

Included in other payables is an amount owing by the Group and the Company to a Company in which a director has indirect interest with carrying amount of RM7,373,992/- (2007: RM2,200,000/-) and RM6,196,393/- (2007: RM1,800,000/-). The amount owing is unsecured, interest free and has no fixed term of repayment.

Included in deposits of the Group and the Company for the current financial year is an amount of RM3,729,177/- and RM2,979,177/- respectively in relation to the Proposed Disposal of Properties as disclosed in Note 40(b) to the financial statements.

### 27. AMOUNT OWING TO SUBSIDIARIES

#### Company

The amount owing to subsidiaries is unsecured, interest free and has no fixed terms of repayment.

### 28. AMOUNT OWING TO DIRECTORS

The amount owing to directors is unsecured, interest free and has no fixed term of repayment.

### 29. REVENUE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sales of development properties	47,381,973	47,477,595	33,872,220	18,381,778
Sales of goods net of discount	6,848,858	3,535,010	–	–
Construction revenue	6,515,086	–	6,515,086	–
	<b>60,745,917</b>	<b>51,012,605</b>	<b>40,387,306</b>	<b>18,381,778</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 30. FINANCE COSTS (net)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest income				
- licensed banks	161,867	170,892	138,205	141,596
- holding company	2,267,330	1,225,283	2,267,330	1,225,283
- subsidiaries	–	–	342,816	442,199
- others	294,521	66,845	–	–
	<b>2,723,718</b>	1,463,020	<b>2,748,351</b>	1,809,078
Interest expenses				
- bank borrowings	(1,613,909)	(4,694,750)	(1,477,372)	(4,422,934)
- hire purchase	(13,124)	(13,850)	(13,124)	(5,645)
- ICULS interest	(48,186)	–	(48,186)	–
- others	(31,046)	(3,949,867)	–	(3,949,867)
	<b>(1,706,265)</b>	(8,658,467)	<b>(1,538,682)</b>	(8,378,446)
	<b>1,017,453</b>	(7,195,447)	<b>1,209,669</b>	(6,569,368)

### 31. INVESTING ACTIVITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Impairment loss on investment property	–	(259,079)	–	–
Impairment loss on other investment	(3,065)	–	–	–
Impairment loss on subsidiaries	–	–	(48,198)	–
Gain on disposal of subsidiaries	–	513,136	–	2,639,350
	<b>(3,065)</b>	254,057	<b>(48,198)</b>	2,639,350

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 32. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
After charging:				
Amortisation of prepaid land lease payments	<b>2,419</b>	2,419	<b>1,278</b>	1,278
Auditors' remuneration				
- current year	<b>133,700</b>	136,200	<b>75,000</b>	75,000
- underaccrual in prior year	<b>4,000</b>	21,200	-	19,000
Bad debts written off	<b>12,506</b>	3,869	<b>99,528</b>	1,349,803
Depreciation	<b>233,101</b>	303,804	<b>178,977</b>	170,104
Directors' remuneration				
- fees	<b>84,000</b>	84,000	<b>84,000</b>	84,000
- meeting allowance	<b>12,500</b>	12,750	<b>12,500</b>	12,750
- other emoluments	<b>1,519,686</b>	1,649,068	<b>909,080</b>	1,007,094
Loss on disposal of investment property	-	73,800	-	73,800
Property, plant and equipment written off	<b>463</b>	2,306	<b>463</b>	2,230
Provision for directors' retirement benefits	<b>321,250</b>	321,250	<b>295,000</b>	295,000
Staff costs				
- Employees' Provident Fund	<b>478,423</b>	428,405	<b>268,634</b>	269,145
- SOCSO	<b>37,971</b>	39,493	<b>21,550</b>	23,121
- salaries, bonuses and allowances	<b>3,730,331</b>	3,754,170	<b>2,333,208</b>	2,379,431
- other staff related expenses	<b>64,695</b>	74,623	<b>40,770</b>	65,373
And crediting:				
Dividend income	<b>105</b>	148	<b>1,180,000</b>	-
Forfeiture of deposits	<b>29,800</b>	29,529	<b>29,800</b>	29,529
Gain on disposal of property, plant and equipment	<b>19,544</b>	158,346	-	124,597
Reversal of impairment loss on other investment	-	4,937	-	-
Realised foreign exchange gain	<b>285,101</b>	2,520,311	<b>285,101</b>	2,520,311
Rental income	<b>585,619</b>	617,630	<b>136,900</b>	100,500
Compensation from contractor	<b>662,000</b>	-	-	-
Waiver of interest expense	-	9,234,049	-	9,234,049

Directors' remuneration of the Group and of the Company excludes estimated monetary value of benefits in kind of RM19,825/- (2007: RM59,800/-) and RMNil/- (2007: RM39,975/-) respectively.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 33. TAXATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Income tax				
- current year	(1,129,728)	(820,749)	(1,430,000)	(792,000)
- prior years	8,780	798,968	15,038	139,595
Deferred taxation (Note 24)				
- current year	375	502	-	-
	<b>(1,120,573)</b>	<b>(21,279)</b>	<b>(1,414,962)</b>	<b>(652,405)</b>

The income tax rate applicable to small and medium enterprises ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below is subject to the statutory tax rate of 20% on chargeable income of up to RM500,000/-. For chargeable income in excess of RM500,000/-, the statutory tax rate of 27% is applicable.

The statutory tax rate will be reduced to 25% from the current year's rate of 26% for the fiscal year of assessment 2009. The computation of deferred tax as at 31 December 2008 has been reflected with these changes accordingly.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before taxation	<b>5,082,574</b>	5,787,357	<b>4,435,895</b>	8,108,318
Taxation at applicable statutory tax rate of 26% (2007 : 27%)	<b>(1,321,469)</b>	(1,562,586)	<b>(1,153,333)</b>	(2,189,246)
Tax effects arising from				
- SME tax saving from subsidiaries	<b>1,479</b>	1,662	-	-
- non-taxable income	<b>770,295</b>	2,255,041	<b>752,764</b>	2,076,438
- non-deductible expenses	<b>(918,283)</b>	(2,813,324)	<b>(1,029,431)</b>	(679,192)
- reversal of deferred tax assets not recognised in financial statements	<b>325,613</b>	2,319,303	-	-
- deferred tax assets recognised at different tax rates	<b>13,012</b>	(1,020,343)	-	-
- prior years	<b>8,780</b>	798,968	<b>15,038</b>	139,595
Tax expense for the financial year	<b>(1,120,573)</b>	<b>(21,279)</b>	<b>(1,414,962)</b>	<b>(652,405)</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 34. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2008 RM	2007 RM
Profit attributable to ordinary equity holders of the Company	3,856,284	5,950,764
Number of ordinary shares in issue	121,000,000	120,000,000
Weighted average number of ordinary shares in issue	120,724,044	120,000,000
Basic earning per share		
- per ordinary share (sen)	-	4.96
- per weighted average number of share (sen)	3.19	-
	<b>3.19</b>	4.96

#### (b) Diluted Earnings Per Share

For the purpose of calculating diluted earnings per share, the net profit for the financial year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") issued during the financial year.

	2008 RM	2007 RM
Net profit for the financial year	3,856,284	-
After tax effect of interest on ICULS	35,658	-
	<b>3,891,942</b>	-
Weighted average number of ordinary shares in issue	120,724,044	
Effect of dilution:		
ICULS	14,770,442	-
Adjusted weighted average number of ordinary shares in issue and issuable	<b>135,494,486</b>	-
Diluted earnings per share (sen)	<b>2.87</b>	*

\* Diluted earnings per share is not calculated for year 2007 as the Group does not have any financial instruments which are convertible to potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 35. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Purchase of property, plant and equipment	<b>962,688</b>	349,218	<b>263,806</b>	327,148
Financed by hire purchase arrangement	<b>(200,000)</b>	(231,791)	<b>(200,000)</b>	(231,791)
Cash payments on purchase of property, plant and equipment	<b>762,688</b>	117,427	<b>63,806</b>	95,357

### 36. CONTINGENT LIABILITIES

As at 31st December 2008, the Group and the Company are contingently liable for the following:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Secured</b>				
Bank guarantees and performance bonds issued in favour of various third parties	<b>3,654,754</b>	323,854	<b>3,318,000</b>	20,000
<b>Unsecured</b>				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries to the extent of RM47,520,498/- (2007: RM32,281,194/-)	–	–	<b>26,386,649</b>	32,281,194
Corporate guarantees given to corporations for credit facilities utilised by subsidiary to the extent of RM9,158,283/- (2007: RM9,537,137/-)	–	–	<b>240,988</b>	204,180
	<b>3,654,754</b>	323,854	<b>29,945,637</b>	32,505,374

The bank guarantees and performance bonds of the Group and of the Company are secured over the deposits to third party of the Company and the fixed deposits of the subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Dividend income received/receivable from Farlim Jaya Sdn. Bhd.	–	–	<b>1,180,000</b>	–
Interest income received/receivable from				
• Holding company				
- Farlim Holding Sdn. Bhd.	<b>2,267,330</b>	1,225,283	<b>2,267,330</b>	1,225,283
• Subsidiary				
- Bandar Subang Sdn. Bhd.	–	–	<b>342,816</b>	442,199
Rental income received/receivable from:				
• Subsidiaries				
- Farlim Jaya Sdn. Bhd.	–	–	<b>3,600</b>	–
- Farlim Marketing Sdn. Bhd.	–	–	<b>12,000</b>	12,000
Disposal of motor vehicles to directors and key management ##	<b>1</b>	146,753	<b>1</b>	113,002
Key management personnel				
- short-term employee benefits	<b>2,670,463</b>	2,767,103	<b>1,887,169</b>	1,959,642
- Post-employment benefits:				
- defined contribution plan	<b>127,044</b>	119,436	<b>106,260</b>	99,504
- provision for directors' retirement benefits #	<b>321,250</b>	321,250	<b>295,000</b>	295,000

Included in the total key management personnel are:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors' fees*	<b>84,000</b>	84,000	<b>84,000</b>	84,000
Directors' salaries, bonuses and allowances**	<b>1,532,186</b>	1,661,818	<b>921,580</b>	1,019,844

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

- \* Paid to Dato' Zainol Abidin Bin Dato' Haji Salleh, Ahmad Kamarudin Bin Ismail and Koay Seng Leong and Datuk Dr. Chew Han Ching  
(2007: Paid to Dato' Zainol Abidin Bin Dato' Haji Salleh, Lam Chin Loong, Ahmad Kamarudin Bin Ismail and Koay Seng Leong).
- \*\* Paid/payable to Tan Sri Dato' Seri Lim Gait Tong, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Puan Sri Datin Seri Chin Chew Lin, Ng Bock Tye and Lim Yat Koi @ Lim Yoke Kwai.  
(2007: Paid/payable to Tan Sri Dato' Seri Lim Gait Tong, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Puan Sri Datin Seri Chin Chew Lin, Ng Bock Tye and Lim Yat Koi @ Lim Yoke Kwai).
- # Tan Sri Dato' Seri Lim Gait Tong, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Puan Sri Datin Seri Chin Chew Lin, Ng Bock Tye, and Lim Yat Koi @ Lim Yoke Kwai.  
(2007: Tan Sri Dato' Seri Lim Gait Tong, Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther, Puan Sri Datin Seri Chin Chew Lin, Ng Bock Tye, and Lim Yat Koi @ Lim Yoke Kwai).
- ## Tan Sri Dato' Seri Lim Gait Tong.  
(2007: Puan Sri Datin Seri Chin Chew Lin, Ng Bock Tye, Lim Yat Koi @ Lim Yoke Kwai, Ng Hong Kiat @ Ng Han Kiat, Ooi Poh Tin, Tan Keng Hock, Lim Cheng Kee and Lim Chuan Boon).

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and the terms are no less favourable than those arranged with third parties.

The Directors of the Group and the Company and other member of key management have been granted the following number of Options under the Employees' Share Options Scheme ("ESOS").

	Group		Company	
	2008	2007	2008	2007
At 1st January				
Granted	<b>4,540,000</b>	3,632,000	<b>4,165,000</b>	3,332,000
Entitlement	–	908,000	–	833,000
At 31st December	<b>4,540,000</b>	4,540,000	<b>4,165,000</b>	4,165,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

### 38. SEGMENTAL ANALYSIS

The Group's operating businesses are classified according to the nature of activities as follows:

- Property : Comprise mainly property related activities.  
Plantation : Comprise mainly cultivation of oil palm.  
Trading : Comprise mainly trading of building materials.  
Investment : Comprise mainly investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 38. SEGMENTAL ANALYSIS (cont'd)

Primary Reporting - Business Segments

	Property RM	Trading RM	Investment RM	Eliminations RM	Total RM
<b>31st December 2008</b>					
<b>Revenue</b>					
Sales to external customers	53,897,059	6,848,858	–	–	60,745,917
Inter-segment sales					
Total revenue	53,897,059	6,848,858	–	–	60,745,917
<b>Results</b>					
Segment results	1,503,736	191,104	(2,326)	–	1,692,514
Other income					2,375,672
Finance costs (net)					1,017,453
Investing activities					(3,065)
Profit before taxation					5,082,574
Taxation					(1,120,573)
Profit after taxation					3,962,001
<b>OTHER INFORMATION</b>					
Segment assets	188,346,509	2,043,541	6,784	–	190,396,834
Unallocated assets					34,859
Total assets					190,431,693
Segment liabilities	81,146,366	2,137,702	30,335	–	83,314,403
Unallocated liabilities					1,204,399
Total liabilities					84,518,802
Capital expenditure	960,938	1,750	–	–	962,688
Impairment loss on other investment	–	–	–	–	3,065
Depreciation and amortisation	221,465	14,055	–	–	235,520
Other significant non-cash expense					
Provisions	295,000	26,250	–	–	321,250

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 38. SEGMENTAL ANALYSIS (cont'd)

Primary Reporting - Business Segments

	Property RM	Plantation RM	Trading RM	Investment RM	Eliminations RM	Total RM
<b>31st December 2007</b>						
Revenue						
Sales to external customers	47,477,595	716,603	2,818,407	–	–	51,012,605
Inter-segment sales	–	–	–	–	–	–
Total revenue	47,477,595	716,603	2,818,407	–	–	51,012,605
<b>Results</b>						
Segment results	39,240	77,745	(161,553)	(3,082)	–	(47,650)
Other income						12,776,397
Finance costs (net)						(7,195,447)
Investing activities						254,057
Profit before taxation						5,787,357
Taxation						(21,279)
Profit after taxation						5,766,078
<b>OTHER INFORMATION</b>						
Segment assets	202,103,767	–	1,148,830	1,640,062	–	204,892,659
Unallocated assets						71,173
Total assets						204,963,832
Segment liabilities	119,570,645	–	1,968,160	47,052	–	121,585,857
Unallocated liabilities						734,051
Total liabilities						122,319,908
Capital expenditure	347,888	–	1,330	–	–	349,218
Impairment loss on investment property	–	–	259,079	–	–	259,079
Depreciation and amortisation	253,346	12,482	40,395	–	–	306,223
Other significant non-cash expense						
Provisions	295,000	–	26,250	–	–	321,250
Waiver of interest expense	9,234,049	–	–	–	–	9,234,049
Gain on disposal of subsidiaries	–	–	–	513,136	–	513,136

No geographical segment information is presented as the Group operates principally in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 39. SUBSIDIARIES

The Group's equity interest in each of the subsidiaries, country of incorporation and their respective principal activities are as follows:

Name of The Company	Country of Incorporation	Effective Group Equity		Principal Activities
		2008 %	2007 %	
<b>Direct Subsidiaries</b>				
Bandar Subang Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Kanchil Jaya Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Farlim Jaya Sdn. Bhd.	Malaysia	100	100	Property development
Farlim Marketing Sdn. Bhd.	Malaysia	51	51	Trading in building materials
Farlim Maju Sdn. Bhd. <i>(Formerly known as Farlim Suiwah Sdn. Bhd.)</i>	Malaysia	70	70	Dormant
Baka Suci Sdn. Bhd.	Malaysia	80	80	Dormant
Victory Ace Sdn. Bhd.	Malaysia	82	82	Not commenced business operation
Ria Bahagia Sdn. Bhd.	Malaysia	100	100	Not commenced business operation
<b>Indirect Subsidiaries</b>				
Kertih-Paka Country & Golf Resorts Sdn. Bhd.*	Malaysia	100	100	Not commenced business operation
Angkatan Wawasan Sdn. Bhd.*	Malaysia	100	100	Investment holding
Saga Realty & Development Sdn. Bhd.*	Malaysia	100	100	Property development
LJ Harta Sdn. Bhd.**	Malaysia	80	80	Property development
Kaplans Sdn. Bhd.**	Malaysia	100	100	Property development

\* Held indirectly through Bandar Subang Sdn. Bhd.

\*\* Held indirectly through Kanchil Jaya Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) As disclosed in Note 23 to the financial statement, the Proposed Debt Settlement Scheme of the Company was completed on 28 March 2008.

The following settlements have been made by the Company to its lenders:

- (i) RM7,242,570/- amount outstanding was settled via allotment and issuance of RM7,242,570/- nominal value of RCSLS at 100% of the nominal amount of RM1/- each to one of the Bilateral Lenders.
- (ii) RM20,326,100/- interest outstanding was settled via allotment and issuance of RM20,326,100/- nominal value of the ICULS at 100% of the nominal amount of RM1/- each to all Bilateral Lenders and Syndicated Lenders; and
- (iii) RM13,005,660/- of the amount owing to other Bilateral Lenders has been converted into term loans.

On 28 March 2008, one of the Bilateral Lenders issued a conversion notice to convert 1,000,000 nominal value of ICULS into 1,000,000 new ordinary shares of RM1/- each of the Company. The new ordinary shares of the Company were issued on 11th April 2008, listed and quoted on 16 April 2008.

The RCSLS and term loan had been redeemed and settled on 26 December 2008.

- (b) As disclosed in Note 17 to the financial statements, on 25th November 2008, the Company and its wholly owned subsidiary, Bandar Subang Sdn. Bhd. had separately entered into Sale and Purchase Agreements with Amanbay Sdn. Bhd. for the proposed disposals of three pieces of lands held for a total cash consideration of RM12,850,000/- which are as follows ("Proposed Disposal of Properties"):

- (i) Lot 428, Mukim 17, Tempat Tanjung Bungah, Daerah Timur Laut held under Grant Mukim No. GM55, measuring approximately 2.681 ha. for a cash consideration of RM5,200,000/-
- (ii) Lot 312, Section 2, Town of Batu Ferringhi, Daerah Timur Laut, Penang held under Grant Registration No. 46836, measuring approximately 7,944 square feet for a cash consideration of RM150,000/-; and
- (iii) Lot 427, Mukim 17, Tempat Tanjung Bungah, Daerah Timur Laut Penang held under Grant Mukim No. GM54, measuring approximately 3.895 ha. for a cash consideration of RM7,500,000/-.

The Proposed Disposal of Properties was completed on 19th February 2009 and the Group and the Company registered a loss on disposal of RM15,120/- and a profit of RM35,408/- respectively.

### 41. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management and Objectives

The Group seeks to manage effectively various risks namely credit, liquidity, foreign currency, market and interest rate risk, to which the Group is exposed to in its daily operations.

##### (i) Credit Risk

The management has a credit policy in place to monitor and minimise the exposure of default. Trade receivables are monitored on a regular and an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group other than unsecured advances made to holding company as mentioned in Note 10 to the financial statements. The maximum exposure to credit risk for the Group is represented by the carrying amount of the financial instrument.

##### (ii) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 41. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Financial Risk Management and Objectives (cont'd)

##### (iii) Market Risk

The principal exposure to market risk arises mainly from the changes in equity prices of quoted investments held by a subsidiary. The subsidiary manages to dispose of its investments to optimise returns on realisation.

##### (iv) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31 December 2008. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes.

The Group actively reviews its debt portfolio, taking into account the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate hikes.

##### Effective interest rates

As at 31st December 2008 Group	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	> 5 Years RM	Total RM
<b>Financial Assets</b>					
Amount owing by holding company	3.70	–	57,845,556	–	57,845,556
Cash held under Housing Development Account	1.50 - 2.00	3,693,991	–	–	3,693,991
Fixed deposits	3.10 - 3.70	90,755	–	–	90,755
<b>Financial Liabilities</b>					
Hire purchase payables	4.21 - 7.26	94,689	291,433	–	386,122
Long term borrowings	7.60 - 8.70	6,778,394	16,591,591	3,016,664	26,386,649
ICULS	2.00	341,746	431,181	–	772,927
<b>Company</b>					
<b>Financial Assets</b>					
Amount owing by holding company	3.70	–	57,842,726	–	57,842,726
Amount owing by subsidiaries	2.00 - 8.75	–	28,894,183	–	28,894,183
Cash held under Housing Development Account	1.50 - 2.00	2,739,664	–	–	2,739,664
<b>Financial Liabilities</b>					
Hire purchase payables	4.21 - 7.26	94,689	291,433	–	386,122
ICULS	2.00	341,746	431,181	–	772,927

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 41. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Financial Risk Management and Objectives (cont'd)

##### (iv) Interest Rate Risk (cont'd)

As at 31st December 2007	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	> 5 Years RM	Total RM
<b>Financial Assets</b>					
Amount owing by holding company	8.75	–	58,800,699	–	58,800,699
Cash held under Housing Development Account	1.50 - 2.00	3,019,154	–	–	3,019,154
Fixed deposits	3.10 - 3.70	70,904	–	–	70,904
<b>Financial Liabilities</b>					
Hire purchase payables	4.18 - 7.21	70,882	221,594	–	292,476
Long term borrowings	6.85 - 10.45	47,650,640	17,201,835	10,281,470	75,133,945
<b>Company</b>					
<b>Financial Assets</b>					
Amount owing by holding company	8.75	–	58,797,869	–	58,797,869
Amount owing by subsidiaries	8.75	–	13,770,050	–	13,770,050
Cash held under Housing Development Account	1.50 - 2.00	1,363,132	–	–	1,363,132
<b>Financial Liabilities</b>					
Hire purchase payables	4.18 - 7.21	55,216	194,799	–	250,015
Long-term borrowings	6.85 - 10.45	42,883,796	–	–	42,883,796

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 41. FINANCIAL INSTRUMENTS (cont'd)

#### (b) Fair Values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Long-term Borrowings Due Within One Year

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

#### (ii) Other Investments

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

There were no unrecognised financial instruments as at 31 December 2008.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 36 to the financial statements) are not recognised in the balance sheets as at 31 December 2008 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

### 42. MATERIAL LITIGATIONS

- (a) On 20 July 1998, Cygal Berhad ("Cygal") commenced the arbitration proceedings against Bandar Subang Sdn Bhd ("BSSB"), a wholly-owned subsidiary of the Company, for damages amounting to RM18,653,463/- with interest, in respect of an alleged breach by BSSB of a building contract dated 8 April 1998 for the construction of condominiums and clubhouse at Lot 14252 (PT9262), Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan, and a declaration that the demand by BSSB of the guarantee bonds given in relation to the Building Contracts is wrongful. BSSB had counterclaimed against Cygal for RM12,900,267/- with interest and such other cost and expenses, for the alleged wrongful termination of the Building Contracts by Cygal. The hearing of the arbitration had commenced on 16 May 2003. As at 31st December 2008, the case is still pending. The next hearing date is on 15 May 2009.
- (b) On 11 March 2005, the Kuala Lumpur High Court ruled in the Company's favour in respect of the Company's petition for winding-up of Esphere Enterprises Sdn. Bhd. ("EESB").

EESB is indebted to the Company for the sum of RM6,864,684 in respect of deposit refundable to the Company by EESB and compensation thereon pursuant to the terms of a Letter of Intent dated 3 May 2000, for the purchase of the entire 100% equity interest in Mahawira Sdn. Bhd. which was subsequently aborted.

On 23 September 2005, the Kuala Lumpur High Court gave an order to compel the directors of EESB to deliver the books and the records together with the statement of affairs. On 23 November 2006, EESB had been ordered to transfer the shares in Mahawira Sdn Bhd back to EESB before the sealed copy of the court order has been extracted. EESB had filed and served an application on the liquidators to stay the execution order pending EESB's appeal to the Court of Appeal.

On 2 October 2007, the Court of Appeal has granted an interim stay of execution of the High Court Order dated 23 November 2006 pending the hearing and disposal of the appeal by the defendants against the said order.

Since the Court of Appeal has granted the interim order for the stay of execution of the High Court Orders dated 23 November 2006, the ex-parte application for contempt which was fixed for hearing on 3 October 2007 had been withdrawn with liberty to file afresh later.

On 24 June 2008, the High Court has fixed 16 October 2008 as the next case management date and all parties are required to file their documents before 16 October 2008. The case management date has been further postponed to 3 March 2009.

Notwithstanding that, the private liquidators' solicitors had on 10 December 2008 filed an application to Kuala Lumpur High Court to seek judgement in Default of Defence pursuant to Rule 56 of the Legal Profession (Practice and Etiquette) Rule 1978. The sealed copy of the application is still pending and will be served on the Defendants' solicitors upon extraction of the same.

The Court of Appeal has yet to fix the date of hearing of the appeal.

## STATEMENT BY DIRECTORS

We, **TAN SRI DATO' SERI LIM GAIT TONG** and **DATO' HAJI MOHD. IQBAL BIN KUPPA PITCHAI RAWTHER**, being two of the directors of FARLIM GROUP (MALAYSIA) BHD., do hereby state that in the opinion of the directors, the financial statements set out on pages 46 to 99 are properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board,

TAN SRI DATO' SERI LIM GAIT TONG  
Director

DATO' HAJI MOHD. IQBAL BIN  
KUPPA PITCHAI RAWTHER  
Director

Kuala Lumpur

Date: 21 April 2009

## STATUTORY DECLARATION

I, **TAN SRI DATO' SERI LIM GAIT TONG**, being the director primarily responsible for the financial management of FARLIM GROUP (MALAYSIA) BHD., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 46 to 99 are 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.

TAN SRI DATO' SERI LIM GAIT TONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 21 April 2009.

Before me,

Zulkifla Mohd Dahlim  
Commissioner for Oaths  
No. W 541

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (Incorporated in Malaysia)

## **Report on the financial statements**

We have audited the financial statements of Farlim Group (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2008 and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 99.

### *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 the Financial Reporting Standards and the provisions of the Companies Act, 1965 ("the Act") in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provision of the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

### *Emphasis of matters*

Without qualifying our opinion, we draw your attention to Note 10 to the financial statements which states that the full repayment date of the amount owing by FHSB has been extended to 31 December 2011 vide the New Repayment Proposal submitted by FHSB on 15 December 2008 and that the directors of the Company are of the opinion that the amount owing by the holding company will be recovered in due course and no allowance for doubtful debts is required to be incorporated in the current year's financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (Incorporated in Malaysia) (cont'd)

### Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the 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 consolidation financial statements and we have received satisfactory information and explanations required by us for those purposes; and
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

### Other matters

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

Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

M.J Monteiro  
No. 828/05/10 (J/PH)  
Partner

Kuala Lumpur

Date: 21 April 2009

## STATISTICS OF SHAREHOLDINGS

AS AT 20 APRIL 2009

### Share Capital

Authorised	:	RM500,000,000.00
Issued and Fully Paid-up	:	RM121,000,000.00

### 1. SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct No. of Shares	%	Indirect No. of Shares	%
Farlim Holding Sdn. Bhd.	60,571,234	50.06	–	–

### 2. DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in shares in the Company, holding company and subsidiary companies are as follows :

	Ordinary Shares	
	Number	%
The Company		
<b>Farlim Group (Malaysia) Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	10,000	0.01
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	2,257,000	1.87
Ng Bock Tye	10,000	0.01
Puan Sri Datin Seri Chin Chew Lin	10,000	0.01
Lim Yat Koi @ Lim Yoke Kwai	10,000	0.01
Koay Seng Leong	4,000	0.00
Dato' Zainol Abidin Bin Dato' Haji Salleh	29,667	0.02
The holding company		
<b>Farlim Holding Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	45,773	68.83
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	15,355	23.09
Ng Bock Tye	2,303	3.46
Lim Yat Koi @ Lim Yoke Kwai	3,071	4.62
The subsidiary companies		
<b>Baka Suci Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	1	0.002
Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther	1	0.002
<b>Victory Ace Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	1	0.01
	1	0.01
<b>Farlim Marketing Sdn. Bhd.</b>		
Lim Yat Koi @ Lim Yoke Kwai	50,000	10.00

Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther is, by virtue of his interest in a corporate shareholder, deemed interested in 168,750 (33.75%) shares in a subsidiary company, Farlim Marketing Sdn. Bhd.

By virtue of their interests in shares in the holding company as substantial shareholders, Tan Sri Dato' Seri Lim Gait Tong and Dato' Haji Mohd. Iqbal Bin Kuppa Pitchai Rawther are also deemed interested in shares in the Company to the extent the holding company has an interest.

Other than as stated above, none of the Directors had any interest in shares in the Company and its related corporations.

## STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 20 APRIL 2009

### 3. NUMBER AND CLASS OF SHAREHOLDERS

Class of Shares	No. of Shareholders	Voting Rights
Ordinary Shares of RM1.00 each	7,125	One vote for each Ordinary Share

### 4. DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Size of Holdings	Shareholders		Holdings	
	Number	%	Number	%
Less than 100	5	0.07	50	0.00
100 to 1,000	2,471	34.68	2,446,800	2.02
1,001 to 10,000	3,962	55.61	16,602,183	13.72
10,001 to 100,000	621	8.71	16,238,633	13.42
100,001 to 6,049,999	64	0.90	61,732,100	51.02
6,050,000 and above	2	0.03	23,980,234	19.82

### 5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES

No.	Names of Shareholders	Shareholdings	
		Number	%
1.	Farlim Holding Sdn Bhd	16,413,234	13.56
2.	A.A. Anthony Securities Sdn. Bhd. IVT (CI001)	7,567,000	6.25
3.	OSK Nominees (Asing) Sdn Bhd <i>Exempt An (BP) for OSK Securities Hong Kong Limited A/C Clients (Retail)</i>	5,448,000	4.50
4.	Lim Su Tong @ Lim Chee Tong	4,000,000	3.31
5.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Teong Beng</i>	3,830,000	3.17
6.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Chung Swee Hock</i>	3,753,000	3.10
7.	PM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim (D)</i>	3,635,000	3.00
8.	PM Nominees (Asing) Sdn. Bhd. <i>Morning Star Securities Limited for Prime Treasure Limited</i>	3,627,600	3.00
9.	PM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Teh Kean Sai (D)</i>	2,565,100	2.12
10.	AIBB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Teh Kean Sai (MO)</i>	2,537,900	2.10
11.	AIBB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim (MO)</i>	2,363,500	1.95
12.	Tasec Nominees (Tempatan) Sdn. Bhd. Danaharta Managers Sdn. Bhd. for Farlim Holding Sdn. Bhd.	2,335,000	1.93
13.	IOI Corporation Berhad	2,000,000	1.65
14.	Ong Ee Nah	2,000,000	1.65

## STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 20 APRIL 2009

### 5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES (cont'd)

15.	PM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Yeoh Mei Ing (D)</i>	1,772,600	1.46
16.	AmBank (M) Berhad <i>Pledged Securities Account for Yam Shih Min (Smart)</i>	1,375,000	1.14
17.	AmBank (M) Berhad <i>Pledged Securities Account for Neoh Chong Poh (Smart)</i>	1,373,000	1.13
18.	AmBank (M) Berhad <i>Pledged Securities Account for Kung Aik @ Kung Seak Kiang (Smart)</i>	1,323,000	1.09
19.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ng Wai Chia</i>	1,293,000	1.07
20.	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mohd. Iqbal Bin Kuppa Pitchai Rawther (Lee Liak Chin)</i>	1,247,000	1.03
21.	TA Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Yem Soon</i>	1,150,000	0.95
22.	AmBank (M) Berhad <i>Pledged Securities Account for Chew Hock Pheng (Smart)</i>	1,134,000	0.94
23.	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Farlim Holding Sdn. Bhd. (01423545672A)</i>	1,091,000	0.90
24.	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mohd. Iqbal Bin Kuppa Pitchai Rawther (Chin Min Fooi)</i>	1,000,000	0.83
25.	AmSec Nominees (Tempatan) Sdn. Bhd. AmBank (M) Berhad (AD1174)	1,000,000	0.83
26.	HSBC Nominees (Asing) Sdn. Bhd. HPBS SG for Select Management Ltd.	1,000,000	0.83
27.	Yee Lee Organisation Bhd.	1,000,000	0.83
28.	Lee Hong Choon & Sons Sdn. Bhd.	580,100	0.48
29.	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Neoh Soon Kee</i>	535,800	0.44
30.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Lim Chuan Boon (MM0751)	462,400	0.38

## LIST OF PROPERTIES

AS AT 31 DECEMBER 2008

Location	Tenure	Description Of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Expiry Date (Year)	Land Area (Acres/sf)	Net Book Value As At 31-12-08 (RM)
<b>Penang</b>						
Lot 7705-7710, 7732-7737 Mukim 13, North East District Penang (12 Lots)	Leasehold	Vacant Land/ (Future Development Area 7)	1998 (Last Revaluation)	2082	2.0 acres	4,218,301
Lot 7745 Mukim 13, North East District Penang	Leasehold	(On Going Development Area 9D)	1991	2082	1.13 acres	315,831
Lot No. 7749 Mukim 13, North East District Penang	Leasehold	(On Going Development)	1991	2082	0.04 acres	36,545
Lot 13 Mukim 13, North East District Penang	Freehold	Vacant Land/ (Future Development)	1992	–	8.29 acres	264,940
Lot 312, Section 2 Town of Batu Ferringgi Mukim 17, North East District Penang	Freehold	Vacant Land/ (Asset held for sale)**	1997	–	0.18 acres	142,087
Lot 428 Mukim 17 Tempat Tanjung Bungah North East District, Penang	Leasehold	Vacant Land/ (Asset held for sale)**	1997	2878	6.62 acres	5,112,328
Lot 427 Mukim 17 Tempat Tanjung Bungah North East District, Penang	Leasehold	Vacant Land/ (Asset held for sale)**	1997	2878	9.62 acres	7,497,613
No 1, 3, & 5 Lintang Angsana Bandar Baru Ayer Itam Penang	Leasehold	3/S Shophouse (Office Building) Age of building: 17 years	2003 (Last revaluation)	2082	10,732 sf	1,097,531
<b>Prai</b>						
No 22 Jalan Perai Utama 1 Taman Perai Utama 13600 Perai, Penang	Freehold	3/S Shophouse Age of building: 9 years	2000	–	3,689 sf	295,688
Sub-Total					28.22 Acres	18,980,864

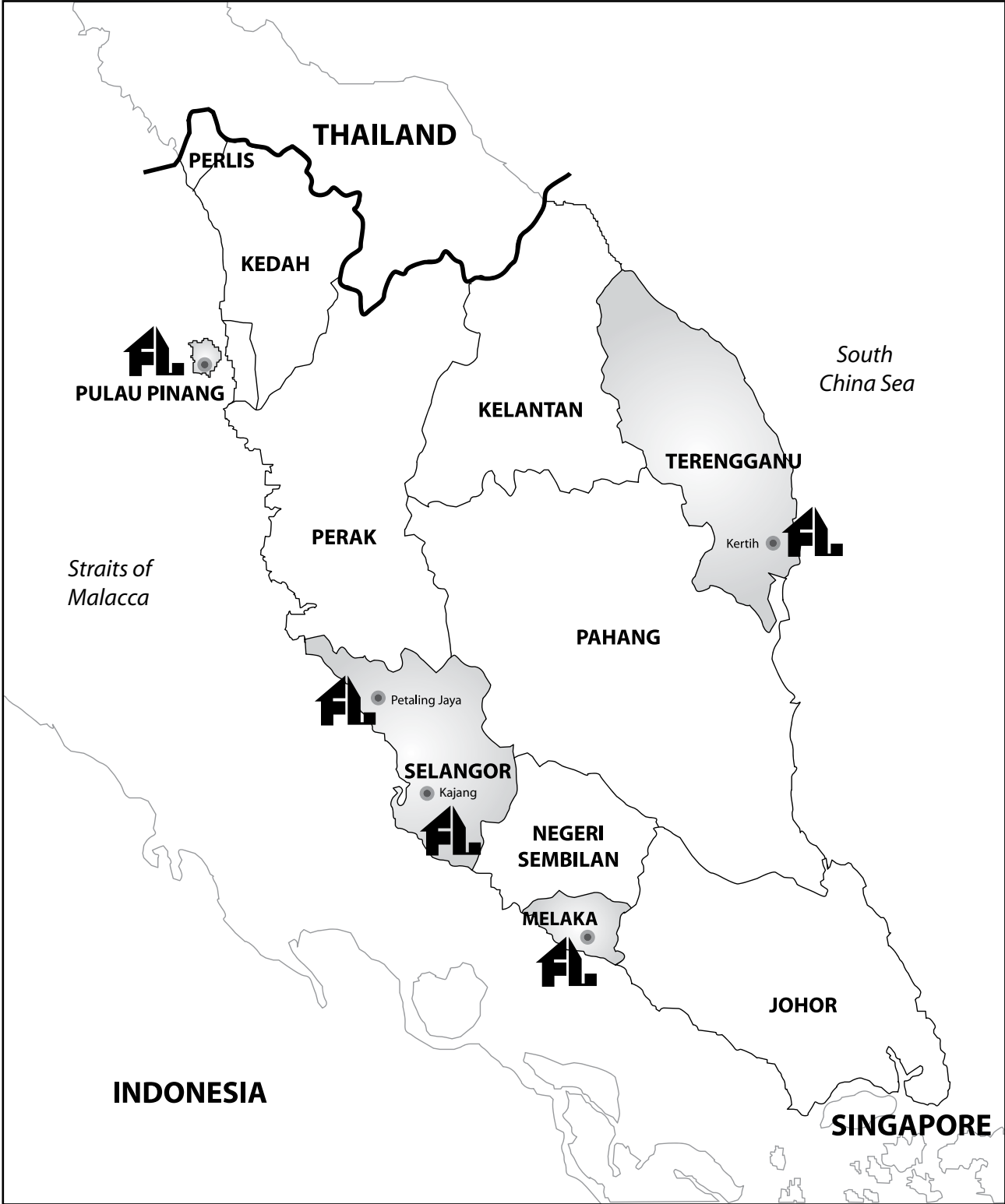
\*\* Note : The disposal of the assets had been completed on 19 February 2009.

## LIST OF PROPERTIES (cont'd)

AS AT 31 DECEMBER 2008

Location	Tenure	Description Of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Expiry Date (Year)	Land Area (Acres/sf)	Net Book Value As At 31-12-08 (RM)
<b>Selangor</b>						
No 2, 4, & 6 Jalan PJS 10/32, Bandar Sri Subang Petaling Jaya, Selangor	Leasehold	3/S Shopoffice (Office Building) Age of building: 15 years	1989	2093	15,864 sf	420,214
No 8, Jalan PJS 10/32 Bandar Sri Subang Petaling Jaya, Selangor	Leasehold	3/S Shopoffice (Office Building) Age of building: 15 years	1995	2093	4,950 sf	223,578
Mukim Kajang Daerah Ulu Langat Selangor Darul Ehsan	Freehold	(On Going & Future Development)	2006	–	31.68 acres	27,323,019
<b>Terengganu</b>						
Mukim of Kertih Kemaman Terengganu	Freehold	Vacant Land/ (Future Development)	1994	–	208 acres	1,604,301
<b>Melaka</b>						
PT No 100-143, HS (D) 28440-28483 Mukim Semabok, Daerah Melaka Tengah, Melaka	Leasehold	(Future Development)	1997	2092	2.41 acres	179,480
GM452-3, 625 & 524 Lot 4030-1, 4203 & 4102 Mukim Kelamak Alor Gajah Melaka	Freehold	Vacant Land/ (On Going & Future Development)	1997	–	0.70 acres	325,530
PN No 2047/M1/2/2 No Petak 2, Tingkat 2 Bangunan M1 Lot No. 331, 573A Bandar Melaka Daerah Melaka Tengah Melaka	Leasehold	Office Lot Age of building: 18 years	1990	–	1,291 sf	63,504
					271.52 acres	49,120,490

LOCATION MAP





FORM OF PROXY



I/We, \_\_\_\_\_ of \_\_\_\_\_  
 (Block Letters) (Full Address)

being a member/members of FARLIM GROUP (MALAYSIA) BHD. hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_

or failing him, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at Holiday Villa, Ivory 12, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 June 2009 at 10.00 a.m. or any adjournment thereof in the manner indicated below:

No.	Resolutions		For	Against
1.	Adoption of Financial Statements and Reports	(Resolution 1)		
2.	Approval of Directors' Fees	(Resolution 2)		
3.	Re-election of Directors:			
	3.1 in accordance with Article 104 :			
	a) Dato' Haji Mohd Iqbal Bin Kuppa Pitchai Rawther	(Resolution 3)		
	b) Encik Ahmad Kamarudin bin Ismail	(Resolution 4)		
	3.2 in accordance with Article 87 :			
	Datuk Dr. Chew Han Ching	(Resolution 5)		
4.	Re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965 :			
	a) Mr. Koay Seng Leong	(Resolution 6)		
	b) Dato' Zainol Abidin Bin Dato' Haji Salleh	(Resolution 7)		
	c) Mr. Lim Yat Koi @ Lim Yoke Kwai	(Resolution 8)		
5.	Re-appointment of Auditors, Baker Tilly Monteiro Heng	(Resolution 9)		
6.	Approval for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	(Resolution 10)		

Please indicate with an "X" in the appropriate box against the resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.

Number of Shares	
------------------	--

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Signature

**Notes:**

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. If the member is a corporation, this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing. To be valid, this form must be completed, signed and deposited at the Registered Office of the Company situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32 Bandar Sri Subang, 46000 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

*Please fold across the lines and close*



The Company Secretary  
**FARLIM GROUP (MALAYSIA) BHD (82275-A)**  
No. 2-8, Bangunan Farlim  
Jalan PJS 10/32  
Bandar Sri Subang  
46000 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

*Please fold across the lines and close*

Penang Office:  
1 Lintang Angsana  
Bandar Baru Ayer Itam  
11500 Penang  
Malaysia  
Tel: (60) 4-829 8899  
Fax: (60) 4-829 8811

Petaling Jaya Office:  
2-8, Bangunan Farlim  
Jalan PJS 10/32, Bandar Sri Subang  
46000 Petaling Jaya, Selangor Darul Ehsan  
Malaysia  
Tel: (60) 3-5635 5533  
Fax: (60) 3-5635 0301

<http://www.farlim.com.my>

