

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2009

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

A Basis of Preparation

The consolidated financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

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

(a) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretation that are mandatory for the Group's financial periods beginning on or after 1 January 2010, but which the Group has not early adopted, are as follows:

- Revised FRS 3 – Business Combinations.
- FRS 7 – Financial Instruments: Disclosures.
- FRS 8 – Operating Segments.
- FRS 101 – Presentation of Financial Statements.
- Revised FRS 127 – Consolidated and Separate Financial Statements.
- FRS 139 – Financial Instruments: Recognition and Measurement.
- Amendments to FRS 139 – Reclassification of Financial Assets.
- Amendments to FRS 139 – Eligible Hedged Items.
- Amendments to IC Interpretation 9 and FRS 139 – Embedded Derivatives.
- Amendments to FRS 1 and FRS 127 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- Amendments to FRS 132 and FRS 101 – Puttable Financial Instruments and Obligations Arising on Liquidation.
- IC Interpretation 9 – Reassessment of Embedded Derivatives.
- IC Interpretation 10 – Interim Financial Reporting and Impairment.
- IC Interpretation 13 – Customer Loyalty Programmes.

(b) Standards, amendments to published standards and interpretation to existing standards that are not yet effective and not relevant for the Group's operations

- FRS 4 – Insurance Contracts.
- FRS 123 – Borrowing Costs.
- Amendments to FRS 2 – Share-based Payments: Vesting Conditions and Cancellations.
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions.
- IC Interpretation 12 – Service Concession Arrangements.
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IC Interpretation 15 – Agreements for Construction of Real Estate.
- IC Interpretation 16 – Hedges of a Net Investment in a Foreign Operation.
- IC Interpretation 17 – Distributions of Non-cash Assets to Owners.

B Basis of Consolidation

The consolidated financial statements made up to 31 December include the audited financial statements of the Company and all its subsidiary companies.

Subsidiary companies are consolidated from the date of acquisition up to the date of disposal using the acquisition method of accounting. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

C Subsidiary Companies

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiary companies are stated in the financial statements of the Company at cost less allowance for any accumulated impairment losses. Impairment in value of an investment is recognised as an expense in the period in which the impairment is identified.

A listing of the Group's subsidiary companies is set out in Note 27.

D Associated Companies

Associates are all entities over which the Group has significant influence, but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recorded at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Significant unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments have been made where necessary to ensure consistency with the policies adopted by the Group.

The details of the Group's associated company are shown in Note 27.

E Investments

Unquoted investments are stated at cost and provision for diminution in value is only made where in the opinion of the directors, there is a reduction in carrying amount which is other than a temporary decline.

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

F Property, Plant and Equipment

Freehold land is stated at valuation. Freehold buildings and the building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation and impairment losses where applicable. Independent valuations are performed every three years on an open market basis, and in the case of building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years, the directors review the carrying values and adjustment is made where there has been a material change. Any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Revaluation surpluses and deficits are dealt in asset revaluation reserves, except for movements on individual properties below depreciated cost which are dealt with in the income statement. All other assets are stated at historical cost less depreciation and impairment losses.

Freehold land is not depreciated. Buildings are depreciated using the straight line method over their estimated useful economic lives or the estimated remaining period of the lease, whichever is shorter. All other property, plant and equipment are depreciated on a straight line basis to write-off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Buildings	3 ¹ / ₃ % – 20%
Plant and machinery	14% – 33%
Motor vehicles, equipment and fixtures	10% – 33%

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2009

F Property, Plant and Equipment (continued)

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the income statement in determining profit from operations. The revaluation surplus on land and buildings is transferred directly to retained earnings on sale of the property.

G Leasehold Land Use Rights

Leasehold land use rights are payments to acquire long term interests in owner-occupied property. Leasehold land use rights acquired by way of a business combination are measured at their fair values at the acquisition date. For subsequent measurement, leasehold land use rights are amortised over the useful life of the lease which includes the renewal period if the lease can be renewed without significant cost. The estimated useful lives range from 61 to 91 years.

H Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

I Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Impairment loss on goodwill is not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

J Operating Leases

Accounting by lessee

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

K Inventories

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

Cost is generally determined using the first in, first out method except for spare parts, where cost is determined on the weighted average method. Work-in-progress and cost of locally assembled vehicles include direct materials, labour and an appropriate proportion of production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Allowances are made where necessary for obsolete, slow-moving and defective stocks.

L Trade Receivables

Trade receivables are carried at invoice amount less allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

Bad debts are written off when it is established that they are irrecoverable.

M Income Taxes

Current tax expense is provided based on the tax payable on the income for the financial year that is chargeable to tax.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revenue received in advance, impairment of assets, revaluations of certain non-current assets, provisions for pensions and other post-retirement benefits, and tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, carry-forward of unused tax losses and tax credits but only to the extent that it is probable that taxable profit will be available against which these temporary differences, losses or tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

N Foreign Currencies

(1) Functional and presentation currency

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

(2) Transactions and balances

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies have been converted at rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

O Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales and service taxes, excise duties, and is stated net of discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity.

Interest income and return on investment are recognised in the income statement on a time-proportion basis unless collection is in doubt.

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

P Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Q Share Capital

(1) Classification

Ordinary shares are classified as equity.

(2) Dividends

Interim dividends are accounted for in shareholders' equity as an appropriation of retained earnings in the period in which they are declared whilst final dividends are accounted for when approved by shareholders at the Annual General Meeting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ended 31 December 2009

R Employee Benefits

(1) Short term employee benefits

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

(2) Defined contribution plan

The Group's contributions to the Employees' Provident Fund, a defined contribution plan regulated and managed by the government, are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(3) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

S Financial Instruments

(1) Description

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

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

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

(2) Financial instruments recognised on the balance sheet

Financial instruments carried on the balance sheet include cash and bank balances, receivables, investments, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(3) Financial instruments not recognised on the balance sheet

The Group is also a party to financial instruments that reduce exposure to fluctuations in foreign currency exchange. These instruments, which mainly comprise foreign currency forward contracts, are not recognised in the financial statements on inception.

The Group entered into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the foreign currency forward contract. The gains and losses are therefore offset for financial reporting purposes and are not recognised in the financial statements.

(4) Fair value estimation for disclosure purposes

The fair value of publicly traded investments is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted value of future cash flows are used to determine fair value for investment in unquoted shares.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values. The fair values of financial assets and liabilities with a maturity period of more than one year are disclosed in the notes to the financial statement.

T Segment Reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

U Provisions

Provisions for service and warranty, retrenchment benefit and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

V Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless they are due at least 12 months after the balance sheet date.