1 GENERAL INFORMATION

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

Registered office:
Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Principal place of business:
59-2, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

The principal activities of the Company are investment holding and the provision of management services to subsidiaries.

The principal activities of the Group consist of Specialised Pipe Coating and Corrosion Protection Services; EPC, Fabrication and Rental of Gas Compressors and Process Equipment; E&P Products and Services; Infrastructure and Building Materials; and Agro Based Engineering.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The preparation of financial statements in conformity with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies

The significant accounting policies adopted are consistent with those of the previous financial year except for the following changes in accounting policies due to changes in Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities:

(a) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards effective for the Company's financial year beginning on or after 1 January 2009 and applicable to the Group.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted are as follows:

- FRS 3 "Business Combinations" (revised) (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed off. The Group will apply this standard from financial periods beginning 1 January 2011.

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The expected number of reportable segments and the manner in which the segments are reported will be consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segments will require a reallocation of goodwill to the newly identified operating segments. The reallocation is expected not to result in any additional impairment of goodwill. The Group will apply this standard from financial periods beginning on 1 January 2010.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group will apply amendments to FRS 7 from financial periods beginning 1 January 2011.

- FRS 127 "Consolidated and separate financial statements" (revised) (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply this standard from financial periods beginning 1 January 2011.

- IC Interpretation 17 "Distribution of non-cash assets to owners (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IC Interpretation 17 from financial periods beginning 1 January 2011.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted are as follows: (continued)

The following standards, amendments to published standards and interpretation to existing standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards from financial periods beginning on 1 January 2010.

- FRS 101 “Presentation of financial statements“ (revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as one performance statement.

- FRS 123 "Borrowing Costs" which replaces FRS 123_{2004}, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed.

- Amendment to FRS 132 "Financial instruments: Presentation" removes the transitional provision that exempted entities from applying the component part classification for a compound instrument issued before 1 January 2003. Upon adoption of FRS 139, entities are required to classify the compound financial instrument into its liability and equity elements. The Group will apply this standard from financial periods beginning on 1 January 2010.

- Amendments to FRS 132, “Financial instruments: Presentation”, and FRS 101 (revised), “Presentation of financial statements” – ‘Puttable financial instruments and obligations arising on liquidation’. The amended standards require entities to classify puttable financial instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

- FRS 139 “Financial Instruments: Recognition and Measurement” establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendments provide guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

- FRS 7 “Financial instruments: Disclosures” provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted are as follows: (continued)

The following standards, amendments to published standards and interpretation to existing standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards from financial periods beginning on 1 January 2010: (continued)

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The adoption of FRS 123, FRS 127, amendments to FRS 132 and FRS 101 (revised), IC Interpretation 10 and IC Interpretation 17 above are not expected to have a material impact on the Group's and on the Company's financial statements.

The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and Company:

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvements to FRS 139 and IC Interpretation 9

- FRS 7 and Improvement to FRS 7

(c) The following amendments are part of the Malaysian Accounting Standards Boards ("MASB") improvement project:

(i) The improvement to standards which are applicable to the Group are as follows:

- FRS 5 "Non-current assets held for sale and discontinued operations"
  - Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations.
  - Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met.

- FRS 107 "Statement of cash flows" (effective from 1 January 2010) clarifies that only expenditure resulting in an asset being recognised can be categorised as a cash flow from investing activities.

- FRS 110 "Events after the balance sheet date" (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies (continued)

(c) The following amendments are part of the Malaysian Accounting Standards Boards ("MASB") improvement project: (continued)

(i) The improvement to standards which are applicable to the Group are as follows: (continued)

- FRS 116 "Property, plant & equipment" (consequential amendment to FRS 107 "Statement of cash flows") (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

- FRS 117 "Leases" (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease as an operating lease is no longer available. As a result, leases of land should be classified as either financing or operating, using the general principles of FRS 117.

- FRS 118 "Revenue" (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.

- FRS 123 "Borrowing costs" (effective from 1 January 2010) changes the definition of borrowing costs. The definition of borrowing costs will include interest expense calculated using the effective interest method defined in FRS 139.

- FRS 127 "Consolidated & separate financial statements" (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.

- FRS 128 "Investments in associates" (effective from 1 January 2010) clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

- FRS 128 "Investments in associates" and FRS 131 "Interests In joint ventures" (consequential amendments to FRS 132 "Financial Instruments: Presentation" and FRS 7 "Financial Instruments: Disclosure" (effective from 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.

- FRS 134 "Interim financial reporting" (effective from 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.

- FRS 136 "Impairment of assets" (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

- FRS 138 "Intangible assets" (effective from 1 January 2010) clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies (continued)

(c) The following amendments are part of the Malaysian Accounting Standards Boards ("MASB") improvement project: (continued)

(i) The improvement to standards which are applicable to the Group are as follows: (continued)

- FRS 140 "Investment property" (effective from 1 January 2010) requires assets under construction/development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised liability is added back in order to determine the carrying amount of the investment property under the fair value model.

The adoption of the improvement to the standards above will not have a material impact on the financial statements of the Group.

(ii) The improvement to standards which are not applicable to the Group are as follows:

- FRS 119 "Employee benefits" (effective from 1 January 2010) clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- FRS 120 "Accounting for government grants" (effective from 1 January 2010) clarifies that the benefit of a below-market rate government loan is accounted for in accordance with FRS 120.

- FRS 129 "Financial reporting in hyperinflationary economies" (effective from 1 January 2010) clarifies that a number of assets and liabilities are measured at fair value rather than historical cost.

(d) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group's and Company's operations

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective from 1 January 2010). This amendment allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from FRS 127 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

- Amendments to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (effective from 1 January 2010) clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similiar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The improvement to FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption and changes in accounting policies (continued)

(d) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group’s and Company’s operations (continued)

- FRS 4 “Insurance Contracts” (effective from 1 January 2010) allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test.

- The amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated

- IC Interpretation 11 “FRS 2 Group and Treasury Share Transactions” (effective from 1 January 2010) provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

- IC Interpretation 12 “Service concession arrangements” (effective from 1 July 2010) applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms. This interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (licence) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

- IC Interpretation 13 "Customer Loyalty Programmes" (effective from 1 January 2010) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the revenue in respect of the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2010) provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

- IC Interpretation 15 “Agreements for construction of real estates” (effective from 1 July 2010) clarifies whether FRS 118 “Revenue” or FRS 111 “Construction contracts” should be applied to particular transactions. It is likely to result in FRS 118 being applied to a wider range of transactions.

- IC Interpretation 16 “Hedges of a net investment in a foreign operation” (effective from 1 July 2010) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held by any entity in the group. The requirements of FRS 121 “The effects of changes in foreign exchange rates” do apply to the hedged item.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

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

Investments in subsidiaries are stated at cost less accumulated impairment losses. Where an indication of impairment exist, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.21 on impairment of assets.

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 fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill – See accounting policy 2.13 (c) on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

2.4 Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

2.5 Associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.21 on impairment of assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates (continued)

On disposal, the difference between the net disposal proceeds and the net carrying amount of the associate disposed of is taken to the income statement.

Investment in associates is accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investment in associates are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associates.

The Group's share of the net profits or losses and changes directly in the equity of the associates are recognised in the consolidated income statement and consolidated statement of changes in equity respectively.

An investment in an associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying value of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment in accordance with accounting policy 2.21 on impairment of assets.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Equity accounting is discontinued when the carrying amount of the investment in an associate diminishes by virtue of losses to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

For incremental interest in an associate, the date of acquisition is the purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of the previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

2.6 Jointly controlled entities

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

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entitles are accounted for in the consolidated financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in the income statement and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of investment and includes goodwill on acquisition (net of accumulated impairment loss).

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

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

Investments in jointly controlled entities are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.21 on impairment of assets.

On disposal, the difference between the net disposal proceeds and the carrying amount of the jointly controlled entity disposed of is taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

(a) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance cost are charged to the income statement during the financial year in which they are incurred.

At each balance sheet date, the Group and the Company assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying value of the asset is assessed and written down immediately to its recoverable amount. See accounting policy 2.21 on impairment of assets.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

(b) Depreciation

Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:

Buildings	2% - 10%
Plant, machinery, tools and equipment	4% - 50%
Electrical installations, office equipment and furniture and fittings	10% - 20%
Computer and software	10% - 33%
Renovation and store extension	2% - 50%
Motor vehicles	20% - 33%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

2.8 Accounting as Lessee

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.

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

Property, plant and equipment acquired under finance lease contracts is depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Accounting as Lessee (continued)

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. Payments made under operating leases are charged to the income statement over the lease period.

2.9 Other investments

Other investments are stated at cost. An allowance for diminution in value is made if the Directors are of the opinion that there is a decline in the value of such investments which is other than temporary. The diminution in value is charged to the income statement.

On disposal, the difference between the net disposal proceeds and the carrying amount of the investment disposed of is taken to the income statement.

2.10 Prepaid lease payments

Leasehold land that normally has a definite economic life and title is not expected to pass to the lessee by end of the lease term is treated as an operating lease. Prepaid lease rentals are carried at cost or surrogate carrying amount and are amortised on a straight line basis over the lease terms in accordance with the pattern of benefits provided.

Leasehold land is amortised over the remaining period of the respective leases ranging from 40 to 99 years.

2.11 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

(a) Measurement basis

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance cost are charged to the income statement during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(b) Depreciation

Freehold land is not depreciated.

Depreciation is calculated to write off the depreciable amount of other investment properties on a straight-line basis over their estimated useful lives. Depreciation amount is determined after deducting the residual value from the cost of the investment properties. The principal annual rates used for this purpose are:

Freehold buildings	2%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Non-current assets held for sale

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

On initial classification as held for sale, non-currents assets are measured at the lower of its carrying amount and fair value less costs to sell. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets (all the assets and liabilities of the disposal group) are measured in accordance with applicable FRSs.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell (if any). Subsequent increase in fair value less costs to sell is recognised as a gain in the income statement to the extent of the cumulative impairment loss that has been recognised previously.

2.13 Intangible assets

(a) Technical knowhow

The technical knowhow are amortised on a straight line basis over their estimated useful life not exceeding 10 years.

(b) Intellectual property

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over their estimated useful life, not exceeding a period of 20 years.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

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

Goodwill on acquisition of subsidiaries is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy 2.21 on impairment of assets.

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

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in, first out basis. In the case of finished goods and work-in-progress, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

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

2.15 Receivables

Receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and an allowance is made for any receivables considered to be doubtful of collection.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

2.17 Provision for warranties

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. The provision is calculated based on historical warranty data and weighting of all possible outcome against their associated probabilities.

2.18 Share capital

(a) Issue of shares

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs 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. Other shares are classified as equity and/or liability according to the economic substance of the particular instruments.

(b) Dividend to shareholders

Dividend to shareholders is recognised as a liability in the period in which they are declared.

(c) Purchase of own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

2.19 Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

2.20 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 straight line 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 the Group has an unconditional right to defer settlement of the liability for at least 12 months at the balance sheet date.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

2.21 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 value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is 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 and any subsequent increase in recoverable amount is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Foreign currencies

(a) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the dates of the transactions.

Monetary items denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the income statement for the year.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in income statement.

(c) Translation of foreign operations

On consolidation, all assets and liabilities of foreign operations that have a functional currency other than Ringgit Malaysia, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions.

Income and expense items are translated at exchange rates approximating those ruling on transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operations are recognised in the income statement as part of the gain or loss on disposal.

(d) Closing exchange rates

The principal closing rates used in translation are as follows:

	2009 **RM**	**2008** **RM**
One United States Dollar (“USD”)	3.43	3.48
One Euro (“EURO”)	4.92	4.92
One Singapore Dollar (“SGD”)	2.44	2.42

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and the Company and when they can be measured reliably, on the following bases:

(a) Construction contracts

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

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as amounts due from/(to) customers on construction contracts on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case such costs are recognised as an expense immediately.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

(b) Sale 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.

(c) Service income

Service income is recognised on an accrual basis when services have been rendered.

(d) Dividend income

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

(e) Rental income

Rental income is recognised on a time proportion basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(g) Management fee

Management fee is recognised on an accrual basis when service is rendered.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

(h) Hire of machinery and equipment

Income from hire of machinery and equipment is recognised on a time proportion basis over the term of hire.

(i) Commission income

Commission income is recognised on an accrual basis when service is rendered.

2.24 Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits after taking into consideration available tax incentives.

Deferred tax is recognised in full, 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. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax incentives are recognised as and when realized.

Deferred tax is measured at the tax rates that are expected to apply to 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 to 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.

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

2.25 Employee benefits

(a) Short term benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing and other staff related expenses are charged to the income statements as and when incurred.

(b) Post-employment benefits

The Group has post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These post-employment benefit schemes are defined contribution plans.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(b) Post-employment benefits (continued)

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

As required by law, the Company and its subsidiaries in Malaysia make contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan, whereas companies in other countries make their respective local contributions, if required by law.

Such contributions are recognised as an expense in the income statement in the financial year to which they relate.

(c) Share-based compensation

The Group operates an equity settled, share based compensation for its employees. The share option programme allows the Group employees to acquire shares of the Company. The fair values of share options granted to employees is recognised as employee expenses with a corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the options.

The fair value of employee share options is measured using the Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on the historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on the government bond). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The Group has taken advantage of the transitional provisions of FRS 2 "Share-based Payment" in respect of equity instruments granted after 31 December 2004 and not vested as at 1 January 2006, and not recognised any expense in respect of these instruments.

2.26 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those operating in other economic environments.

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

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

2.27 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and exclude fixed deposits pledged to secure banking facilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial instruments

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 instruments recognised in the balance sheets

The recognised financial instruments of the Group comprise cash and cash equivalents, receivables, payables, equity investments, borrowings, hire purchase liabilities and ICULS as well as ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed in relevant accounting policy notes. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

(b) Financial instruments not recognised in the balance sheets

The Group is a party to financial instruments that comprise foreign currency contracts and interest rate swap contracts. These instruments are not recognised in the financial statements on inception, but are disclosed in the relevant notes to the financial statements.

Interest rate swap contracts

The Group enters into interest rate swap contracts to protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowings are taken to the income statement.

Foreign currency forward contracts

The Group enters 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.

Exchange gains and losses on contracts are recognised in the income statement when settled at which time they are included in the measurement of the transaction hedged.

(c) Fair value estimation for disclosure purposes

The fair value of publicly traded securities 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. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques and bases, such as discounted value of future cash flows and the underlying net asset base of the instrument, are used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying values of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Contingent liabilities

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Deferred tax assets

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

(c) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with the accounting policy in 2.13(c), and whenever events or changes in circumstances indicate that the goodwill may be impaired. For the purposes of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Significant judgement is required in the estimation of the present value of future cash flows generated by the cash generating units or groups of cash-generating units, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's test for impairment of goodwill.

(d) Construction contracts

The Group recognizes contract revenue based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred-to-date to the estimated total contract costs for the contract. When it is probable that the estimated total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

Significant judgement is required in the estimation of total contract costs. Where the actual total contract costs is different from the estimated total contract costs, such difference will impact profits/(losses) recognised.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Plant, machinery, tools and equipment RM'000	Electrical installations, office equipment, furniture, fittings, computer & software, renovation, store extension & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2009								
Cost								
At 1 January		33,660	125,563	21,265	540,326	70,847	66,095	857,756
Disposal of a subsidiary	41(v)	-	(184)	-	(668)	(1,542)	-	(2,394)
Acquisition of a subsidiary	40 (i)	-	-	-	1,364	2,643	-	4,007
Additions		9,429	11,916	3,626	27,142	4,507	53,949	110,569
Disposals		(2,394)	-	(229)	(18,233)	(3,215)	-	(24,071)
Write-offs		-	-	-	(1,775)	(576)	-	(2,351)
Reclassification		7,115	-	(997)	92,289	(149)	(98,258)	-
Transfer from investment properties	6	-	150	-	-	-	-	150
Effect of exchange rate changes		(76)	(366)	70	(6,223)	(42)	1,896	(4,741)
At 31 December		47,734	137,079	23,735	634,222	72,473	23,682	938,925
Accumulated depreciation								
At 1 January		2,173	19,832	8,258	183,571	41,197	-	255,031
Disposal of a subsidiary	41(v)	-	(14)	-	(147)	(625)	-	(786)
Acquisition of a subsidiary	40 (i)	-	-	-	181	662	-	843
Charge for the year		584	2,910	4,824	39,799	8,914	-	57,031
Disposals		(376)	-	(62)	(7,724)	(2,395)	-	(10,557)
Write-offs		-	-	-	(1,065)	(534)	-	(1,599)
Reclassifications		-	-	(280)	326	(46)	-	-
Transfer from investment properties	6	-	24	-	-	-	-	24
Effect of exchange rate changes		53	(90)	(21)	(2,731)	(34)	-	(2,823)
At 31 December		2,434	22,662	12,719	212,210	47,139	-	297,164

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land and buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Plant, machinery, tools and equipment RM'000	Electrical installations, office equipment, furniture, fittings, computer & software, renovation, store extension & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2009								
Accumulated impairment loss								
At 1 January		-	-	-	21,838	84	11,562	33,484
Charge for the year		-	-	-	1,811	-	950	2,761
Disposals		-	-	-	(6,434)	-	-	(6,434)
Effect of exchange rate changes		-	-	-	(191)	-	105	(86)
At 31 December		-	-	-	17,024	84	12,617	29,725
Net book value at 31 December		45,300	114,417	11,016	404,988	25,250	11,065	612,036
Group								
2008								
Cost								
At 1 January		31,081	60,557	10,991	345,480	51,478	49,528	549,115
Disposal of subsidiary	41	-	-	-	(16,619)	(9,186)	-	(25,805)
Acquisition of subsidiaries	40	2,030	541	-	5,134	1,120	79,023	87,848
Additions		746	1,127	1,543	147,202	9,616	101,730	261,964
Disposals		-	-	(357)	-	(4,683)	-	(5,040)
Write-offs		-	(80)	(1,518)	(13,417)	(1,019)	(283)	(16,317)
Reclassification		-	63,909	13,201	61,944	22,676	(161,730)	-
Effect of exchange rate changes		(197)	(491)	(2,595)	10,602	845	(2,173)	5,991
At 31 December		33,660	125,563	21,265	540,326	70,847	66,095	857,756

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land and buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Plant, machinery, tools and equipment RM'000	Electrical installations, office equipment, furniture, fittings, computer & software, renovation, store extension & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2008								
Accumulated depreciation								
At 1 January		1,710	17,117	5,060	172,964	31,271	-	228,122
Disposal of subsidiary	41	-		-	(6,731)	(2,961)	-	(9,692)
Acquisition of subsidiaries	40	3	-	-	147	285	-	435
Charge for the year		470	4,078	2,344	24,566	8,856	-	40,314
Disposals		-	-	(54)	(58)	(3,633)	-	(3,745)
Write-offs		-	(80)	(809)	(5,181)	(856)	-	(6,926)
Reclassifications		-	(2,894)	3,687	(8,246)	7,453	-	-
Effect of exchange rate changes		(10)	1,611	(1,970)	6,110	782	-	6,523
At 31 December		2,173	19,832	8,258	183,571	41,197	-	255,031
Accumulated impairment loss								
At 1 January		-	-	-	5,201	-	-	5,201
Charge for the year		-	-	-	20,683	84	11,562	32,329
Disposals		-	-	-	(48)	-	-	(48)
Write-offs		-	-	-	(5,142)	-	-	(5,142)
Effect of exchange rate changes		-	-	-	1,144	-	-	1,144
At 31 December		-	-	-	21,838	84	11,562	33,484
Net book value at 31 December		31,487	105,731	13,007	334,917	29,566	54,533	569,241

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer and software RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Company				
2009				
Cost				
At 1 January	453	408	322	1,183
Additions	17	51	-	68
Disposal	-	-	(115)	(115)
Write-offs	-	(6)	-	(6)
At 31 December	470	453	207	1,130
Accumulated depreciation				
At 1 January	397	155	235	787
Charge for the financial year	41	72	18	131
Disposal	-	-	(46)	(46)
Write-offs	-	(2)	-	(2)
At 31 December	438	225	207	870
Net book value at 31 December	32	228	-	260
2008				
Cost				
At 1 January	437	400	322	1,159
Additions	27	24	-	51
Disposal	(6)	-	-	(6)
Write-offs	(5)	(16)	-	(21)
At 31 December	453	408	322	1,183
Accumulated depreciation				
At 1 January	358	100	170	628
Charge for the financial year	50	68	65	183
Disposal	(6)	-	-	(6)
Write-offs	(5)	(13)	-	(18)
At 31 December	397	155	235	787
Net book value at 31 December	56	253	87	396

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged to the financial institutions

Net book value of property, plant and equipment of the Group which have been pledged to financial institutions to secure loan facilities (Note 28) which have been granted to the Group are as follows:

	Group	
	2009 RM'000	2008 RM'000
Long term leasehold buildings	59,091	59,787
Plant, machinery, tools and equipment	66,074	68,383
	125,165	128,170

Assets under hire purchase

Included in the property, plant and equipment of the Group are motor vehicles with a total net book value of RM408,239 (2008: RM281,390) which are acquired under unexpired hire purchase arrangements.

Ownership

Included in property, plant and equipment of the Group as at year end is freehold land of RM630,973 (2008: RM Nil) for which the title have yet to be issued by the relevant authorities.

Impairment of property, plant and equipment

During the financial year, the Group has recognised an impairment loss of approximately RM2,761,000 (2008: RM32,245,000) in respect of plant and equipment and capital work-in-progress as the recoverable amounts are lower than the carrying amounts. The recoverable amounts are determined based on Directors' estimate of fair value less costs to sell.

Depreciation

During the financial year, depreciation charges included in the aggregate cost of contracts of the Group included within amount due from/(to) customers on contracts of the Group (Note 15) amounted to RM9,893,045 (2008: RM2,493,348).

5 PREPAID LEASE PAYMENTS

	Note	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Group				
2009				
Cost				
At 1 January		17,741	68,173	85,914
Additions		541	636	1,177
At 31 December		18,282	68,809	87,091
Accumulated amortisation				
At 1 January		2,825	2,273	5,098
Amortisation for the financial year		419	727	1,146
At 31 December		3,244	3,000	6,244
Net book value at 31 December		15,038	65,809	80,847
2008				
Cost				
At 1 January		17,741	33,965	51,706
Additions		-	21,566	21,566
Acquisition of subsidiaries	40(vii)	-	13,220	13,220
Effect of exchange rate changes		-	(578)	(578)
At 31 December		17,741	68,173	85,914
Accumulated amortisation				
At 1 January		2,414	1,597	4,011
Amortisation for the financial year		411	595	1,006
Effect of exchange rate changes		-	81	81
At 31 December		2,825	2,273	5,098
Net book value at 31 December		14,916	65,900	80,816

Ownership

The title deeds to certain leasehold land of the Group stated at a total net book value of RM64,696,625 (2008: RM64,776,000) have yet to be issued by the relevant authorities.

Assets pledged to the financial institutions

Prepaid lease payments with a total carrying value of RM34,135,239 (2008: 34,192,000) have been pledged to financial institution to secure loan facility (Note 28) granted to a subsidiary of the Group.

Amortisation

During the financial year, amortisation charges included in the aggregate cost of contracts of the Group included within amount due from/(to) customers on contracts of the Group (Note 15) amounted to RM363,000 (2008: RM94,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

6 INVESTMENT PROPERTIES

	Note	Group 2009 RM'000	Group 2008 RM'000
At 1 January		6,288	6,871
Disposals		(1,920)	(583)
Transfer to property, plant and equipment	4	(150)	-
At 31 December		4,218	6,288
Accumulated depreciation			
At 1 January		1,266	1,176
Charge for the financial year		170	111
Disposals		(207)	(21)
Transfer to property, plant and equipment	4	(24)	-
At 31 December		1,205	1,266
Accumulated impairment losses			
At 1 January		494	545
Charge for the financial year		-	5
Disposal		(304)	(56)
At 31 December		190	494
Net book value at 31 December		2,823	4,528
Fair value at 31 December		6,887	8,107

The fair value of the properties were estimated based on either valuation by independent professionally qualified valuers or estimates based on current prices in an active market for all properties except for certain properties where this information is not available. For these properties, the fair value was estimated by reference to open market value of properties in the vicinity.

On 19 November 2009, certain properties were valued by Colliers, Jordan and Lee & Jaafar, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison method of valuation.

7 INVESTMENT IN SUBSIDIARIES

	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares, at cost	487,790	487,880
Accumulated impairment losses	(87,986)	(78,182)
	399,804	409,698

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment				
	Wasco Energy Ltd	100	100	Bermuda	Investment holding
	WSC Capital (Labuan) Ltd	100	100	Federal Territory of Labuan, Malaysia	Investment holding
	Wasco Management Services Sdn Bhd	100	100	Malaysia	Provision of management support services
	Wasco Capital Pte. Limited	100	-	Singapore	Investment holding
#	Wasco (Australia) Pty Ltd	100	100	Australia	Dormant
#	WSIPL Australia Pty Ltd	100	100	Australia	Dormant
	Specialised Pipe Coating and Corrosion Protection Services				
#	Wasco Coatings Limited	100	100	Hong Kong, SAR	Investment holding
*	Wasco Coatings Denmark ApS	100	100	Denmark	Undertaking specialized pipe coating and related services
#	Wasco Coatings Singapore Pte Ltd	100	100	Singapore	Investment holding
*	Turn Key Pipeline Services BV	+	51	Netherlands	Provision of engineering design, construction, installation services and supply of equipment for pipe coating plant and facilities for the oil and gas industry
	Wasco Coatings Europe B.V.	100	100	Netherlands	Dormant
*	Wasco Coatings UK Ltd	100	100	England and Wales	Dormant
	Wasco Coatings International Ltd	100	100	British Virgin Islands	Dormant
^	PPSC Industrial Holdings Sdn Bhd	100	67	Malaysia	Investment holding
	PPSC Industries Sdn Bhd	78	53	Malaysia	Provision of pipe coating services
	PPSC Insulation System Sdn Bhd (formerly known as Kiara Harta Sdn Bhd)	78	53	Malaysia	Coating of pipes for the oil and gas industry

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
Subsidiaries in Oil and Gas segment (continued)				
Specialised Pipe Coating and Corrosion Protection Services (continued)				
# PPSC (HK) Limited	100	67	Hong Kong, SAR	General trading and marketing of coated pipes for oil and gas industry
PPSC (Thailand) Limited	100	67	Thailand	Dormant
PPSC (Malaysia) Sdn Bhd	100	67	Malaysia	Investment holding
PPSC Resources Sdn Bhd	100	67	Malaysia	Property holding
PPSC Property Sdn Bhd	100	77	Malaysia	Property holding
PPSC Capital (Labuan) Limited	100	67	Federal Territory of Labuan, Malaysia	Investment holding
Kanssen (Yadong) Pipe Coating Services Limited	81	55	British Virgin Islands	Investment holding and provision of pipe coating services
***Camark International Limited	-	55	British Virgin Islands	Provision of procurement services
***Good Glory Investments Limited	-	55	British Virgin Islands	Dormant
***Ao Jie International Limited	-	55	British Virgin Islands	Investment holdings
Kanssen (Yadong) International Pipe Coating Services Limited	81	55	British Virgin Islands	Provision of pipe coating services
***Asian Dragon Services Limited	-	55	British Virgin Islands	Provision of centralised cash/ banking management to related companies
***China Mine Investments Limited	-	55	British Virgin Islands	Investment holding
Yadong Anti-Corrosion (Int) Company Limited	81	55	British Virgin Islands	Investment holding
***Blue Water Overseas Corporation Inc	-	55	British Virgin Islands	Investment holding

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
Subsidiaries in Oil and Gas segment (continued)				
Specialised Pipe Coating and Corrosion Protection Services (continued)				
***Silver Fortune Investments Limited	-	55	British Virgin Islands	Investment holding
***Wise Forward Investments Limited	-	55	British Virgin Islands	Investment holding
***Equity Empire Investments Limited	-	55	British Virgin Islands	Investment holding
***Good Advance International Limited	-	55	British Virgin Islands	Investment holding
Jingzhou Kanssen Yadong Offshore Pipe Coating Engineering Company Limited	81	55	People's Republic of China	Provision of pipe coating services
P.T. Kanssen Indonesia	81	55	Indonesia	General trade and services
Shashi Kanssen (Yadong) Coating Services Company Limited	81	55	People's Republic of China	Provision of pipe coating services
Kanssen (Yadong) Coating Services (Jingzhou) Company Limited	81	55	People's Republic of China	Provision of pipe coating services
@ Sichuan Kanssen (Yadong) Coating Services Company Limited	-	55	People's Republic of China	Provision of pipe coating services
***Kanswin Limited	-	55	British Virgin Islands	Dormant
* PPSC China Limited	81	55	Hong Kong, SAR	Investment holding
* Deepwater Corrosion Services, Inc.	51	51	United States of America	Provision of corrosion control products and services to the offshore oil and gas industry
* Inter Resources, Inc	51	51	United States of America	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment (continued)				
	Specialised Pipe Coating and Corrosion Protection Services (continued)				
*	Deepwater EU Limited (formerly known as InterResources Europe Limited)	51	51	United Kingdom	Manufacturing and selling corrosion control products and services to the European market
	Asiana Emas Sdn Bhd	100	100	Malaysia	Investment holding
	Petro-Pipe (Sabah) Sdn Bhd	40	40	Malaysia	Manufacture and supply of spiral welded pipes for the oil and gas industry
	Material Performance Engineering Sdn Bhd	72	72	Malaysia	Manufacturing, supply and installation of sacrificial anodes, provision of cathodic protection services and equipment, corrosion protection services, special paint coating services and provision of technical training services
	MPE Lindung Sdn Bhd	61	61	Malaysia	Manufacturing, supply and installation of sacrificial anodes, provision of cathodic protection services and equipment, corrosion protection services and special paint coating services
*	PT MPE Deepwater	58	58	Indonesia	Manufacture of sacrificial aluminium and zinc anodes, cathodic protection retrofit systems, pipe support systems and the provision of such related products and services
*	Petro-Pipe Engineering Services Sdn Bhd	100	100	Malaysia	Provision of technical services

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment (continued)				
	Engineering, Procurement & Construction, Fabrication and Rental of Gas Compressors and Process Equipment				
#	Jutasama International Limited	100	100	Hong Kong, SAR	Trading and marketing of machineries, equipment and other related products for the oil and gas industry
	Wasco Engineering Group Limited	100	100	British Virgin Islands	Investment holding
	Wasco Engineering & Technology Inc	65	80	British Virgin Islands	Investment holding and provision of engineering works and services
#	Gas Services International Limited	100	100	British Virgin Islands	Leasing compressors and designing,engineering and fabrication of oil and gas processing and compression systems and equipment
*	PT Gas Services Indonesia	100	100	Indonesia	Consulting services, rental, repair and maintenance of natural gas industry equipment
#	Gas Services International (S) Pte Ltd	100	100	Singapore	Design, engineering and fabrication of oil and gas processing and compression systems and equipment
	Gas Services International (M) Sdn Bhd	70	-	Malaysia	Leasing of plant and equipment, parts sales and provision of operation and maintenance and other related services to the oil and gas industry
#	Gas Services International (Aust) Pty Limited	100	100	Australia	Servicing of gas compression plant and machinery and sales of general spare parts

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment (continued)				
	Engineering, Procurement & Construction, Fabrication and Rental of Gas Compressors and Process Equipment (continued)				
*	Mackenzie Hydrocarbons (Australia) Pty Ltd	100	100	Australia	Provision of engineering consultancy and fabrication services
	Excel Tradition Limited	100	100	British Virgin Islands	Dormant
#	Wasco Technologies Pte Ltd	70	70	Singapore	Engineering and fabrication of oil and gas system and equipment
#	PT Megaron Semesta	67	-	Indonesia	Provision of engineering, design, fabrication and construction services for oil and gas industries
#	Wasco Singapore Pte Ltd	100	100	Singapore	Leasing of plant and equipment, parts sales and provision of operation and maintenance and other related services to the oil and gas industry
	Jutasama Sdn Bhd	100	100	Malaysia	Contracting of industrial engineering projects
	Jutasama Jaya Sdn Bhd	60	60	Malaysia	Dormant
	Mackenzie Industries Sdn Bhd	60	60	Malaysia	Undertaking of steam boilers and energy system projects
	Peakvest Sdn Bhd	100	100	Malaysia	Dormant
*	Delco Papua New Guinea Ltd	100	100	Papua New Guinea	Dormant
**	Thistle Welding Services Pty Ltd	-	100	Australia	Dormant
#	WSM Oil & Gas Services Limited	80	80	Hong Kong, SAR	Investment holding and provision of management consultancy services including all kinds of products and services related to the infrastructure, oil and gas, water, power and energy related industries

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment (continued)				
	Exploration & Production Products and Services				
#	Wasco E&P Services Limited	100	100	Hong Kong SAR	Investment holding
	Total Oil Technologies Sdn Bhd	100	100	Malaysia	Investment holding and provision of management services
	Botco Sdn Bhd	65	65	Malaysia	Agent and representative for the supply of equipment and the provision of related technical services to the oil drilling and production industry
#	WSN Investments Limited	100	100	Hong Kong, SAR	Provision of engineering consultancy, product and related services to the oil and gas industry
*	LTT Oil & Gas Nigeria Limited	100	100	Nigeria	Provision of engineering consultancy, product and related services to the oil and gas industry
*	Driltools International FZCO	60	60	United Arab Emirates	Marketing and provision of oil field and water well supplies and services related to the oil and gas industry
*	Driltools Equipment Trading L.L.C.	60	60	United Arab Emirates	Trading of agricultural and workshop equipment, accessories and spare parts
*	Drilbits International Private Limited	60	60	India	Manufacturing and trading of oilfield tools and equipment
#	Wah Seong China Limited	80	80	Hong Kong, SAR	Investment holding, marketing and provision of all types of services related to the oil and gas industry
*	Ashburn International, Inc.	80	80	United States of America	International consulting and trading business

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	Subsidiaries in Oil and Gas segment (continued)				
	Exploration & Production Products and Services (continued)				
*	Ashburn International Trade (Tianjin) Co. Ltd.	52	52	People's Republic of China	International trade, processing and assembling, storage and bonded goods and development of high technological products and consultancy services
*	Ashburn Offshore Oil & Gas Equipment & Engineering Company Ltd	52	52	People's Republic of China	Design and manufacturing of products to the oil and gas industry
	Wasco China International Limited	80	-	British Virgin Islands	Dormant
	Subsidiaries in Industrial Services segment				
	Infrastructure / Building Materials				
*	Petro-Pipe Industries (M) Sdn Bhd	100	100	Malaysia	Manufacturing and sales of welded steel pipes and related products
*	PPI Industries Sdn Bhd	100	100	Malaysia	Manufacturing and sales of welded steel pipes and related products
*	Syn Tai Hung Corporation Sdn Bhd	100	100	Malaysia	Investment holding
*	Syn Tai Hung Trading Sdn Bhd	100	100	Malaysia	Trading and distribution of building materials
*	STH Sri Bulatan Sdn Bhd	100	100	Malaysia	Trading and distribution of building materials
*	Stellar Marketing Sdn Bhd (formerly known as Fuvi Form Sdn Bhd)	100	100	Malaysia	Dormant
	Agro-based Engineering				
*	PMT Industries Sdn Bhd	100	100	Malaysia	Manufacturing and supplying of spare parts, equipment and provision of maintenance services for palm oil and other agricultural industries

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

		Group's effective interest 2009 %	Group's effective interest 2008 %	Country of incorporation	Principal activities
	<u>Subsidiaries in Industrial Services segment (continued)</u>				
	<u>Agro-based Engineering (continued)</u>				
*	Palmillvest Sdn Bhd	100	100	Malaysia	Dormant
*	PMT Industries (HK) Limited	100	100	Hong Kong, SAR	Supply of equipment for power, palm oil and other agricultural industries
*	Palmilltech (M) Sdn Bhd	100	100	Malaysia	Investment holding
*	PT PMT Industri	80	80	Indonesia	Supply of spare parts, equipment, provision of maintenance services and engineering consultation for palm oil and other agricultural industries
*	PMT-Phoenix Industries Sdn Bhd	83	83	Malaysia	Manufacturing and supply of industrial fans and component parts and provision of other related services
*	PMT-Dong Yuan Industries Sdn Bhd	70	70	Malaysia	Manufacturing and trading of machinery related to palm oil industries
*	PMT Industries (Labuan) Ltd	100	100	Federal Territory of Labuan, Malaysia	Supply of equipment for power, palm oil and other agricultural industries
	<u>Other segments</u>				
*	E-Green Technology Sdn Bhd	92	92	Malaysia	Dormant
*	Wah Seong Industrial Holdings Sdn Bhd	100	100	Malaysia	Investment and property holding
*	Sunrise Green Sdn Bhd	100	100	Malaysia	Property holding
*	Wah Seong Ventures Sdn Bhd	100	100	Malaysia	Investment holding
*	Petro-Pipe Industrial Corporation Sdn Bhd	100	100	Malaysia	Investment holding
#	Wah Seong International Pte Limited	100	100	Hong Kong, SAR	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

^ *Wasco Coatings Limited had on 28 October 2009 completed the acquisition of 12,291,142 ordinary shares of RM1.00 each representing 32.52% equity interest in the issued and paid-up share capital of PPSC Industrial Holdings Sdn Bhd from Socotherm S.p.A. (Note 40(iv)).*

* *Audited by a firm other than member firm of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers Malaysia.*

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

*** *Subsidiaries struck off from the Register of British Virgin Islands Financial Services Commission during the financial year ended 31 December 2009.*

** *Completed members' voluntary liquidation on 3 March 2009.*

@ *Subsidiary struck off from the Register of People's Republic of China State Administration for Industry and Commerce during the financial year ended 31 December 2009.*

\+ *Investment in associate at 31 December 2009 (Note 8).*

8 INVESTMENT IN ASSOCIATES

	Group	
	2009	**2008**
	RM'000	**RM'000**
Unquoted shares at cost	15,651	16,575
Share of post-acquisition results and reserves	7,716	4,002
	23,367	20,577
Less: Impairment losses	(964)	-
	22,403	20,577
Share of net assets of associates	22,403	20,577

The Group's share of revenue, (loss)/profit, assets and liabilities of associates are as follows:

	2009	**2008**
	RM'000	**RM'000**
Revenue	16,315	15,509
(Loss)/profit for the financial year	(325)	900
Non-current assets	13,755	14,114
Current assets	11,155	7,499
Current liabilities	(6,998)	(1,203)
Non-current liabilities	(161)	(420)
Net assets	17,751	19,990
Premium on acquisition	5,616	587
Less: Accumulated impairment loss	(964)	-
	22,403	20,577

8 INVESTMENT IN ASSOCIATES (CONTINUED)

Details of the associates are as follows:

	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
Oil and Gas Segment				
TOT Inspection Sdn Bhd	Malaysia	45	45	Provision of non-destructive testing, general inspection and site supervision services
Turn Key Pipeline Services BV	Netherlands	40	+	Provision of engineering design, construction, installation services and supply of equipment for pipe coating plant and facilities for the oil and gas industry
Industrial Services Segment				
Syarikat Beka Sdn Bhd	Malaysia	48	48	Sales of hardware products
Other Segment				
Wah Seong Boustead Company Limited	Myanmar	50	50	Property development, trading and provision of auxiliary services
Spirolite (M) Sdn Bhd	Malaysia	49	49	Manufacturing and trading of spiral pipes, straight pipes, tubes, tanks and containers
Advanced Piping Systems Sdn Bhd	Malaysia	49	49	Manufacturing and trading of straight pipes and fittings
Spirolite Marketing Sdn Bhd	Malaysia	49	49	Trading of spiral pipes, straight pipes, tubes, tanks and containers
Hicom Petro-Pipes Sdn Bhd	Malaysia	49	49	Dormant

\+ *Investment in subsidiary at 31 December 2008 (Note 7).*

9 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group	
	2009 RM'000	2008 RM'000
Share of net assets of jointly controlled entities	38,708	38,924
Premium on acquisition	1,050	1,067
Less: Accumulated impairment loss	(3,392)	-
	36,366	39,991

The Group's share of revenue, profit, assets and liabilities of jointly controlled entities is as follows:

	Group	
	2009 RM'000	2008 RM'000
Revenue	29,573	34,567
Profit for the financial year	1,763	4,823
Non-current assets	16,042	18,712
Current assets	63,172	59,492
Current liabilities	(36,508)	(35,263)
Non-current liabilities	(3,998)	(4,017)
Net assets	38,708	38,924
Premium on acquisition	1,050	1,067
Less: Accumulated impairment loss	(3,392)	-
	36,366	39,991

9 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The details of the jointly controlled entities are as follows:

	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
Nacap Drilling (China) Co. Limited	Hong Kong, SAR	40	40	Dormant
Ashburn (Huanghua) Hardware Products Co. Ltd	People's Republic of China	33	33	Dormant
Socotherm Shashi Pipe Coating Co. Ltd	People's Republic of China	50	34	Provision of pipe coating services and overseas investment holding
PetroChina Socotherm Jingzhou Coating Technology Co. Ltd	People's Republic of China	38	25	Provision of pipe coating services
Socotherm PPSC Ningbo (Daxie) Pipe Coating Company Limited	People's Republic of China	50	34	Marketing and provision of pipe coating services to the oil and gas industry
Sichuan Chuanshi Kanssen (Yadong) Coating Services Company Limited	People's Republic of China	41	28	Provision of pipe coating services
Shaanxi Yadong Anti-Corrosion Company Limited	People's Republic of China	45	30	Provision of pipe coating services
Pesanan Dinamik Sdn Bhd	Malaysia	51	51	Dormant
Arabian Yadong Coating Company Limited	Saudi Arabia	41	27	Marketing and provision of pipe coating services
WD International Limited	Hong Kong, SAR	50	50	Dormant
Wasco Engineering & Technology (Nantong) Co., Ltd.	People's Republic of China	36	-	Construction, building, repairing, installation of all types of offshore equipment and modules, platform and process modules, large modules, provision of engineering services including design, research and development, technical consultancy services, import and export material relating to the business

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

10 OTHER INVESTMENTS

	Note	Group 2009 RM'000	Group 2008 RM'000
Shares quoted in Malaysia, at cost		135	215
Allowance for diminution in value		(121)	(121)
	48	14	94
ICULS quoted in Malaysia, at cost		806	806
Allowance for diminution in value		(774)	(774)
	48	32	32
Unquoted shares, at cost		1,050	1,256
Allowance for diminution in value		-	(206)
	48	1,050	1,050
		1,096	1,176
Market value:			
- quoted shares	48	35	80
- quoted ICULS	48	73	32

11 GOODWILL

	Group 2009 RM'000	Group 2008 RM'000
Cost		
At 1 January	189,821	175,157
Acquisition of new subsidiaries (Note 40)	9,468	10,060
Balance consideration paid to vendor of subsidiary upon achievement of profit guarantee	350	220
Disposal of a subsidiary (Note 41 (v))	(6,413)	-
Effect of exchange rate changes	(2,746)	4,384
At 31 December	190,480	189,821
Accumulated impairment loss		
At 1 January	64,196	61,155
Impairment loss recognised for the financial year	-	3,041
At 31 December	64,196	64,196
Net book value at 31 December	126,284	125,625

11 GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired in business combinations have been allocated to the Group's cash generating units ("CGU") identified according to business segments. The carrying amounts of goodwill allocated to the CGUs are as follows:

	CGU A* RM'000	CGU B** RM'000	CGU C*** RM'000
2009			
Oil and gas segment			
At 1 January	68,570	48,053	9,002
Acquisition of new subsidiaries (Note 40)	-	9,468	-
Balance consideration paid to vendor of subsidiary upon achievement of profit guarantee	-	350	-
Disposal of a subsidiary (Note 41 (v))	(6,413)	-	-
Effect of exchange rate changes	(1,237)	(446)	(1,063)
At 31 December	60,920	57,425	7,939

* CGU A – Specialised Pipe Coating and Corrosion Protection Services
** CGU B - EPC, Fabrication and Rental of Gas Compressors and Process Equipment
*** CGU C - E&P Products and Services

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre–tax cash flow projections based on financial budgets approved by management covering a period of 5 years (2008: 3 and 5 years).

Value in use was determined by discounting the future cash flows generated from the cash-generating units and was based on the following key assumptions:

	2008		2009	
	Growth rate	Discount rate	Growth rate	Discount rate
CGU A	1.1% - 11%	7.1% - 10%	1% - 4%	10%
CGU B	12%	13.5%	14%	11.5%
CGU C	7% - 12%	8% - 10%	11%	12%

The following describes each key assumptions on which management has based its cash flow projections to undertake impairment testing for goodwill:

(i) Overall assumption

There will be no material changes in the principal activities of the Group.

(ii) Growth rate

The growth rate used to extrapolate the cash flows is based on the respective business plans.

(iii) Discount rate

The discount rates used reflect the specific risks relating to the relevant CGU as shown above.

(iv) Period

The cash flow projections covered a period of 5 years (2008: 3 and 5 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

12 INTANGIBLE ASSETS

	Technical knowhow RM'000	Intellectual property RM'000	Group RM'000
2009			
Cost			
At 1 January	3,811	2,751	6,562
Acquisition of a new subsidiary (Note 40(i))	-	380	380
Effect of exchange rate changes	(85)	389	304
At 31 December	3,726	3,520	7,246
Accumulated amortisation			
At 1 January	1,328	687	2,015
Amortisation for the financial year	371	586	957
Effect of exchange rate changes	(22)	109	87
At 31 December	1,677	1,382	3,059
Net book value at 31 December	2,049	2,138	4,187

Technical knowhow and intellectual property have unamortised useful life of 5.5 years and 2.75 to 3 years respectively.

	Technical knowhow RM'000	Intellectual property RM'000	Group RM'000
2008			
Cost			
At 1 January	4,488	2,792	7,280
Effect of exchange rate changes	(677)	(41)	(718)
At 31 December	3,811	2,751	6,562
Accumulated amortisation			
At 1 January	1,136	140	1,276
Amortisation for the financial year	391	544	935
Effect of exchange rate changes	(199)	3	(196)
At 31 December	1,328	687	2,015
Net book value at 31 December	2,483	2,064	4,547

Technical knowhow and intellectual property have unamortised useful life of 6.5 years and 3.75 years respectively.

13 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforeceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	7,458	6,580	690	690
Deferred tax liabilities	(26,405)	(18,275)	-	-
	(18,947)	(11,695)	690	690
At 1 January	(11,695)	(1,233)	690	529
(Charged)/credited to income statement (Note 37)				
- Unused tax losses	108	(3,312)	-	-
- Property, plant and equipment	(8,748)	(6,722)	-	21
- Provisions and accruals	1,056	661	-	140
- Surplus arising from fair value adjustment to freehold and leasehold properties	-	220	-	-
- Accrued revenue	-	(1,865)	-	-
- Others	(304)	(323)	-	-
	(7,888)	(11,341)	-	161
Acquisition of new subsidiary companies	-	903	-	-
Currency translation differences	636	(24)	-	-
At 31 December	(18,947)	(11,695)	690	690
<u>Subject to income tax</u>				
Deferred tax assets (before offsetting)				
- Unused tax losses	2,672	2,564	-	-
- Property, plant and equipment	79	(1,454)	-	-
- Provisions and accruals	6,791	5,714	745	745
- Others	1,962	1,292	-	-
	11,504	8,116	745	745
Offsetting	(4,046)	(1,536)	(55)	(55)
Deferred tax assets (after offsetting)	7,458	6,580	690	690

13 DEFERRED TAX (CONTINUED)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax liabilities (before offsetting)				
- Provisions and accruals	-	21	-	-
- Property, plant and equipment	(25,859)	(15,578)	(55)	(55)
- Surplus arising from fair value adjustment to freehold and leasehold properties	(4,254)	(4,254)	-	-
- Others	(338)	-	-	-
	(30,451)	(19,811)	(55)	(55)
Offsetting	4,046	1,536	55	55
Deferred tax liabilities (after offsetting)	(26,405)	(18,275)	-	-

At 31 December 2009, the Group did not recognise deferred tax assets arising from the following temporary differences of certain subsidiaries as it is not probable that future taxable profit will be available against which the deferred tax assets can be utilised.

	Group	
	2009 RM'000	2008 RM'000
Deductible temporary differences on		
- Unused tax losses	60,406	51,396
- Unabsorbed capital allowances	173	29,226
- Others	410	645
	60,989	81,267
Deferred tax assets not recognised	17,402	21,709

14 INVENTORIES

	Group	
	2009 RM'000	2008 RM'000
At cost		
Raw materials	187,104	168,627
Work-in-progress	40,700	46,304
Manufactured goods and trading goods	50,552	81,899
Consumables	11,457	10,328
Goods in transit	601	-
	290,414	307,158
At net realisable value:		
Manufactured and trading goods	-	5,412
	290,414	312,570

15 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2009 RM'000	**2008 RM'000**
Aggregate costs incurred to date	966,842	1,065,608
Attributable profits recognised to date less recognised losses	239,295	196,992
	1,206,137	1,262,600
Less: Progress billings on contracts	(1,081,987)	(1,124,350)
	124,150	138,250
Represented by:		
Amounts due from customers on contracts	160,164	181,464
Amounts due to customers on contracts	(36,014)	(43,214)
	124,150	138,250
Retention sums on contracts (included in trade receivables) (Note 16)	6,165	4,600

During the financial year, the following expenses have been included in the aggregate cost of contracts of the Group:

		Group	
	Note	**2009 RM'000**	**2008 RM'000**
Staff cost	43	22,644	24,787
Depreciation of property, plant and equipment	4	9,893	2,493
Amortisation of prepaid lease payments	5	363	94

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Gross trade receivables	358,702	470,808	-	-
Less: Allowance for doubtful debts	(60,162)	(31,748)	-	-
	298,540	439,060	-	-
Other receivables, deposits and prepayments	59,830	130,366	973	885
Less: Allowance for doubtful debts	(1,862)	(1,220)	(953)	(704)
	57,968	129,146	20	181
Total net receivables	356,508	568,206	20	181

Included in other receivables are disposal proceeds on investment properties amounting to RM434,000 (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of the trade receivables are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross trade receivables				
- Ringgit Malaysia	185,169	302,447	-	-
- USD	135,819	103,318	-	-
- SGD	8,011	22,186	-	-
- China Renminbi	12,787	27,810	-	-
- EURO	2,910	6,134	-	-
- Japanese Yen	5,173	1,380	-	-
- Australian Dollar	3,476	1,583	-	-
- Indian Rupee	2,926	4,851	-	-
- Nigerian Naira	1,740	-	-	-
- United Arab Emirates Dirham	471	962	-	
- Indonesian Rupiah	138	11	-	-
- Syrian Pound	82	126	-	-
	358,702	470,808	-	-

The currency exposure profile of the other receivables, deposits and prepayments are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables, deposits and prepayments				
- Ringgit Malaysia	24,305	49,253	973	885
- USD	15,073	17,738	-	-
- SGD	635	1,304	-	-
- China Renminbi	5,280	2,176	-	-
- EURO	1,897	6,514	-	-
- Australian Dollar	3,588	41,794	-	-
- United Arab Emirates Dirham	3,434	7,958	-	-
- Nigerian Naira	2,439	-	-	-
- Indonesian Rupiah	1,972	50	-	-
- Japanese Yen	1,118	1,769	-	-
- Hong Kong Dollar	56	115	-	-
- Syrian Pound	33	-	-	-
- Indian Rupee	-	1,576	-	-
- Thai Baht	-	119	-	-
	59,830	130,366	973	885

Credit terms of trade receivables range from 30 to 90 days (2008: 30 to 90 days).

17 AMOUNTS OWING BY/(TO) SUBSIDIARIES

(a) The amounts owing by subsidiaries are analysed as follows:

	Company	
	2009 RM'000	2008 RM'000
Interest bearing loans (unsecured)	44,251	60,849
Interest free advances (unsecured)	137,627	339,304
	181,878	400,153

The interest bearing loans bear interest ranging from 1.73% to 7.05% (2008: 2.70% to 7.05%) per annum. The loans and advances are payable on demand.

The currency exposure profile of the amounts owing by subsidiaries are as follows:

	Company	
	2009 RM'000	2008 RM'000
- Ringgit Malaysia	151,737	214,799
- USD	30,141	185,354
	181,878	400,153

(b) The amounts owing to subsidiaries are analysed as follows:

Interest bearing loans (unsecured)	2,194	12,650
Interest-free advances (unsecured)	36,270	51,381
	38,464	64,031

The interest bearing loans bear interest ranging from 1.50% to 1.65% (2008: 3.50% to 3.61%) per annum. The loans and advances are payable on demand.

The currency exposure profile of the amounts owing to subsidiaries are as follows:

	Company	
	2009 RM'000	2008 RM'000
- Ringgit Malaysia	38,412	63,874
- USD	52	157
	38,464	64,031

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

18 AMOUNTS OWING BY ASSOCIATES

	Group	
	2009 RM'000	2008 RM'000
Trade accounts	564	122
Advances	3,042	2,146
	3,606	2,268

The currency exposure profile of the amounts owing by associates are as follows:

- Ringgit Malaysia	2,560	213
- USD	551	2,055
- EURO	495	-
	3,606	2,268

The trade accounts are unsecured, interest free and payable within the normal credit period. The advances are unsecured, interest free and payable on demand.

19 AMOUNTS OWING BY/(TO) JOINTLY CONTROLLED ENTITIES

(a) The amounts owing by jointly controlled entities are analysed as follows:

	Group	
	2009 RM'000	2008 RM'000
Trade account	1,235	2,089
Advances	9,388	9,102
Less: Allowance for doubtful debts	(4,440)	(4,568)
	6,183	6,623

The currency exposure profile of the amounts owing by the jointly controlled entities are as follows:

- Ringgit Malaysia	139	845
- USD	1,739	1,845
- China Renminbi	2,373	3,438
- Hong Kong Dollar	1,932	495
	6,183	6,623

The trade account is unsecured, interest free and payable within the normal credit period.

The effective interest rate as at balance sheet date of advance to a jointly controlled entity amounting to RM1,911,400 (2008: nil) is 5.10% (2008: nil) and is payable on demand. All other advances are unsecured, interest-free and payable on demand.

19 AMOUNTS OWING BY/(TO) JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) The amounts owing to jointly controlled entities are analysed as follows:

	Group	
	2009 RM'000	**2008 RM'000**
Trade account	-	3,578
Advances	-	12
	-	3,590

The currency exposure profile of the amounts owing to the jointly controlled entities are as follows:

- China Renminbi	-	3,590

The trade account is unsecured, interest free and payable within the normal credit period. The advances are unsecured, interest-free and payable on demand.

20 TIME DEPOSITS

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Time deposits placed with				
- licensed banks in Malaysia	200,152	64,992	148,895	46,684
- licensed overseas banks	49,345	13,289	-	-
	249,497	78,281	148,895	46,684

The currency exposure profile of the time deposits is as follows:

- Ringgit Malaysia	196,722	56,814	145,466	38,504
- USD	24,875	6,974	3,429	5,231
- China Renminbi	19,765	7,672	-	-
- EURO	-	2,950	-	2,949
- Indian Rupee	4,604	3,634	-	-
- United Arab Emirates Dirham	3,531	237	-	-
	249,497	78,281	148,895	46,684

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

20 TIME DEPOSITS (CONTINUED)

The effective interest rates of time deposits of the Group and Company are as follow:

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Time deposits	0.12 - 6.75	1.70 - 6.80	1.76	1.97

The time deposits have maturity periods between 1 to 12 months (2008: 1 to 12 months).

21 CASH AND BANK BALANCES

The currency exposure profile of the cash and bank balances is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	116,552	26,928	2,121	868
- USD	53,678	48,888	3,991	4,913
- SGD	8,421	5,028	295	213
- China Renminbi	14,122	8,300	-	-
- EURO	11,804	3,884	396	142
- Great Britain Pound	9,832	1,401	14	906
- Japanese Yen	4,640	1,868	1	-
- Australian Dollar	1,103	9,333	195	705
- United Arab Emirates Dirham	855	105	-	-
- Hong Kong Dollar	378	59	-	-
- Syrian Pound	318	509	-	-
- Indian Rupee	279	279	-	-
- Indonesian Rupiah	254	100	-	-
- Bangladeshi Taka	148	-	-	-
- Danish Kron	13	63	-	-
- New Taiwan Dollar	-	1,639	-	-
	222,397	108,384	7,013	7,747

Cash and bank balances are deposits at call with banks and earn no interest.

22 SHARE CAPITAL

	Group and Company			
	2009			2008
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised				
Ordinary shares of RM0.50 each	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM0.50 each				
At 1 January	657,000	328,500	429,236	214,618
Issue of shares				
- conversion of ICULS	29,739	14,870	17,213	8,607
- exercise of ESOS	-	-	8,499	4,250
- rights issue with warrants, bonus issue and settlement which was completed on 28 March 2008	-	-	202,052	101,025
At 31 December	686,739	343,370	657,000	328,500

The details of the ESOS are in respect of ESOS exercised in the preceeding financial year. The ESOS expired on 27 November 2008. There were no new ESOS granted during the financial year.

ESOS

The salient features of the Employee Share Option Scheme ("ESOS") are as follows:

(i) The maximum number of new ordinary shares that may be made available under the ESOS shall not exceed an aggregate of ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time during the existence of the ESOS.

(ii) The ESOS shall be open for participation to eligible employees who are employed by and are on the payroll of a company other than an inactive company within the Group as at the date of offer. The selection of any employee for participation in the ESOS shall be at the discretion of the Option Committee.

(iii) No option shall be granted for less than 100 new ordinary shares. The maximum number of options granted to executive directors and senior management of the Group shall not exceed 50% of the total number of options available under the ESOS; and the number of options granted to any individual director or employee who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), holds 20% or more in the issued and paid-up share capital of the Company, shall not exceed 10% of the total number of options available under the ESOS.

(iv) The option price shall be based on the weighted average of market price (calculated as the average of the highest and lowest prices transacted on the Bursa Malaysia Securities Berhad of the Company's shares as shown on the Daily Official List issued by the BM for the five (5) market days immediately preceding the date of offer with an allowance for a discount, if any, of not more than 10% therefrom at the discretion of the Option Committee), or the par value of each ordinary share of the Company, whichever is higher. The ESOS exercised are settled via equity.

(v) The ESOS shall continue to be in force for a duration of up to five (5) years (or such further extension as approved by authorities) commencing from the date of lodgement (28 November 2003). Upon the expiry of the ESOS period, all unexercised ESOS shall automatically lapse and have no further effect unless the same is extended for another five (5) years or such other period as the authorities may approve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

22 SHARE CAPITAL (CONTINUED)

ESOS (continued)

(vi) The new ordinary shares to be allotted upon any exercise of options under the ESOS shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares. However, the new ordinary shares so issued shall not be entitled to any dividend or other distributions declared, made or paid prior to the date of allotment of such shares.

(vii) An offer of option ("offer") shall be valid for a period of 14 days from the date of offer or such longer period as may be determined or extended by the Option Committee on a case to case basis at its discretion. An offer shall be accepted within the prescribed period by the eligible employee to whom the offer is made by written notice of such acceptance accompanied by the relevant payment to the Company. If the offer is not accepted in the manner aforesaid, such offer shall upon the expiry of the prescribed period automatically lapse and shall be null and void and be of no effect and such options may, at the discretion of the Option Committee, be re-offered to other eligible employees.

At the time of the acceptance of the offer, the eligible employee must elect to participate or not to participate in the Selling Flexiblity arrangement. Selling Flexilbity is an arrangement under which Wah Seong Malaya Trading Sdn Bhd ("WST"), a substantial shareholder of the Company will allocate certain quantum of WST's shares in the Company to facilitate the immediate selling by the ESOS holder who has exercised his options in accordance with the Selling Flexibility terms.

If the eligible employee had elected to participate in the arrangement, then all options shall be exercised in the manner prescribed in the Selling Flexibility terms.

(viii) The ESOS shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board of Directors.

(ix) In the event of cessation of employment with the Group prior to the full exercise of the options, the balance of the options shall cease to be valid unless written approval of the Option Committee is obtained. The Option Committee, at its discretion, may re-offer the options to other eligible employees.

The movements during the previous financial year in options granted under the ESOS were as follows:

Year ended 31.12.2008

Date option granted	Date of expiry	Exercise price (RM)	At 1.1.2008	Exercised prior to entitlement of bonus & rights issue	Adjustment#	Exercised after adjustment	Expired/ Lapsed	At 31.12.2008
15.12.2003	27.11.2008	2.07	4,396,837	(3,873,037)	182,770*1	(217,161)	(489,409)	-
07.12.2004	27.11.2008	2.08	2,032,000	(1,852,000)	63,413*2	-	(243,413)	-
25.07.2006	27.11.2008	2.31	2,300,000	(2,300,000)	-	-	-	-
			8,728,837	(8,025,037)	246,183	(217,161)	(732,822)	-

Adjustments were made to the exercise prices and the number of outstanding ESOS, as a result of the bonus issue and rights issue with free detachable warrants, which was completed on 28 March 2008.

*1 Adjusted exercise price was RM1.57.

*2 Adjusted exercise price was RM1.58.

22 SHARE CAPITAL (CONTINUED)

	31.12.2008
Weighted average share price of options exercised during the previous financial year (RM)	3.91
Number of options vested during the financial year ('000)	-

The Group has taken advantage of the transitional provisions of FRS 2 "Share-based Payment" in respect of equity instruments granted after 31 December 2004 and not vested as at 1 January 2006, and have not recognised any expense in respect of these instruments.

The fair value of share options granted is estimated as at the grant date using the *black-scholes* model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the inputs to the model used are:

	11.07.2006
Fair value of share option granted under ESOS (RM)	0.49
Weighted average share price (RM)	2.32
Weighted average exercise price (RM)	2.31
Expected volatility (%)	33.58
Expected Option life (years)	2.40
Expected dividend yields (%)	2.59
Risk-free interest rate (based on Malaysian government bonds) (%)	4.35

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, and which may differ from the actual volatility.

There are no other features of the option grant incorporated into the measurement of fair value.

The fair value of the options granted and recognised in the income statement when vested was RM85,000 in the previous financial year.

23 SHARE PREMIUM

	Group and Company	
	2009 RM'000	2008 RM'000
At 1 January	172,042	79,417
Arising from shares issued due to:		
- conversion of ICULS	(2,974)	(1,721)
- exercise of ESOS	-	13,806
- rights issue with warrants, bonus issue and settlement which was completed on 28 March 2008	-	79,475
- transfer from share option reserves	-	1,065
At 31 December	169,068	172,042

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

24 TREASURY SHARES

	Group and Company			
	2009		2008	
	Number of shares	Amount RM	Number of shares	Amount RM
At 1 January	4,793,900	10,138,087	1,519,600	3,846,702
Shares buy back	714,100	1,485,527	3,274,300	6,291,385
At 31 December	5,508,000	11,623,614	4,793,900	10,138,087

The shareholders of the Company had approved an ordinary resolution at the Ninth Annual General Meeting held on 19 June 2009 for the Company to purchase its own shares up to a maximum of 10% of the issued and paid-up capital of the Company. The Directors of the Company are committed to enhancing the value of the Company and believe that the purchase plan is being implemented in the best interest of the Company and its shareholders.

During the financial year, the Company purchased 714,100 (2008: 3,274,300) of its issued share capital from the open market on Bursa Malaysia for RM1,485,527 (2008: RM6,291,385). The prices paid for the shares purchased ranges from RM0.995 to RM2.42 (2008: RM1.00 to RM3.28) per share. The purchase transactions were financed by internally generated funds. Pursuant to the provisions of Section 67A of the Act, the Company may either retain the purchased shares as treasury shares or cancel the purchased shares or a combination of both. The purchased shares held as treasury shares may either be distributed as share dividends, resold on Bursa Malaysia in accordance with the relevant rules of Bursa Malaysia, subsequently cancelled or any combination of the three.

As treasury shares, the rights attached as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting. The shares purchased by the Company are being held as treasury shares and none of the treasury shares purchased has been sold, cancelled or distributed as share dividends as at 31 December 2009.

Subsequent to the financial year ended 31 December 2009, a total of 5,857,451 treasury shares were declared as share dividend by the Directors on 23 February 2010 to be distributed to the shareholders for the financial year ended 31 December 2009, on the basis of one (1) treasury share for every one hundred and twenty (120) existing WSC ordinary shares of RM0.50 each held at the entitlement date of 25 March 2010 (fractions of treasury shares to be disregarded).

25 WARRANTS RESERVE

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	25,786	-
Arising from rights issue with warrants during the financial year	-	25,786
At 31 December	25,786	25,786

<u>Warrants 2008/2013</u>

The Warrants 2008/2013 are constituted by a Deed Poll dated 18 February 2008.

On 26 March 2008, the Company allotted the rights issue of 90,641,547 new ordinary shares at an issue price of RM2.23 per share ("Rights Shares"), together with 135,962,320 warrants to the holders of the ordinary shares and ICULS on the basis of:

a) two Rights Shares and three free detachable warrants for every twelve existing ordinary shares held; and
b) two Rights Shares and three free detachable warrants for every six existing ICULS held.

Each warrant entitles the registered holder to subscribe for one new ordinary share in the Company at any time on or after 28 March 2008 up to the date of expiry on 25 March 2013, at an exercise price of RM3.17 per share or such adjusted price in accordance with the provisions in the Deed Poll. The Warrants 2008/2013, is listed on the Main Market of Bursa Malaysia Securities Berhad with effect from 28 March 2008.

No warrant was exercised during the financial year ended 31 December 2009.

As at the balance sheet date, 135,962,320 Warrants 2008/2013 remain unexercised.

26 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	47,155	54,041
Converted during the financial year	(11,896)	(6,886)
At 31 December	35,259	47,155

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

26 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (CONTINUED)

The ICULS represent the unconverted portion of the original RM89,499,999 nominal value of ICULS issued and allotted in 2002 at 100% of the nominal value.

The ICULS are in registered form and constituted by a Trust Deed dated 9 January 2001 and a Supplementary Deed dated 16 May 2002, collectively referred to as "the Trust Deeds". The ICULS have a tenure of ten years from the date of issue and will not be redeemable in cash. Unless previously converted, all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares at the conversion price applicable on the maturity date. The ICULS are convertible into fully paid ordinary shares of RM0.50 each at any time during the tenure of the ICULS from 21 May 2002 to the maturity date on 20 May 2012, at the rate of RM1.00 nominal amount of ICULS for two fully paid ordinary shares of RM0.50 each in the Company in accordance to the Trust Deeds.

Pursuant to the increase in the share capital in the rights issue together with the free detachable warrants (Note 25), the exercise entails an ICULS adjustment whereby the issuance of new WSC shares is revised upon full conversion of the outstanding ICULS into WSC shares at the rate of RM1.00 nominal amount of ICULS for two and a half fully paid ordinary share of RM0.50 each in the Company.

Upon conversion of the ICULS into new ordinary shares, such shares would rank pari passu in all material respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the newly converted ordinary shares shall not be entitled to any rights, allotments of dividends, and/or other distribution if the dividend entitlement date is on or before the relevant conversion date.

The interest on the ICULS at the rate of 3% per annum on the nominal value of the ICULS is payable semi-annually in arrears on 30 June and 31 December in each year commencing 21 May 2002.
The ICULS contain a covenant that the group borrowing should not exceed ten times the shareholders' fund as disclosed in the latest group balance sheet.

The Company has not classified the ICULS into liability and equity components separately as permitted under the transitional provisions of *FRS 132*, *"Financial Instruments: Disclosure and Presentation"* in respect of financial instruments issued before 1 January 2003.

27 ISLAMIC NOTES

	Group and Company 2009 RM'000	2008 RM'000
Non-current:		
Unsecured		
6.9% Medium Term Notes – 2005 / 2011	-	50,000
Unamortised issue cost:		
At 1 January	(98)	(147)
Amortisation during the financial year	98	49
	-	(98)
At 31 December	-	49,902
Current:		
Unsecured		
6.2% Medium Term Notes – 2005 / 2009	-	50,000
Unamortised issue cost:		
At 1 January	-	(69)
Amortisation during the financial year	-	69
	-	-
At 31 December	-	50,000

The Medium Term Notes were issued under a Facility Agreement entered into by the Company for the issue of up to RM200 million in nominal value of Islamic Commercial Papers and Medium Term Notes (collectively known as “the Islamic Notes”) based on the financing principles of Murabahah and Ijarah.

The main features of the Islamic Notes were as follows:

1) The 6.2% Medium Term Notes 2005 / 2009 is unsecured, carries a profit rate of 6.2% per annum payable semi annually and is repayable in full on 9 July 2009. The amount has been settled in full on 8 July 2009.

2) The 6.9% Medium Term Notes 2005 / 2011 is unsecured, carries a profit rate of 6.9% per annum payable semi annually. On 14 December 2009, the Company terminated the Islamic Notes following the early redemption made on the outstanding amount.

These facilities contained covenants which require the Group and the Company to maintain a minimum debt to equity ratio.

The Islamic Notes were all denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

28 TERM LOANS

	Group 2009 RM'000	Group 2008 RM'000
Current:		
Secured	102,237	222
Unsecured	84,966	49,059
	187,203	49,281
Non-current:		
Secured	2,723	40,606
Unsecured	433,150	157,793
	435,873	198,399
	623,076	247,680
Payable within 1 year	187,203	49,281
Payable between 1 and 5 years (included in non-current liabilities)	435,873	198,399
	623,076	247,680

The currency exposure profile of term loans is as follows:

	2009 RM'000	2008 RM'000
Ringgit Malaysia	147,811	76,614
USD	475,265	171,066
	623,076	247,680

The secured loans above are secured over certain property, plant and equipment and prepaid lease payments of the Group as indicated in Note 4 and Note 5 to this financial statements.

28 TERM LOANS (CONTINUED)

The net exposure of term loan to interest rate cash flow risk and the periods in which the borrowings mature or reprice are as follows:

At 31 December 2009

			Fixed interest rate					Floating interest rate				
Currency	Effective interest rate as at 31.12.2009 % p.a.	Total carrying amount RM'000	<1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	<1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000
Secured												
RM	3.85	102,237	-	-	-	-	-	102,237	-	-	-	-
USD	7.28	2,723	-	122	130	140	2,331	-	-	-	-	-
Unsecured												
RM	3.80-4.11	45,574	-	-	-	-	-	12,465	13,550	12,996	6,563	-
USD	2.80-6.30	472,542	14,265	15,157	16,049	8,023	-	58,236	53,736	29,525	140,383	137,168
		623,076	14,265	15,279	16,179	8,163	2,331	172,938	67,286	42,521	146,946	137,168

At 31 December 2008

			Fixed interest rate					Floating interest rate				
Currency	Effective interest rate as at 31.12.2008 % p.a.	Total carrying amount RM'000	<1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	<1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000
Secured												
RM	4.98-7.70	40,678	-	-	-	-	-	72	40,441	72	72	21
USD	4.25	150	-	-	-	-	-	150	-	-	-	-
Unsecured												
RM	5.20	35,936	-	-	-	-	-	2,188	8,750	8,750	8,750	7,498
USD	4.90-6.30	170,916	16,266	14,726	15,413	16,320	8,160	30,605	33,417	28,884	4,125	3,000
		247,680	16,266	14,726	15,413	16,320	8,160	33,015	82,608	37,706	12,947	10,519

29 HIRE PURCHASE LIABILITIES

	Group	
	2009 **RM'000**	**2008** **RM'000**
Minimum payments:		
- Payable within 1 year	68	109
- Payable between 1 and 5 years	60	55
	128	164
Less: Future finance charges	(19)	(6)
Present value of liabilities	109	158
Present value of liabilities:		
- Payable within 1 year	56	107
- Payable between 1 and 5 years (included in non-current liabilities)	53	51
	109	158

The currency exposure profile of hire purchase liabilities is as follow:

Ringgit Malaysia	50	158
Indonesian Rupiah	59	-
	109	158

At 31 December 2009, the effective interest rates of the hire purchase liabilities are between 4.99% and 13.62% (2008: 2.70% and 8.70%) per annum.

30 PROVISION FOR WARRANTIES

	Group	
	2009 **RM'000**	**2008** **RM'000**
At 1 January	23,470	15,206
Additions	7,502	14,556
Utilisation	(766)	(2,191)
Unused provision reversed during the financial year	(7,264)	(2,574)
Effect of exchange rate changes	(357)	(1,527)
At 31 December	22,585	23,470
Included under current liabilities	22,585	23,470

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. The provision is calculated based on historical warranty data and weighting of all possible outcome against their associated probabilities.

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	114,972	156,636	-	-
Other payables and accruals	195,809	232,759	5,163	8,831
	310,781	389,395	5,163	8,831

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
- Ringgit Malaysia	67,537	88,116	-	-
- USD	20,167	30,197	-	-
- SGD	13,936	10,303	-	-
- China Renminbi	1,119	1,740	-	-
- EURO	1,422	13,785	-	-
- United Arab Emirates Dirham	3,151	5,241	-	-
- Indian Rupee	2,922	3,475	-	-
- Japanese Yen	1,755	1,384	-	-
- Great Britain Pound	1,457	1,304	-	-
- Australian Dollar	1,101	959	-	-
- Indonesian Rupiah	327	42	-	-
- Nigerian Naira	37	-	-	-
- Omani Rials (“OMR”)	32	80		
- Syrian Pound	9	10	-	-
	114,972	156,636	-	-

Credit terms of trade payables range from 30 to 90 days (2008: 30 to 90 days).

The currency exposure profile of other payables and accruals are as follows:

- Ringgit Malaysia	64,618	101,489	5,150	7,910
- USD	67,709	91,416	-	-
- SGD	4,566	15,564	-	-
- China Renminbi	3,868	6,001	-	-
- EURO	22,987	2,608	-	14
- Japanese Yen	11,981	-	-	-
- Australian Dollar	8,365	7,431	13	-
- Indian Rupee	6,700	6,242	-	-
- Nigerian Naira	2,377	-	-	-
- Hong Kong Dollar	1,181	42	-	-
- Indonesian Rupiah	921	259	-	-
- United Arab Emirates Dirham	471	800	-	-
- Great Britain Pound	-	907	-	907
- Taiwan Dollar	15	-	-	-
- Syrian Pound	26	-	-	-
- OMR	24	-	-	-
	195,809	232,759	5,163	8,831

32 BANK BORROWINGS

	Group	
	2009 RM'000	2008 RM'000
Secured:		
Revolving credits	579	-
Unsecured:		
Revolving credits	-	104,967
Bankers' acceptances	92,418	178,150
	92,997	283,117

The currency exposure profile of bank borrowings is as follows:

	Group	
	2009 RM'000	2008 RM'000
Ringgit Malaysia	92,418	169,750
USD	579	113,367
	92,997	283,117

At 31 December 2009, the effective interest rates of the bank borrowings of the Group and of the Company are as follows:

	Group	
	2009 %	2008 %
Revolving credits	4.75	2.83 - 6.45
Bankers' acceptances	2.49 - 4.50	3.69 - 4.75

The revolving credits of a subsidiary are secured by way of an irrevocable standby letter of credit from the Company.

33 GROSS REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Contract revenue	618,374	775,848	-	-
Sales of goods and services	1,251,246	1,502,812	-	-
Engineering services	10,270	9,182	-	-
Rental income	67,267	50,504	-	-
Dividend income	-	-	68,658	55,721
Commission income	3,151	3,290	-	-
Interest income	-	1,558	4,884	9,099
Management fees	-	-	1,506	1,511
	1,950,308	2,343,194	75,048	66,331

34 COST OF SALES

	Group 2009 RM'000	Group 2008 RM'000
Contract costs	355,822	634,608
Cost of goods sold and services	1,090,168	1,286,689
Cost of engineering services	9,392	3,757
Direct operating costs relating to rental income	42,809	28,613
	1,498,191	1,953,667

35 PROFIT FROM OPERATIONS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Profit from operations is stated after charging:				
Allowance for doubtful debts	33,517	13,944	249	421
Provision for obsolete inventories	516	1,413	-	-
Amortisation of intangible assets (Note 12)	957	935	-	-
Amortisation of prepaid lease payments (Note 5)	1,146	1,006	-	-
Amortisation of Islamic Notes issuance costs (Note 27)	98	118	98	118
Auditors' remuneration				
- statutory audit				
- current year	2,560	2,528	100	100
- underprovision in prior year	143	270	-	-
- fees for non-audit services*	915	1,231	17	92
Bad debts written off	480	5,732	-	-
Depreciation of property, plant and equipment (Note 4)	57,031	40,314	131	183
Depreciation of investment properties (Note 6)	170	111	-	-
Net diminution in value of other investments	-	76	-	-
Directors' remuneration:				
- Directors of the Company:				
- fees				
- current year	315	315	315	315
- defined contribution plan	187	180	187	180
- other emoluments	4,203	3,700	1,619	1,558
- Directors of subsidiaries:				
- fees				
- current year	136	125	-	-
- defined contribution plan	272	210	-	-
- other emoluments	11,601	10,841	-	-
Impairment of goodwill	-	3,041	-	-
Impairment of investment properties (Note 6)	-	5	-	-
Impairment of property, plant and equipment (Note 4)	2,761	32,329	-	-
Impairment loss on investment in subsidiary	-	-	9,804	2,235
Inventories written off	1,817	3,032	-	-
Loss on disposal of property, plant and equipment	232	496	-	-
Loss on foreign exchange:				
- realised	19,888	13,867	4,401	6,538
- unrealised	2,972	15,595	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

35 PROFIT FROM OPERATIONS (CONTINUED)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit from operations is stated after charging (continued):				
Operating lease rental	16,113	10,325	-	-
Property, plant and equipment written off	752	4,249	4	3
Provision for warranties (Note 30)	7,502	14,556	-	-
Provision for gratuity	360	1,450	360	360
Rental of equipment	7,798	11,435	-	-
Rental of premises	9,598	7,104	183	191
Share based payments	-	77	-	-
Compensation for cancellation of contract	-	13,357	-	-
Write-off of restructuring cost	-	3,590	-	-
Impairment of investment in				
- jointly-controlled entity	3,392	-	-	-
- associate	964	-	-	-
and crediting:				
Negative goodwill on acquisition of additional interest in existing subsidiary (Note 40(iv))	13,334	-	-	-
Allowance for doubtful debts written back	4,589	694	-	-
Bad debts recovered	2,522	1,210	-	-
Write back of provision for inventories	169	-	-	-
Gain on disposal of property, plant and equipment	2,925	932	2	-
Gain on disposal of asset held for sale	-	12,456	-	-
Gross dividend income from shares				
- quoted in Malaysia	6	8	-	-
- unquoted investment outside Malaysia	-	594	-	-
Gross dividend income from subsidiaries	-	-	68,658	55,721
Gain on foreign exchange				
- realised	11,519	13,620	-	-
- unrealised	12,929	12,474	1,851	2,346
Interest income	5,040	3,906	4,884	9,099
Provision for warranties written back (Note 30)	7,264	2,574	-	-
Rental income	2,011	1,693	-	-
Gain on disposal of subsidiaries (Note 41)	604	50,741	-	-
Gain on dilution of interest in a subsidiary (Note 41)	17	167	-	-
Gain on disposal of associated company	-	528	-	-
Gain on disposal of other investments	14,456	41	-	-
Gain on disposal of investment properties	14	-	-	-
Insurance claim	3	138	-	-

* Included in fees for non-audit services is fees payable to PricewaterhouseCoopers Malaysia and its affiliates for the Group and Company of RM385,000 (2008: RM608,000) and RM16,600 (2008: RM92,000) respectively.

35 PROFIT FROM OPERATIONS (CONTINUED)

The estimated monetary value of benefits-in-kind received and receivable by Directors are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of the Company	118	310	24	204
Directors of the subsidiaries	600	915	-	-

36 FINANCE COST

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Finance cost on:				
- ICULS	1,123	1,519	1,123	1,519
- Islamic notes	7,622	6,550	7,622	6,550
- bank borrowings and term loan	26,762	20,248	261	1,530
- hire purchase liabilities	4	80	-	-
- others	1,094	1,948	415	796
	36,605	30,345	9,421	10,395

37 TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax:				
- Malaysian income tax	22,183	10,368	1,721	(3,484)
- Overseas taxation	9,472	(1,845)	-	-
	31,655	8,523	1,721	(3,484)
Deferred taxation (Note 13)	7,888	11,341	-	(161)
	39,543	19,864	1,721	(3,645)
Current tax:				
- Current year	40,735	19,543	1,721	-
- Benefits from previously unrecognised temporary differences	(8,570)	(6,561)	-	-
- Over accrual in prior years	(510)	(4,459)	-	(3,484)
	31,655	8,523	1,721	(3,484)
Deferred taxation (Note 13)				
- Origination and reversal of temporary difference	8,352	11,341	-	(161)
- Change in tax rate	(464)	-	-	-
	39,543	19,864	1,721	(3,645)

37 TAX EXPENSE (CONTINUED)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Profit before tax	245,782	152,913	44,469	39,248
Calculated at the Malaysian tax rate of 25% (2008: 26%)	61,446	39,757	11,117	10,205
Expenses not deductible	22,463	36,861	4,093	3,342
Income not subject to tax	(20,513)	(30,966)	(11,446)	(12,843)
Utilisation of previous years' tax losses and unabsorbed capital allowances	(4,307)	(3,278)	-	-
Utilisation of tax incentives	(21,814)	(15,299)	(2,043)	(722)
Effect of different tax rates in other countries	3,823	(74)	-	-
Utilisation of group relief	-	(1,877)	-	-
Over provision in prior years	(510)	(3,791)	-	(3,638)
Share of associates and jointly controlled entity results	(136)	(970)	-	-
Others	(909)	(499)	-	11
Tax expense	39,543	19,864	1,721	(3,645)

The Group's effective tax rate is lower than Malaysian statutory tax rate mainly due to non taxable income and available tax incentives during the financial year.

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

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

Subject to the agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends up to approximately RM76,668,000 (2008: RM79,359,000).

38 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic

The basic earnings per share for the financial year has been calculated by dividing the Group's profit attributable to equity holders of the Company for the financial year of RM121,322,000 (2008: RM115,596,000) by the weighted average number of ordinary shares in issue during the financial year, adjusted to include the potential ordinary shares that would be issued upon conversion of a mandatorily convertible instrument (ICULS) of 759,203,236 (2008: 737,151,583).

The weighted average number of ordinary shares is calculated as follows:

	Group	
	2009 '000	2008 '000
Number of ordinary shares at beginning of the financial year	657,000	429,236
Effect of shares issued :		
- conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	19,027	5,211
- exercise of Employee Share Option Scheme ("ESOS")	-	7,870
- rights issue with warrants, bonus issue and settlement which was completed on 28 March 2008	-	180,173
Effect of shares buy back	(4,972)	(3,226)
Adjustment for weighted average number of shares assuming conversion of remaining ICULS	88,148	117,888
Weighted average number of ordinary shares in issue	759,203	737,152
Basic earnings per share	15.98	15.68

(b) Fully diluted

The Warrants are antidilutive and hence the calculation of diluted earnings per share for the financial year ended 31 December 2009 and financial year ended 31 December 2008 does not assume the exercise of the Warrants.

39 DIVIDENDS

	Group and Company	
	2009 RM'000	2008 RM'000
In respect of the financial year ended 31 December 2009:		
1st interim tax exempt dividend of 2.5 sen per share paid on 15 October 2009:	17,044	-
In respect of the financial year ended 31 December 2008		
1st interim dividend of 4% less 26% income tax paid on 10 October 2008	-	9,658
Special dividend of 2% less 26% income tax paid on 10 October 2008	-	4,829
2nd interim dividend of 3.0 sen per share comprising:		
(i) gross dividend of 1.5 sen per share less 25% income tax paid on 28 April 2009 ; and	7,546	-
(ii) tax exempt dividend of 1.5 sen per share paid on 28 April 2009	10,062	-
In respect of the financial year ended 31 December 2007:		
2nd interim dividend of 8% less 26% income tax paid on 23 April 2008	-	16,106
	34,652	30,593

39 DIVIDENDS (CONTINUED)

On 23 February 2010, the Directors declared the following 2nd interim dividend in respect of the financial year ended 31 December 2009:

(i) tax-exempt cash dividend of 3.0 sen per share; and
(ii) special tax-exempt share dividend to be distributed from the treasury shares of Wah Seong Corporation Berhad ("WSC") on the basis of one (1) WSC treasury share for every one hundred and twenty (120) existing WSC ordinary shares of RM0.50 each held at the entitlement date.

The entitlement date of the 2nd interim dividend was fixed on 25 March 2010 and the amount will be paid/credited into the entitled shareholders' securities accounts on 13 April 2010.

40 ANALYSIS OF ACQUISITION OF NEW SUBSIDIARIES AND BUSINESS

Acquisition of subsidiaries during the financial year:

(i) On 20 April 2009, Wasco Technologies Pte Ltd, a subsidiary of the Company had completed the acquisition of 95% equity stake in PT Megaron Semesta subsequent to approval being obtained from the Badan Koordinasi Penanaman Modal of Indonesia.

Details of the net assets acquired are as follows:

	Fair value RM'000
Property, plant and equipment	3,164
Intangible asset	380
Amounts due from customers on contracts	1,070
Trade and other receivables	6,513
Bank and cash balances	27
Trade and other payables	(13,144)
Amounts due to customers on contracts	(4,555)
Net liabilities	(6,545)
Less: Fair value of total net assets held by minority interest	-
Identifiable net liabilities acquired	(6,545)
Goodwill on acquisition	9,461
Purchase consideration	2,916

The carrying value of the assets and liabilities acquired approximate their fair value.

Goodwill on acquisition is attributable to the acquired customer base and presence which cannot be separately recognized as an intangible asset.

40 ANALYSIS OF ACQUISITION OF NEW SUBSIDIARIES AND BUSINESS (CONTINUED)

Acquisition of subsidiaries during the financial year: (continued)

(i) The acquisition has no significant effect on the revenue and financial results of the Group in the current financial year.

Details of the cashflow arising from the acquisition are as follows:

	At the date of acquisition RM'000
Total purchase consideration	2,916
Less: Cash and cash equivalents of subsidiary acquired	(27)
Net cash outflow to the Group on acquisition	2,889

(ii) On 19 March 2009, Wasco E&P Services Limited, a subsidiary of the Company had subscribed for 80 ordinary shares of USD1.00 each representing an 80% equity stake in Wasco China International Limited ("WCIL"), a company incorporated in British Virgin Islands, for a total cash consideration of USD80.00 (equivalent to RM292.20 based on the exchange rate of USD1.00 to RM3.6525) only.

(iii) On 20 August 2009, Wasco Engineering Group Limited, a subsidiary of the Company had subscribed for 70,000 ordinary shares of RM1.00 each representing a 70% equity stake in Gas Services International (M) Sdn Bhd ("GSIM"), for a total cash consideration of RM70,000 only. GSIM was incorporated as Miza Engineering Sdn Bhd on 16 June 2006 as a private company limited by shares in Malaysia and assumed its present name on 29 January 2007. The authorised share capital of GSIM is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its issued and paid-up capital is RM100,000 only.

(iv) On 28 October 2009, Wasco Coatings Limited, a subsidiary of the Company had completed the acquisition of 12,291,142 ordinary shares of RM1.00 each representing 32.52% equity interest in the issued and paid-up share capital of PPSC Industrial Holdings Sdn Bhd ("PPSCIH") from Socotherm S.p.A. for a total purchase consideration of Euro Fifteen Million and Five Hundred Thousand only (€15,500,000) (equivalent to RM81,358,595 based on the exchange rate of 1.00 to RM5.2489). Purchase consideration consists of:

	RM'000
- Cash paid (€11,000,000 million)	57,739
- Deferred settlement (€4,500,000 million)	
(amount is to be settled in 3 tranches over the next financial year)	23,620
- Cost directly attributable to acquisition paid	437
Total purchase consideration	81,796

As a result of the additional acquisition, PPSCIH has now become a wholly owned indirect subsidiary of the Company. The acquisition has been accounted for as transaction with minority interests. The difference between the consideration paid and the relevant share of the carrying value of net assets of PPSCIH amounting to RM13,334,000 is credited to income statement.

(v) On 17 November 2009,the Company had incorporated Wasco Capital Pte. Limited as a wholly owned subsidiary in Singapore with an initial issued and paid-up capital of USD1.00 comprising one (1) ordinary share of USD1.00 (equivalent to RM3.3660 based on the exchange rate of USD1.00 to RM3.3660) only.

40 ANALYSIS OF ACQUISITION OF NEW SUBSIDIARIES AND BUSINESS (CONTINUED)

Acquisition of subsidiaries during the financial year: (continued)

(vi) On 20 November 2009, Wasco Engineering & Technology Inc ("WETI"), a subsidiary of the Company had incorporated a new joint venture company, Wasco Engineering & Technology (Nantong) Co., Ltd. in the People's Republic of China ("PRC") with a partner, Nan Tong United Technology Co. Ltd ("NTUT") with a shareholding structure of 55% WETI and 45% NTUT.

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

Acquisition of subsidiaries in the preceeding the financial year:

(i) On 18 February 2008, Wasco Coatings Singapore Pte Ltd, a subsidiary of the Company entered into a Subscription Agreement ("SA") with WKB Holding Goor BV ("WKB") whereby the Group had on 16 February 2008 entered into a SA with WKB to inter alia, subscribe for 18,735 ordinary shares of Euro 1.00 each representing 51% equity stake in the enlarged issued and paid up ordinary share capital of Turn Key Pipeline Services BV for a total consideration of Euro 18,735.00 (equivalent to RM88,637 based on the exchange rate of Euro 1.00 to RM4.73).

(ii) On 29 May 2008, PMT Industries Sdn Bhd ("PMT"), a subsidiary of the Company entered into a Shares Sale Agreement with Dong Yuan Engineering Sdn Bhd ("DYESB"), Jutamas Riang Sdn Bhd and Chua Swee Hua, Chua Kok Chong, Chua Kok Tong and Chua Boon Kai to inter alia acquire 700,000 ordinary shares of RM1.00 each (representing 70% equity stake) in PMT–Dong Yuan Industries Sdn Bhd (formerly known as Energy Competitive Sdn Bhd) from DYESB for a total consideration of RM6,650,000.00 only ("Proposed Acquisition"). On 9 July 2008, PMT had received an approval letter from the Foreign Investment Committee confirming that it has no objection to the Proposed Acquisition. On 23 September 2008, the Group had duly completed the said acquisition.

(iii) On 11 September 2008, PPSC Industries Sdn Bhd, a subsidiary of the Company acquired Kiara Harta Sdn Bhd, a company incorporated in Malaysia, for a purchase consideration of RM2.00 only.

(iv) On 9 October 2008, PMT Industries Sdn Bhd, a subsidiary of the Company had incorporated a wholly owned subsidiary known as PMT Industries (Labuan) Ltd in the Federal Territory of Labuan, Malaysia with an authorized capital of JPY1,300,000.00 divided into 1,300,000 ordinary shares of JPY1.00 each and an initial issued and paid up capital of JPY1,000.00 (equivalent to RM34.71 based on exchange rate of JPY100.00 to RM3.4709) only.

(v) On 24 October 2008, Wah Seong China Limited, a subsidiary of the Company had completed its investment/subscription of 65,000 ordinary shares of USD1.00 each representing a 65% equity stake in Ashburn Offshore Oil & Gas Equipment & Engineering Company Ltd, a company incorporated in the People's Republic of China, for a total cash consideration of USD65,000.00 (equivalent to RM232,050.00 based on the exchange rate of USD1.00 to RM3.570) only.

(vi) On 22 December 2008, Wasco Coatings Limited, a subsidiary of the Company had incorporated a wholly owned subsidiary known as Wasco Coatings International Limited in the British Virgin Islands with an authorized capital of USD50,000.00 divided into 50,000 ordinary shares of USD1.00 each and an initial issued and paid up capital of USD1.00 (equivalent to RM3.476) only.

The above acquisitions have no significant effect on the financial results and the financial position of the Group in the preceeding financial year.

40 ANALYSIS OF ACQUISITION OF NEW SUBSIDIARIES AND BUSINESS (CONTINUED)

Acquisition of subsidiaries in the preceeding financial year: (continued)

(vii) Shareholders Agreement entered into by Asiana Emas Sdn Bhd ("AE") arising in it being a subsidiary in the preceeding financial year

On 31 March 2008, AE, a wholly-owned subsidiary of Company, has entered into a Shareholders Agreement in relation to Petro-Pipe (Sabah) Sdn Bhd ("PPS") with 3 other shareholders which resulted in the Group securing control over PPS. As a result, on 31 March 2008, PPS, an associate, became a subsidiary of the Group.

Details of the net assets acquired are as follows:

	Fair value RM'000
Property, plant and equipment	83,114
Prepaid lease payment	13,220
Receivables, deposits and prepayments	13,580
Bank and cash balances	13
Payables	(110,790)
Net liabilities	(863)
Share of net assets as associate	-
	(863)
Goodwill on acquisition	863
Purchase consideration	-

The carrying value of the assets and liabilities acquired approximate their fair value.

The above change has no significant effect on the revenue and financial results of the Group in the preceeding financial year.

Details of cash flows arising from the acquisition are as follows:

	At the date of acquisition/ being a subsidiaries RM'000
Property, plant and equipment	87,413
Prepaid lease payment	13,220
Deferred tax assets	945
Inventories	18,110
Receivables, deposits and prepayments	21,098
Bank and cash balances	6,000
Payables	(147,002)
Borrowings	(1,472)
Deferred tax liabilities	(42)
Minority interest	(1,584)
Net liabilities	(3,314)
Goodwill on acquisition	10,060
	6,746
Less: Cash and cash equivalents of subsidiary acquired	(6,000)
Net cash flow on acquisition	746

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

41 ANALYSIS OF DISPOSAL OF SUBSIDIARIES AND BUSINESS

Disposal of subsidiaries during the financial year:

(i) On 3 March 2009, the members' voluntary liquidation of Thistle Welding Services Pty Ltd was completed. The members' voluntary liquidation had no significant impact on the results and financial position of the Group in the current financial year.

(ii) On 28 July 2009, the striking off of Camark International Limited, China Mine Investments Limited, Equity Empire Investments Limited, Good Glory Investments Limited, Silver Fortune Investments Ltd. and Wise Forward Investments Limited was completed. The striking off of these subsidiaries had no significant impact on the results and financial position of the Group in the current financial year.

(iii) On 28 September 2009, the striking off of Sichuan Kanssen (Yadong) Coating Services Co. Ltd was completed. The striking off of this subsidiary had no significant impact on the results and financial position of the Group in the current financial year.

(iv) On 9 November 2009, the striking off of Ao Jie International Ltd, Asian Dragon Services Limited, Blue Water Overseas Corporation Inc., Good Advance International Limited and Kanswin Limited were completed. The striking off of these subsidiaries had no significant impact on the results and financial position of the Group in the current financial year.

(v) On 2 December 2009, Wasco Coatings Singapore Pte Ltd ("WASCOS"), a subsidiary of the Company completed the disposal of 4,041 ordinary shares of Euro1.00 each representing 11% of the issued and paid-up capital of Turn Key Pipeline Services B.V. ("TKPS") to WKB Holding Goor B.V. ("WKB") for a total consideration of €4,041.00 (equivalent to RM20,469.69 based on the exchange rate of €1.00 to RM5.0655).

As a result, TKPS ceased to be a 51% indirect subsidiary of the Company and became a 40% indirect associated company of the Company.

The effect of the disposal of the subsidiary company as above, up to the date of disposal on the results of the Group is shown below:

	RM'000
Revenue	28,946
Loss after taxation	1,172

Details of the disposal and the net cash flow on disposal are as follows:

	At the date of disposal RM'000
Property, plant and equipment	1,608
Inventories	13,914
Trade and other receivables	7,336
Tax recoverable	21
Cash and bank balances	761
Gross amount due to customers on contracts	(10,228)
Trade and other payables	(16,690)
Identifiable net liabilities disposed	(3,278)
Goodwill	6,413
Less: Minority interest	-
Less: Reclassification of the subsidiary company as an associated company	(3,719)
Total net liabilities disposed	(584)
Gain on disposal	604
Net disposal proceeds	20
Less: Cash and bank balances of the subsidiary company disposed	(761)
Net cash outflow on disposal	(741)

41 ANALYSIS OF DISPOSAL OF SUBSIDIARIES AND BUSINESS (CONTINUED)

Disposal of subsidiaries during the financial year: (continued)

(vi) On 11 December 2009, Wasco Engineering & Technology Inc ("WETI"), a subsidiary of the Company had increased its issued and paid-up capital from USD200,000.00 to USD300,000.00 via the issuance and allotment of 100,000 ordinary shares of USD1.00 each to the following parties for a total consideration of USD100,000.00 ("the Issuance"):

- Key Orient Holdings Limited – 12,500 ordinary shares
- Wasco Engineering Group Limited ("WEGL") – 35,000 ordinary shares
- Ang Ban Teck – 52,500 ordinary shares

With the issuance, WEGL's equity stake in WETI will now be diluted from 80% to 65%. The dilution of equity interest in WETI resulted in a net gain of RM17,000 to the Group.

Disposal of subsidiaries in the preceeding financial year:

(i) On 10 July 2008, Wasco Energy Ltd ("WEL") disposed Wasco Energy Australia Pty Ltd ("WEA") for a consideration of AUD 29.138 million, equivalent to RM 71,562,000.

Details of the disposal are as follows:

	At the date of disposal RM'000
Property, plant and equipment	16,114
Inventories	782
Receivables, deposits and prepayments	32,314
Deposits, bank and cash balances	6,752
Payables	(35,141)
Net assets	20,821
Net disposal proceeds	(71,562)
Gain on disposal	50,741

	At the date of disposal RM'000
The net cash flow on disposal was determined as follows:	
Total proceeds from disposal	71,562
Less: Balance receivable subsequent to financial year end	(39,525)
Less: Cash and cash equivalent of subsidiary disposed	(6,752)
Net cash inflow on disposal	25,285

(ii) Perdana Industri Holdings Berhad was disposed during the previous financial year and this disposal had no significant impact on the results and financial position of the Group in the preceeding financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

42 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Company	
	2009 RM'000	2008 RM'000
Significant transactions with subsidiaries		
- Dividend income:		
- Wah Seong Industrial Holdings Sdn Bhd	16,732	8,123
- Wasco Energy Ltd	43,924	47,597
- Jutasama Sdn Bhd	4,000	-
- Petro-Pipe Industrial Corporation Sdn Bhd	4,001	-
Interest income:		
- Total Oil Technologies Sdn Bhd	524	546
- PPI Industries Sdn Bhd	593	909
- Asiana Emas Sdn Bhd	2,282	3,264
Management fees:		
- Wasco Management Services Sdn Bhd	978	978
Finance cost:		
- Jutasama Sdn Bhd	524	439
Net advances to/(repayment from) subsidiaries:		
- Asiana Emas Sdn Bhd	(13,050)	7,550
- Jutasama International Limited	(29,235)	18,000
- Material Performance Engineering Sdn Bhd	903	-
- Petro-Pipe Industrial Corporation Sdn Bhd	(10,000)	77,805
- Petro-Pipe Industries (M) Sdn Bhd	(9,550)	(3,000)
- PPI Industries Sdn Bhd	(19,948)	23,948
- PPSC Industries Sdn Bhd	(26,127)	5,119
- Syn Tai Hung Trading Sdn Bhd	(1,000)	650
- Total Oil Technologies Sdn Bhd	(3,850)	3,866
- Wah Seong International Pte Limited	2,113	(8,658)
- Wasco Energy Ltd	(129,198)	109,888
Net (advances from)/repayment to subsidiaries:		
- Jutasama Sdn Bhd	12,000	(3,975)
- MPE Lindung Sdn Bhd	(2,194)	-
- Petro-Pipe Industries (M) Sdn Bhd	1,163	-
- PPSC Industrial Holdings Sdn Bhd	4,620	-
- PPSC Industries Sdn Bhd	20,000	-
- Syn Tai Hung Corporation Sdn Bhd	650	(1,501)
- Wah Seong Industrial Holdings Sdn Bhd	15,650	-

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with companies in which a substantial shareholder of the Company, Lembaga Tabung Angkatan Tentera, has financial interest:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of building materials from:				
- UAC Berhad	*	15,680	-	-
- Johan Ceramic Berhad	*	82	-	-
Balances outstanding as at 31 December are as follows:				
- UAC Berhad	*	3,040	-	-
- Johan Ceramic Berhad	*	^	-	-

* Lembaga Tabung Angkatan Tentera ceased to be a substantial shareholder of the Company with effect from 2 November 2009.

^ Amount is less than RM1,000.

Outstanding balances with related parties at year end are as follows:

	Company	
	2009 RM'000	2008 RM'000
Subsidiaries		
Botco Sdn Bhd	4,395	4,219
Petro-Pipe Industrial Corporation Sdn Bhd	85,514	95,510
Material Performance Engineering Sdn Bhd	1,095	36
Total Oil Technologies Sdn Bhd	10,774	14,073
Wasco Management Services Sdn Bhd	9,530	9,869
Asiana Emas Sdn Bhd	30,515	41,140
Gas Services International Limited	612	622
Wasco Energy Ltd	28,624	155,291
WSN Investments Limited	10,642	10,642
MPE Lindung Sdn Bhd	(2,210)	-
Wah Seong Industrial Holdings Sdn Bhd	(31,660)	(46,680)
Wah Seong International Pte Limited	(4,159)	-
Petro-Pipe Industries (M) Sdn Bhd	-	8,389
PPI Industries Sdn Bhd	25	24,341
PPSC Industries Sdn Bhd	-	5,432
Syn Tai Hung Trading Sdn Bhd	61	1,139
Jutasama International Limited	-	29,296
Jutasama Sdn Bhd	(38)	(11,233)
E-Green Technology Sdn Bhd	-	(544)
PPSC Industrial Holdings Sdn Bhd	-	(4,590)
Syn Tai Hung Corporation Sdn Bhd	-	(663)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel are as follows:

Key management personnel comprises the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Key management personnel:				
- Wages, salaries and bonus	7,854	4,517	1,949	1,991
- Defined contribution plan	386	285	234	239
- Other employee benefits	-	145	-	-

The estimated monetary value of benefits-in-kind received and receivable by key management are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Key management personnel	372	334	46	220

43 STAFF COST

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Salaries and bonus (including Executive Directors' remuneration)		154,316	143,493	5,619	5,393
Share based payment		-	77	-	-
Defined contribution plans		7,311	7,270	346	373
		161,627	150,840	5,965	5,766
Less: Expenses capitalised into cost of contracts within amounts due from/(to) customers on contract	15	(22,644)	(24,787)	-	-
		138,983	126,053	5,965	5,766

44 COMMITMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Commitment to acquire property, plant and equipment not provided for in the financial statements:				
Approved and contracted	3,352	16,428	-	-
Approved but not contracted	4,099	47,889	-	-
Operating lease commitments				
Payable not later than one year	2,146	4,839	-	-
Payable later than one year but not later than five years	2,443	1,520	-	-

45 CONTINGENT LIABILITIES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unsecured corporate guarantees given to secure banking facilities granted to subsidiaries	-	-	434,678	183,636
Claim by a customer (Note A)	24,721	11,316	-	-
Performance guarantee given to customers	-	19,520	-	-
Workcover claim (Note B)	-	9,312	-	-
Financial guarantee	198	59	-	-

Note A:

On 8 December 2008, Gas Services International Limited ("GSI"), a subsidiary of the Company was served with a Particulars of Claim by Weatherford UK Limited ("Weatherford"). The claim was for an alleged breach of contract by GSI for the provision of 28 booster compressor ("Boosters") to Weatherford originally aggregating to approximately Euro7.166 million. The claim was revised to approximately Euro5.03 million. The alleged breaches include failure to deliver the Boosters on time for testing and commissioning, non-compliance with relevant standards, specification and fitness for purpose and failure to meet obligations relating to commissioning and on site support. On 23 January 2009, GSI filed a Defence and Counterclaim amounting to originally approximately USD5.58 million denying all the allegations of breach of contract and losses claimed by Weatherford and for Weatherford's failure to make settlement towards outstanding payments and for additional costs incurred arising from changes, variations and/or additional works and requirements. GSI's counterclaim was revised to USD5.09million. GSI and Weatherford have on 1 April 2010 executed a settlement agreement. After the delivery by GSI of certain documentation relating to the certifications of the Boosters which are within the possession or control of GSI and the operational manuals and parts books applicable for the Boosters and confirmation that no further documentation are within GSI's possession or control, Weatherford will pay GSI the sum of US$2,000,000.00 in full satisfaction of all the claims referred to above. The settlement is expected to be completed by July 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

45 CONTINGENT LIABILITIES (CONTINUED)

Note B:

In October 2007, a claim for AUD3.5 million was served by Workcover Corporation of South Australia ("Plaintiff") on WSIPL Australia Pty Ltd (formerly known as Delco Australia Pty Ltd) ("WSIPLA"), a subsidiary of the Company, for supplementary exit levy referred to as "balancing payment" under the Workers Rehabilitation and Compensation Act, 1986. On 11 August 2009, without any admission to liability, the Plaintiff and WSIPLA have agreed to settle the dispute on the "balancing payment", by the Plaintiff adjusting the "balancing payment" to a final sum of AUD192,522 (inclusive of GST). The Plaintiff has filed a Notice of Discontinuance of its claim with no order as to costs.

46 SEGMENTAL ANALYSES

Primary reporting format - business segment

The Group's operations comprise the following business segments:

Oil and gas	-	Pipe-coating services for the oil and gas industry, fabrication and rental of gas compressors and process equipment, design, installation and commissioning of special tanks, pressure vessels and piping, manufacturing, supply and installation of sacrificial anodes, provision of cathodic and corrosion protection services, marketing and provision of all kinds of services related to the oil and gas industry.
Industrial services	-	Marketing and distribution of a wide variety of building materials, installation services of metal roofing and manufacturing of spiral welded steel pipes for civil and water works.
	-	Specialised processing equipment, manufacturing and distribution of replacement parts for palm oil mills and refineries and the sale and services of turbines and equipment.
Others	-	Investment holding, property holding and environmental management.

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

46 SEGMENTAL ANALYSES (CONTINUED)

Primary reporting format - business segment (continued)

Year ended 31 December 2009

	Oil and gas RM'000	Industrial services RM'000	Others RM'000	Elimination RM'000	Group RM'000
REVENUE					
Sales	1,238,782	726,689	5,568	(20,731)	1,950,308
Less: Inter-segment sales	(9,357)	(5,822)	(5,552)	20,731	-
External sales	1,229,425	720,867	16	-	1,950,308
RESULTS					
Segment operating profit/(loss)	251,715	40,188	(10,954)	-	280,949
Profit from operations					280,949
Finance costs					(36,605)
Share of results of Associates	(852)	527	-	-	(325)
Share of results of jointly controlled entities	1,763	-	-	-	1,763
Profit before tax					245,782
Tax expense					(39,543)
Net profit for the financial year					206,239

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

46 SEGMENTAL ANALYSES (CONTINUED)

Primary reporting format - business segment (continued)

At 31 December 2009

	Note	Oil and gas RM'000	Industrial services RM'000	Others RM'000	Group RM'000
NET ASSETS					
Segment assets		1,584,960	368,206	162,876	2,116,042
Investment in associates		14,263	8,140	-	22,403
Investment in jointly controlled entities		36,366	-	-	36,366
Unallocated corporate assets					31,924
Total assets					2,206,735
Segment liabilities		282,335	88,136	5,068	375,539
Unallocated corporate liabilities					796,624
Total liabilities					1,172,163
OTHER INFORMATION					
Purchase of:					
- Property, plant and equipment	4	94,081	16,421	67	110,569
- Prepaid lease payments	5	636	541	-	1,177
Depreciation charged to income statement of:					
- Property, plant and equipment	4	53,838	2,902	291	57,031
- Investment properties	6	103	39	28	170
Amortisation of:					
- Prepaid lease payments	5	710	419	17	1,146
- Intangible assets	12	957	-	-	957
- Islamic Notes issuance costs	27	-	-	98	98
Impairment of:					
- Property, plant and equipment	4	2,761	-	-	2,761
- Investment in associate	8	964	-	-	964
- Investment in jointly controlled entity	9	3,392	-	-	3,392

46 SEGMENTAL ANALYSES (CONTINUED)

Primary reporting format - business segment (continued)

Year ended 31 December 2008

	Oil and gas RM'000	Industrial services RM'000	Others RM'000	Elimination RM'000	Group RM'000
REVENUE					
Sales	1,520,133	843,522	3,093	(23,554)	2,343,194
Inter-segment sales	(11,499)	(11,774)	(281)	23,554	-
External sales	1,508,634	831,748	2,812	-	2,343,194
RESULTS					
Segment operating profit	127,074	43,014	7,447	-	177,535
Profit from operations					177,535
Finance costs					(30,345)
Share of results of associates	377	523	-	-	900
Share of results of jointly controlled entities	4,823	-	-	-	4,823
Profit before tax					152,913
Tax expense					(19,864)
Net profit for the financial year					133,049

46 SEGMENTAL ANALYSES (CONTINUED)

Primary reporting format - business segment (continued)

At 31 December 2008

	Note	Oil and gas RM'000	Industrial services RM'000	Others RM'000	Group RM'000
NET ASSETS					
Segment assets		1,601,298	366,662	75,769	2,043,729
Investment in associates		14,180	6,397	-	20,577
Investment in jointly controlled entities		39,991	-	-	39,991
Unallocated corporate assets					25,297
Total assets					2,129,594
Segment liabilities		374,905	76,306	9,015	460,226
Unallocated corporate liabilities					715,614
Total liabilities					1,175,840
OTHER INFORMATION					
Purchase of:					
- Property, plant and equipment	4	252,088	9,388	488	261,964
- Prepaid lease payments	5	21,566	-	-	21,566
Depreciation charged to income statement of:					
- Property, plant and equipment	4	37,143	2,922	249	40,314
- Investment properties	6	139	40	(68)	111
Amortisation of:					
- Prepaid lease payments	5	569	104	333	1,006
- Intangible assets	12	935	-	-	935
- Islamic Notes issuance costs	27	-	-	118	118
Impairment of :					
- Property, plant and equipment	4	20,683	-	11,646	32,329
- Investment properties	6	-	5	-	5
- Goodwill	11	-	-	3,041	3,041

46 SEGMENTAL ANALYSES (CONTINUED)

Secondary reporting format – geographical segment

The Group operates mainly in Asia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical locations of the assets.

	Revenue RM'000	Capital expenditure RM'000	Total assets RM'000
2009			
Malaysia	1,069,993	46,722	1,366,368
Australia	18,890	2,187	35,008
China	97,068	124	160,441
Middle East	137,588	392	81,314
South East Asia excluding Malaysia	355,724	56,371	394,624
United States of America	36,968	3,933	21,453
Europe	51,631	518	12,195
Other countries of Asia	123,490	6	22,619
Others	58,956	316	53,944
	1,950,308	110,569	2,147,966
Associates			
- Malaysia			18,152
- Europe			4,251
Jointly controlled entities			
- China			26,474
- Middle East			9,763
- Others			129
			2,206,735
2008			
Malaysia	959,321	116,955	1,187,014
Australia	102,358	20,403	33,042
China	267,959	255	190,736
Middle East	105,212	43,600	160,252
South East Asia excluding Malaysia	257,798	78,581	332,187
United States of America	58,428	478	20,371
Europe	131,755	41	30,270
Other countries of Asia	268,147	121	23,742
Others	192,216	1,530	91,412
	2,343,194	261,964	2,069,026
Associates			
- Malaysia			20,577
Jointly controlled entities			
- China			36,926
- Middle East			3,017
- Others			48
			2,129,594

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns for its shareholders. Financial risk management is carried out through risk review, internal control systems, benchmarking the industry's best practices and adherence to the Group's financial risk management policies.

The main risks arising from the financial instruments of the Group are credit risk, interest rate risk, market risk, foreign currency exchange risk and liquidity and cash flow risk. Management monitors the Group's financial position closely with the objective to minimise potential adverse effects on the financial performance of the Group. Management reviews on policies for managing each of these risks and they are summarised below. These policies have remained substantially unchanged during the financial year.

Credit risk

Credit risk arises when progress billings on contract works are raised, sales are made and services rendered on deferred credit terms.

The entire financial assets of the Group are exposed to credit risk except for the cash and bank balances and time deposits which are placed with licensed financial institutions. The Group invests its cash assets safely and profitably by depositing them with licensed financial institutions.

The Group's exposure to credit risk is monitored on an ongoing basis. The Group has credit policies in place to manage the credit risk exposure. The risk is managed through the application of the Group's extensive credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limits, regular monitoring and follow up procedures. Concentration of credit risk with respect to receivables is limited due to a wide spread of customers in various industries.

The Group does not have any significant exposure with respect to non-trade receivables.

The Group does not require collateral in respect of financial assets and considers the risk of material loss from the non-performance on the part of financial counter-parties to be negligible.

Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Exposure to interest rate risk relates primarily to the Group's time deposits and interest-bearing borrowings.

Surplus funds are placed with licensed financial institutions to earn interest income based on prevailing market rates. The Group manages its interest rate risks by placing such funds on short tenures of 12 months or less.

The Group's general policy is to borrow principally on a floating rate basis for short term borrowings and on fixed rate basis for long term borrowings. The objective of a mix of fixed and floating rate borrowings is to reduce the impact of a rise in interest rates and to enable savings to be enjoyed if interest rates fall. The Group has a policy to ensure that interest rates obtained are competitive.

Market risk

Market risk is the risk that a financial instrument's value will fluctuate as a result of changes in market price.

The Group's exposure to market risk is in respect of its quoted investments. These investments are monitored regularly and subject to periodic review. An allowance for diminution in value is made if the Directors are of the opinion that there is a decline in the value of such investments which is other than temporary.

The Group does not use derivative instruments to manage the risk as the investments are held for long term strategic purposes.

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Foreign currency denominated assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Significant transaction with foreign exchange exposures are hedged, mainly with derivative financial instruments such as foreign currency forward contracts.

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, time deposits and the availability of funding through an adequate amount of committed credit facilities. The Group's exposure to liquidity and cash flow risk is monitored on an ongoing basis. Due to the nature of the business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The concentration of liquidity and cash flow risk with respect to bank borrowings, hire purchase liabilities and ICULS are minimal as the Group maintains sufficient cash to meet these commitments.

48 FINANCIAL INSTRUMENTS

(a) Off Balance Sheet

Interest rate swap

The Group has entered into interest rate swap contract to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instrument of a subsidiary of the Group. The differences between the rates calculated by reference to the agreed notional principal amounts are exchanged at periodic intervals. The interest rate swap contract at balance sheet date is as follows:

31.12.2009

Type	Notional amount	Effective period	Fixed rate per annum	Floating rate per annum	Fair value liability
USD Interest Rate Swap	USD15,500,000	30 October 2008 to 29 July 2011	5.5%	3 month SIBOR + 1.65%	RM1,703,160

31.12.2008

Type	Notional amount	Effective period	Fixed rate per annum	Floating rate per annum	Fair value liability
USD Interest Rate Swap	USD23,900,000	30 October 2008 to 29 July 2011	5.5%	3 month SIBOR + 1.65%	RM2,706,067

Any differential paid or received on the interest rate swap contract is recognized as a component of finance cost over the period of the contract.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Off Balance Sheet (continued)

Interest rate cap

The Group has entered into interest rate cap during the financial year to limit the Group's exposure from adverse fluctuations in interest rates of underlying debt instrument of a subsidiary of the Group. The Group will receive interest at the end of each contractual period if the USD London Interbank Offered Rate ("LIBOR") exceeds the agreed strike rate of 2.35% per annum. The contract will mature on 31 October 2012 and the floating interest rate will be repriced quarterly.

Type	Notional amount	Fixed effective period	Fair value asset
USD Interest Rate Capital	USD20,170,000	29 January 2010 to 31 October 2012	RM374,935

The interest rate cap entered on 5 November 2009 is recorded at fair value which is equal to the premium paid.

Forward contracts

The foreign currency amounts to be received or paid and the contractual exchange rates of a subsidiary of the Group's outstanding forward contracts as at 31 December 2009 were as follows:

Hedged item	Currency to be received	Currency to be paid	RM equivalent	Contractual rate	Fair value RM
31.12.2009					
Trade receivables - USD 6,600,000	RM	USD	22,331,200	3.3835	22,632,720

The net unrecognised loss as at 31 December 2009 on the forward contracts amounted to RM301,520.

The Group had not entered into any forward contracts as at 31 December 2008.

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) On Balance Sheet

Fair values

The carrying amounts of the financial assets and liabilities of the Group and Company at 31 December approximated their fair values except as stated below:

		Group		Company	
	Note	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2009					
Other investments:					
Shares quoted in Malaysia	10	14	35	-	-
ICULS quoted in Malaysia	10	32	73	-	-
Unquoted shares	10	1,050	1,050	-	-
Borrowings:					
ICULS	26	35,259	207,149	35,259	207,149
Term loans (Non-current)	28	435,873	444,525	-	-
2008					
Other investments:					
Shares quoted in Malaysia	10	94	80	-	-
ICULS quoted in Malaysia	10	32	32	-	-
Unquoted shares	10	1,050	1,050	-	-
Borrowings:					
ICULS	26	47,155	117,298	47,155	117,298
Islamic Notes (Non-current)	27	49,902	53,548	49,902	53,548
Term loans (Non-current)	28	198,399	195,451	-	-

49 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Directors on 12 April 2010.