

CHANGHUAT CORPORATION BERHAD
(333769 X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2008

333769 X

**Changhuat Corporation Berhad
(Incorporated in Malaysia)**

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Changhuat Corporation Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

Principal activities

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

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

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

Results

	Group RM	Company RM
Loss for the year	<u>(11,810,849)</u>	<u>(3,695,084)</u>
Attributable to:		
Equity holders of the Company	<u>(11,810,849)</u>	<u>(3,695,084)</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

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

Dividends

The amount of dividends paid by the Company since 30 June 2007 were as follows :

In respect of the financial year ended 30 June 2007 as reported in the directors' report of that year:

	RM
Final dividend of 2% tax exempt, on 41,998,950 ordinary shares, declared on 28 December 2007 and paid on 25 January 2008.	<u>839,979</u>

The Directors do not propose any final dividend in respect of the current financial year.

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Directors

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

Lim Kai @ Lim See Khai
 Lim Lai Huat
 Boo Chin Liong
 P'ng Thean Hong
 Ti Kian Huat
 Seah Cheoh Wah (Appointed on 18 July 2008)
 Siow Kee Yen (Resigned on 18 July 2008)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 30 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows :

	Number of Ordinary Shares of RM1 Each			30 June 2008
	1 July 2007	Bought	Sold	
Direct Interest				
Lim Kai @ Lim See Khai	25,465	-	-	25,465
Lim Lai Huat	1,617,506	2,045,000	-	3,662,506
Indirect Interest				
Lim Kai @ Lim See Khai	19,117,864	-	-	19,117,864
Lim Lai Huat	19,117,864	-	-	19,117,864

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Directors' interests (cont'd)

	Number of Options Over Ordinary Shares of RM1 Each				30 June 2008
	1 July 2007	Granted	Exercised	Lapsed	
Lim Kai @ Lim See Khai	80,000	-	-	-	80,000
Lim Lai Huat	80,000	-	-	-	80,000

Lim Kai @ Lim See Khai and Lim Lai Huat by virtue of their interests in shares in the Company, are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Employee share options scheme

The Changhuat Corporation Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 January 2004. The ESOS was implemented on 18 March 2004 and is to be in force for a period of 5 years from the date of launch or implementation of the scheme and subject to extension or renewal for a further period of 5 years.

The salient features and other terms of the ESOS are disclosed in Note 20 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 100,000 ordinary shares of RM1 each. No employee was granted options to subscribe for 100,000 or more ordinary shares of RM1 each during the financial year.

Details of options granted to directors are disclosed in the section on Director's Interest in this report.

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Other statutory information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist :
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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Other statutory information (cont'd)

(f) In the opinion of the directors :

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Subsequent event

Details of subsequent event are disclosed in Note 31 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 October 2008.

Lim Kai @ Lim See Khai

Lim Lai Huat

**Changhuat Corporation Berhad
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**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Lim Kai @ Lim See Khai and Lim Lai Huat, being two of the directors of Changhuat Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 64 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 October 2008.

Lim Kai @ Lim See Khai

Lim Lai Huat

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Lim Lai Huat, being the director primarily responsible for the financial management of Changhuat Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 64 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Lim Lai Huat at)
Johor Bahru in the State of Johor on)
29 October 2008.)

Lim Lai Huat

Before me,

333769 X

**Independent auditors' report to the members of
Changhuat Corporation Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Changhuat Corporation Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 64.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Lee Ah Too
2187/09/09(J)
Partner

Johor Bahru, Malaysia
Date : 29 October 2008

Changhuat Corporation Berhad
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Income statements

For the year ended 30 June 2008

		Group		Company	
	Note	2008	2007	2008	2007
		RM	RM	RM	RM
Revenue	3	96,250,505	91,152,264	1,250,000	2,700,000
Cost of sales	4	(93,222,738)	(83,777,487)	-	-
Gross profit		3,027,767	7,374,777	1,250,000	2,700,000
Other operating income		1,521,683	2,222,335	-	45,018
Administrative expenses		(15,228,401)	(7,945,914)	(4,930,078)	(1,839,807)
(Loss)/Profit from operations	5	(10,678,951)	1,651,198	(3,680,078)	905,211
Finance income	8	27,676	221,076	4,391	62,828
Finance costs	8	(2,038,495)	(1,714,912)	(20,657)	(21,634)
(Loss)/Profit before taxation		(12,689,770)	157,362	(3,696,344)	946,405
Income tax expense	9	878,921	731,572	1,260	(10,139)
(Loss)/profit for the year		<u>(11,810,849)</u>	<u>888,934</u>	<u>(3,695,084)</u>	<u>936,266</u>
Basic (loss)/earnings per share (sen)	10	<u>(28.12)</u>	<u>2.12</u>		

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

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Balance sheets as at 30 June 2008

		Group		Company	
	Note	2008	2007	2008	2007
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	67,236,159	65,202,079	406,015	564,181
Prepaid land lease payments	13	4,175,444	4,440,646	-	-
Investment properties	14	11,630,962	11,933,344	-	-
Investments in subsidiaries	15	-	-	28,591,967	31,683,136
		<u>83,042,565</u>	<u>81,576,069</u>	<u>28,997,982</u>	<u>32,247,317</u>
Current assets					
Inventories	16	17,006,429	17,519,031	-	-
Receivables	17	21,113,492	25,504,752	31,006,215	33,935,289
Tax recoverable		1,282,378	873,026	876,483	553,744
Cash and bank balances	18	3,096,698	3,478,893	1,261,829	73,446
		<u>42,498,997</u>	<u>47,375,702</u>	<u>33,144,527</u>	<u>34,562,479</u>
Non-current asset held for sale	19	-	1,715,911	-	-
TOTAL ASSETS		<u>125,541,562</u>	<u>130,667,682</u>	<u>62,142,509</u>	<u>66,809,796</u>

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Balance sheets as at 30 June 2008 (cont'd)

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	41,998,950	41,998,950	41,998,950	41,998,950
Share premium		9,532,232	9,532,232	9,532,232	9,532,232
Foreign exchange reserve	26	2,529,765	1,531,028	-	-
Retained profits	27	11,094,038	23,718,646	10,141,395	14,676,458
Total equity		65,154,985	76,780,856	61,672,577	66,207,640
Non-current liabilities					
Borrowings	21	9,374,564	11,394,272	190,249	277,383
Deferred tax liabilities	24	3,413,865	4,676,117	-	-
Non-current liabilities		12,788,429	16,070,389	190,249	277,383
Current liabilities					
Borrowings	21	24,990,398	16,973,272	92,580	122,320
Payables	23	21,927,399	20,496,322	187,103	202,453
Tax payables		680,351	346,843	-	-
		47,598,148	37,816,437	279,683	324,773
Total liabilities		60,386,577	53,886,826	469,932	602,156
TOTAL EQUITY AND LIABILITIES		125,541,562	130,667,682	62,142,509	66,809,796

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

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Consolidated statement of changes in equity
For the year ended 30 June 2008

	Note	<--- Non-distributable --->			Distributable	Total RM
		Share capital RM	Share premium RM	Foreign exchange reserve RM	Retained profits RM	
At 1 July 2006		41,998,950	9,532,232	1,799,098	22,513,779	75,844,059
Foreign currency translation		-	-	(268,070)	-	(268,070)
Net expense recognised directly in equity		-	-	(268,070)	315,933	47,863
Net profit for the year		-	-	-	888,934	888,934
Total recognised income and expense for the year		-	-	(268,070)	1,204,867	936,797
At 30 June 2007		41,998,950	9,532,232	1,531,028	23,718,646	76,780,856
At 1 July 2007		41,998,950	9,532,232	1,531,028	23,718,646	76,780,856
Foreign currency translation		-	-	998,737	-	998,737
Deferred tax arising from changes in tax rate		-	-	-	26,220	26,220
Net expense recognised directly in equity		-	-	998,737	26,220	1,024,957
Net loss for the year		-	-	-	(11,810,849)	(11,810,849)
Dividends	11	-	-	-	(839,979)	(839,979)
Total recognised expense and income for the year		-	-	998,737	(12,624,608)	(11,625,871)
At 30 June 2008		41,998,950	9,532,232	2,529,765	11,094,038	65,154,985

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

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Company statement of changes in equity
For the year ended 30 June 2008

	Note	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total RM
At 1 July 2006		41,998,950	9,532,232	13,740,192	65,271,374
Net profit for the year		-	-	936,266	936,266
At 30 June 2007		41,998,950	9,532,232	14,676,458	66,207,640
At 1 July 2007		41,998,950	9,532,232	14,676,458	66,207,640
Net loss for the year		-	-	(3,695,084)	(3,695,084)
Dividends	11	-	-	(839,979)	(839,979)
At 30 June 2008		41,998,950	9,532,232	10,141,395	61,672,577

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

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Cash flow statements

For the year ended 30 June 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from operating activities				
(Loss)/profit before taxation	(12,689,770)	157,362	(3,696,344)	946,405
Adjustments for :				
Amortisation of prepaid land lease payments	141,194	190,500	-	-
Amortisation of investment properties	305,682	304,867	-	-
Bad debts written off	107,575	850	-	-
Depreciation of property, plant and equipment	7,026,644	6,490,218	158,166	167,120
Dividend income	-	-	(1,250,000)	(2,700,000)
Interest expense	1,869,248	1,477,224	-	-
Interest income	(27,676)	(221,076)	(4,391)	(62,828)
Inventories written off	4,285,326	85,030	-	-
Gain on disposal of property, plant and equipment	(97,700)	(1,563,876)	-	(38,200)
Gain on disposal of non current asset held for sale	(134,089)	-	-	-
Property, plant and equipment written off	209,192	15,886	-	-
Provision for doubtful debts	2,930,227	-	-	-
Provision for diminution in value of investment in subsidiaries	-	-	3,550,000	-
Provision for diminution in golf membership	-	100,207	-	-
Unrealised foreign exchange loss/(gain)	1,555,527	595,663	(183,733)	41,995
Operating profit/(loss) before working capital changes	5,481,380	7,632,855	(1,426,302)	(1,645,508)
Inventories	(3,950,332)	1,716,991	-	-
Receivables	2,877,153	(3,568,919)	3,112,807	423,290
Payables	1,108,785	4,583,572	(15,350)	17,756
Cash generated from/(used in) operations	5,516,986	10,364,499	1,671,155	(1,204,462)
Interest paid	(1,869,248)	(1,477,224)	-	-
Taxes paid	(2,212,723)	(285,855)	(321,479)	-
Net cash generated from/(used in) operating activities	1,435,015	8,601,420	1,349,676	(1,204,462)

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Cash flow statements (cont'd)
For the year ended 30 June 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from investing activities				
Addition of investment	-	-	(458,831)	(1,366,330)
Dividends received	-	-	1,250,000	2,700,000
Dividends paid to shareholders	(839,979)	-	(839,979)	-
Interest received	27,676	221,076	4,391	62,828
Addition of investment property	(3,300)	-	-	-
Proceeds from disposal of non-current asset held for sale	1,850,000	-	-	-
Proceeds from disposal of property, plant and equipment	97,700	1,688,928	-	115,000
Purchase of property, plant and equipment	(9,808,812)	(17,195,210)	-	(64,999)
Net cash (used in)/generated from investing activities	<u>(8,676,715)</u>	<u>(15,285,206)</u>	<u>(44,419)</u>	<u>1,446,499</u>
Cash flows from financing activities				
Drawdown of term loans	4,265,536	10,795,306	-	-
Drawdown/(repayment) of hire purchase obligations	774,905	(370,927)	(116,874)	(203,397)
Drawdown/(repayment) of short term borrowings	3,981,451	(5,388,166)	-	-
Repayment of term loans	(3,233,910)	(2,400,431)	-	-
Net cash generated from/(used in) financing activities	<u>5,787,982</u>	<u>2,635,782</u>	<u>(116,874)</u>	<u>(203,397)</u>
Net (decrease)/increase in cash and cash equivalents	(1,453,718)	(4,048,004)	1,188,383	38,640
Effects of exchange rate changes	1,374,773	(497,459)	-	-
Cash and cash equivalents at beginning of year	<u>(689,392)</u>	<u>3,856,071</u>	<u>73,446</u>	<u>34,806</u>
Cash and cash equivalents at end of year (note 18)	<u><u>(768,337)</u></u>	<u><u>(689,392)</u></u>	<u><u>1,261,829</u></u>	<u><u>73,446</u></u>

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

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Notes to the financial statements - 30 June 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at PLO 78, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are described in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 October 2008.

2. Significant accounting policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1 July 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for certain freehold and short term leasehold land and buildings included within property, plant and equipment and investment properties that are stated at their 1997 revaluation less depreciation as permitted under the transitional provisions of FRS 116₂₀₀₄ : Property, Plant and Equipment.

The financial statements are presented in Ringgit Malaysia (RM).

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2. Significant accounting policies (cont'd)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Subsidiaries are consolidated using the merger method of accounting except for one subsidiary which is consolidated using the purchase method of accounting.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Other acquisition of subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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2. Significant accounting policies (cont'd)

(ii) Basis of Consolidation (cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represent goodwill.

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

(b) Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment except for certain freehold and short term leasehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain freehold and short term leasehold land and buildings of the Group have not been revalued since they were first revalued in 1997. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of FRS 116₂₀₀₄: Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation and impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Building under construction and plant and machinery under installation are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

Leasehold land	20 to 55 years
Building	2% to 5%
Plant and machinery	5% to 10%
Motor vehicles	10% to 20%
Furniture and fittings	10% to 20%
Electrical installation	5% to 10%
Office and computer equipment	10% to 20%
Mould, tools and equipment	10% to 20%
Renovation and air conditioner	5% to 20%

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2. Significant accounting policies (cont'd)

(b) Property, Plant and Equipment and Depreciation (cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(c) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(d) Impairment of Non-financial Assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

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

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2. Significant accounting policies (cont'd)

(d) Impairment of Non-financial Assets (cont'd)

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

(f) Financial Instruments

For financial instruments recognised on the balance sheet, they are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group 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.

Financial assets and financial liabilities recognised on the balance sheet include cash and bank balances, trade and other receivables and payables and equity. The accounting policies on recognition and measurement of these financial instruments are as follows :

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2. Significant accounting policies (cont'd)

(f) Financial Instruments (cont'd)

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Trade Payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and the obligation of payment is established.

(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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2. Significant accounting policies (cont'd)

(g) Leases (cont'd)

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

(ii) Operating Leases - the Group as Lessee

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

(h) Income Tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

**Changhuat Corporation Berhad
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd)****(i) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) Employee Benefits**(i) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated 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 entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(k) Foreign Currencies**(i) Functional and Presentation Currency**

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

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2. Significant accounting policies (cont'd)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign exchange reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items at fair value are included in profit or loss for the period except the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated in RM as follows :

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions: and
- All resulting exchange differences are taken to the foreign exchange reserve within equity.

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2. Significant accounting policies (cont'd)

(iii) Foreign Operations

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(l) Revenue Recognition

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

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer.

(ii) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of lease.

(iii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

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

(m) Non-current Asset Held for Sale

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

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

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2. Significant accounting policies (cont'd)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the adoption of the following new FRSs on 1 July 2007 as discussed below.

FRS 6: Exploration for and Evaluation of Mineral Resources
FRS 117: Leases
FRS 124: Related Party Disclosures
Amendment to FRS 119₂₀₀₄: Employee Benefits - Actuarial gains and losses, group plans and disclosures.
FRS 107: Cash Flow Statements
FRS 111: Construction Contracts
FRS 112: Income Taxes
FRS 118: Revenue
FRS 120: Accounting for Government Grants and Disclosures of Government Assistance
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates
- Net Investment in a Foreign Operation
Amendments to FRS 134: Interim Financial Reporting
Amendments to FRS 137: Provision, Contingent Liabilities and Contingent Assets
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the Restatement Approach under FRS 129₂₀₀₄
Financial Reporting in Hyperinflationary Economies
IC Interpretation 8: Scope of FRS 2

The adoption of the above FRSs, amendments to FRSs and Interpretations does not result in significant changes in the accounting policies of the Group and of the Company. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below.

The Group and the Company have not early adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date is 1 January 2010. By virtue of the exemption in this standard, the impact of applying FRS 139 on the Group and the Company's financial statements upon first adoption of this standard is not disclosed.

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2. Significant accounting policies (cont'd)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(a) FRS 117: Leasehold land held for own use

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Company has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated. The effects on the balance sheet as at 30 June 2008 are set out in Note 2.3(b). There were no effects on the consolidated income statement and the Company's income statement for the year ended 30 June 2008.

(b) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 30 June 2008 is higher or lower than it would have been had the previous policies been applied in the current year.

Effects on balance sheets as at 30 June 2008

Description of change	Increase/ (Decrease)
Group	FRS 117 Note 2.3(a) RM
Property, plant and equipment	(4,175,444)
Prepaid lease payments	<u>4,175,444</u>

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2. Significant accounting policies (cont'd)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

(c) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

	Previously Stated	Increase/ (Decrease)	Restated
		<u>FRS 117</u>	
		Note 2.3(a)	
	RM	RM	RM
At 30 June 2007			
Group			
Property, plant and equipment	69,642,725	(4,440,646)	65,202,079
Prepaid lease payments	-	4,440,646	4,440,646

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group reviewed the residual values and remaining useful life of its property, plant and equipment and found that no revisions to the residual values and remaining useful life of its property, plant and equipment were necessary.

2.5 Significant Accounting Estimates and Judgements

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

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2. Significant accounting policies (cont'd)

2.5 Significant Accounting Estimates and Judgements (cont'd)

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses of the Group was RM1,841,000 (2007 : RM544,000).

3. Revenue

Revenue for the Group represents invoiced value of goods sold net of discounts and returns whereas revenue for the Company represents dividends from subsidiaries.

4. Cost of sales

Cost of sales represent cost of inventories sold.

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5. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging/(crediting) :

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Staff costs (Note 6)	17,205,310	17,317,535	799,925	802,378
Non-executive directors' remuneration (Note 7)	78,500	108,130	78,500	108,130
Auditors' remuneration				
- statutory audit for current year	86,706	103,637	17,000	25,500
- overprovision in prior year	(10,249)	-	(4,400)	-
- other services	51,893	139,785	17,500	20,200
Amortisation of prepaid land lease payments (Note 13)	141,194	190,500	-	-
Amortisation of investment properties (Note 14)	305,682	304,867	-	-
Bad debts written off	107,575	850	-	-
Depreciation (Note 12)	7,026,644	6,490,218	158,166	167,120
Factory rental	650,983	261,283	-	-
Hostel rental	231,580	168,137	50,100	-
Inventories written off	4,285,326	85,030	-	-
Gain on disposal of non-current asset held for sale	(134,089)	-	-	-
Gain on disposal of property, plant and equipment	(97,700)	(1,563,876)	-	(38,200)
Net foreign exchange losses/(gains)				
- realised	142,405	670,291	-	-
- unrealised	1,555,527	595,663	(183,733)	41,995
Property, plant and equipment written off	209,192	15,886	-	-
Provision for doubtful debts	2,930,227	-	-	-
Provision for diminution in value of investment in subsidiaries	-	-	3,550,000	-
Provision for diminution in golf membership	-	100,207	-	-

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6. Staff costs

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Wages and salaries	15,807,176	15,999,224	714,531	665,602
Pension costs	687,282	289,874	83,493	113,775
Social security costs	165,626	678,309	3,193	3,572
Other staff related expenses	545,226	350,128	(1,292)	19,429
	<u>17,205,310</u>	<u>17,317,535</u>	<u>799,925</u>	<u>802,378</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM704,982 (2007 : RM759,816) and RM 233,864 (2007 : RM280,328) respectively as further disclosed in Note 7.

7. Key management personnel compensation

The remuneration of key management during the year was as follows :

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive :				
Salaries and other emoluments	553,904	595,872	233,864	250,520
Bonus	16,670	33,340	-	-
Pension costs - defined contribution plans	40,445	72,253	-	29,808
	<u>611,019</u>	<u>701,465</u>	<u>233,864</u>	<u>280,328</u>
Benefits-in-kind	86,066	127,123	72,023	101,726
	<u>697,085</u>	<u>828,588</u>	<u>305,887</u>	<u>382,054</u>
Non-Executive :				
Fees	70,000	65,000	70,000	65,000
Meeting allowances	8,500	43,130	8,500	43,130
Total directors' remuneration including benefits-in-kind	<u>78,500</u>	<u>108,130</u>	<u>78,500</u>	<u>108,130</u>
Directors of Subsidiaries				
Executive :				
Salaries and other emoluments	93,963	58,351	-	-
Benefits-in-kind	15,702	7,112	-	-
	<u>109,665</u>	<u>65,463</u>	<u>-</u>	<u>-</u>
	<u>885,250</u>	<u>1,002,181</u>	<u>384,387</u>	<u>490,184</u>

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7. Key management personnel compensation (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Analysis excluding benefits-in-kind :				
Total executive directors' remuneration excluding benefits-in-kind (Note 6)	704,982	759,816	233,864	280,328
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	78,500	108,130	78,500	108,130
Total directors' remuneration excluding benefits-in-kind	<u>783,482</u>	<u>867,946</u>	<u>312,364</u>	<u>388,458</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below :

	Number of Directors	
	2008	2007
Executive directors :		
RM250,001 - RM300,000	1	1
RM500,001 - RM550,000	1	1
Non-Executive directors :		
Below RM50,000	6	6

8. Finance costs, net

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Bank charges	169,247	237,689	(1,270)	(720)
Interest on borrowings	1,869,248	1,477,223	21,927	22,354
Interest income	(27,676)	(221,076)	(4,391)	(62,828)
	<u>2,010,819</u>	<u>1,493,836</u>	<u>16,266</u>	<u>(41,194)</u>

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9. Taxation

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Income tax :				
Malaysian income tax	66,468	202,800	8,500	19,000
Foreign tax	-	-	-	-
	<u>66,468</u>	<u>202,800</u>	<u>8,500</u>	<u>19,000</u>
Under/(Over)provided in prior years :				
Malaysian income tax	290,643	(415,177)	(9,760)	(8,861)
	<u>357,111</u>	<u>(212,377)</u>	<u>(1,260)</u>	<u>10,139</u>
Deferred tax (Note 24) :				
Relating to origination and reversal of temporary differences	(485,741)	(199,662)	-	-
Relating to changes in tax rates	12,769	(42,297)	-	-
Overprovided in prior years	(763,060)	(277,236)	-	-
	<u>(1,236,032)</u>	<u>(519,195)</u>	<u>-</u>	<u>-</u>
	<u>(878,921)</u>	<u>(731,572)</u>	<u>(1,260)</u>	<u>10,139</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007 : 27%) of the estimated assessable profit for the year. The income tax rate on the first RM500,000 (2007 : RM500,000) of chargeable income for qualified small and medium enterprises, which certain subsidiaries are qualified as, have been further reduced to 20%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

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

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9. Taxation (cont'd)

	Group	
	2008	2007
	RM	RM
(Loss)/profit before taxation	<u>(12,689,770)</u>	<u>157,362</u>
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	(3,299,340)	42,488
Deferred tax recognised at different tax rates	12,769	(42,297)
Effect of tax at 20% (2007 : 20%) on first RM500,000 (2007 : RM500,000) of chargeable income for subsidiaries qualified as small and medium companies	(35,874)	(72,891)
Effect of income not subject to tax	(417,186)	(730,609)
Effect of expenses not deductible for tax purposes	2,973,465	1,154,192
Effect of deferred tax assets not recognised	389,486	(210,230)
Effect of utilisation of current year's reinvestment and capital allowance	(29,824)	(115,805)
Claw back of industrial building allowance	-	(64,007)
Overprovision of deferred tax in prior year	(763,060)	(277,236)
Overprovision of tax expenses in prior years	<u>290,643</u>	<u>(415,177)</u>
Tax income for the year	<u>(878,921)</u>	<u>(731,572)</u>

	Company	
	2008	2007
	RM	RM
Profit before taxation	<u>(3,696,344)</u>	<u>946,405</u>
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	(961,049)	255,529
Effect of income not subject to tax	(47,842)	(430,799)
Effect of expenses not deductible for tax purposes	1,015,263	202,781
Utilisation of capital allowances	-	(8,511)
Deferred tax assets not recognised	2,128	-
Overprovision of tax expenses in prior year	<u>(9,760)</u>	<u>(8,861)</u>
Tax expense for the year	<u>(1,260)</u>	<u>10,139</u>

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10. (Loss)/earnings per share

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

	Group	
	2008	2007
(Loss)/profit attributable to ordinary equity holders of the Company (RM)	(11,810,849)	888,934
Weighted average number of ordinary shares in issue	41,998,950	41,998,950
Basic (loss)/earnings per share (sen)	<u>(28.12)</u>	<u>2.12</u>
Diluted (loss)/earnings per share (sen)	<u>(28.12)</u>	<u>2.12</u>

Diluted (loss)/earnings per share is same as basic (loss)/earnings per share as the effect on the potential share issue is anti-dilutive.

11. Dividends

	2008	2007
	RM	RM
Recognised during the year :		
Final dividends for 2007 : 2% tax exempt on 41,998,950 ordinary shares (2.0 sen per ordinary share)	<u>839,979</u>	<u>-</u>

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12. Property, plant and equipment

Group	Freehold land RM	Factory and residential buildings RM	Buildings under construction RM	Plant and machinery under installation RM	Plant and machinery RM	Motor vehicles RM	*Other assets RM	Total RM
At 30 June 2008								
Cost or valuation								
At 1 July 2007	1,648,491	25,778,253	6,265,973	16,007	85,181,438	4,883,605	14,923,692	138,697,459
Additions	-	197,248	-	1,404,211	4,501,676	111,680	3,593,997	9,808,812
Disposals	-	-	-	-	(1)	(853,549)	-	(853,550)
Written off	-	-	-	-	(359,012)	-	-	(359,012)
Reclassification	-	6,390,362	(6,390,362)	-	-	-	-	-
Exchange differences	32,725	(329,142)	124,389	318	(1,452,698)	(55,054)	(687,593)	(2,367,055)
At 30 June 2008	<u>1,681,216</u>	<u>32,036,721</u>	<u>-</u>	<u>1,420,536</u>	<u>87,871,403</u>	<u>4,086,682</u>	<u>17,830,096</u>	<u>144,926,654</u>
Representing :								
At cost	1,681,216	20,114,974	-	1,420,536	87,871,403	4,086,682	17,830,096	133,004,907
At valuation	-	11,921,747	-	-	-	-	-	11,921,747
At 30 June 2008	<u>1,681,216</u>	<u>32,036,721</u>	<u>-</u>	<u>1,420,536</u>	<u>87,871,403</u>	<u>4,086,682</u>	<u>17,830,096</u>	<u>144,926,654</u>

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12. Property, plant and equipment (cont'd)

Group (Cont'd)	Freehold land RM	Factory and residential buildings RM	Buildings under construction RM	Plant and machinery under installation RM	Plant and machinery RM	Motor vehicles RM	*Other assets RM	Total RM
Accumulated depreciation								
At 1 July 2007	-	5,403,237	-	-	54,706,046	3,373,245	10,012,852	73,495,380
Depreciation charge for the year (Note 5)	-	720,933	-	-	4,728,321	433,831	1,143,559	7,026,644
Disposals	-	-	-	-	-	(853,549)	-	(853,549)
Write off	-	-	-	-	(149,820)	-	-	(149,820)
Exchange differences	-	(172,856)	-	-	(1,166,786)	(20,258)	(468,260)	(1,828,160)
At 30 June 2008	-	5,951,314	-	-	58,117,761	2,933,269	10,688,151	77,690,495
Net carrying amount								
At 30 June 2008								
At cost	1,681,216	16,758,259	-	1,420,536	29,753,642	1,153,413	7,141,945	57,909,011
At valuation	-	9,327,148	-	-	-	-	-	9,327,148
	1,681,216	26,085,407	-	1,420,536	29,753,642	1,153,413	7,141,945	67,236,159

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12. Property, plant and equipment (cont'd)

Group (Cont'd)	Freehold land RM	Factory and residential buildings RM	Buildings under construction RM	Plant and machinery under installation RM	Plant and machinery RM	Motor vehicles RM	*Other assets RM	Total RM
At 30 June 2007								
Cost or valuation								
At 1 July 2006	1,599,858	26,440,745	-	2,086,565	76,655,184	4,439,743	12,807,204	124,029,299
Additions	-	150,853	6,265,973	16,007	7,423,620	1,161,975	2,291,892	17,310,320
Disposals	-	-	-	-	(1,527,853)	(728,969)	(199,781)	(2,456,603)
Write off	-	-	-	-	(33,514)	-	(74,975)	(108,489)
Reclassification	-	-	-	(2,149,993)	2,130,646	-	-	(19,347)
Reclassified as held for sale (Note 19)	-	(1,011,925)	-	-	-	-	-	(1,011,925)
Exchange differences	48,633	198,580	-	63,428	533,355	10,856	99,352	954,204
At 30 June 2007	1,648,491	25,778,253	6,265,973	16,007	85,181,438	4,883,605	14,923,692	138,697,459
Representing :								
At cost	1,648,491	13,909,206	6,265,973	16,007	85,181,438	4,883,605	14,923,692	126,828,412
At valuation	-	11,869,047	-	-	-	-	-	11,869,047
At 30 June 2007	1,648,491	25,778,253	6,265,973	16,007	85,181,438	4,883,605	14,923,692	138,697,459

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12. Property, plant and equipment (cont'd)

Group (Cont'd)	Freehold land RM	Factory and residential buildings RM	Buildings under construction RM	Plant and machinery under installation RM	Plant and machinery RM	Motor vehicles RM	*Other assets RM	Total RM
Accumulated depreciation								
At 1 July 2006	-	4,802,980	-	-	51,673,747	3,639,809	9,252,271	69,368,807
Depreciation charge for the year (Note 5)	-	597,914	-	-	4,647,649	379,438	865,217	6,490,218
Disposals	-	-	-	-	(1,803,514)	(652,162)	(125,979)	(2,581,655)
Write off	-	-	-	-	(33,512)	-	(59,091)	(92,603)
Reclassified as held for sale (Note 19)	-	(40,477)	-	-	-	-	-	(40,477)
Exchange differences	-	42,820	-	-	221,676	6,160	80,434	351,090
At 30 June 2007	-	5,403,237	-	-	54,706,046	3,373,245	10,012,852	73,495,380
Net carrying amount								
At 30 June 2007								
At cost	1,648,491	10,869,500	6,265,973	16,007	30,475,392	1,510,360	4,910,840	55,696,563
At valuation	-	9,505,516	-	-	-	-	-	9,505,516
	1,648,491	20,375,016	6,265,973	16,007	30,475,392	1,510,360	4,910,840	65,202,079

* Other assets consist of furniture and fittings, electrical installation, office equipment and computer equipment, mould, tools and equipment, renovation and air conditioner.

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12. Property, plant and equipment (cont'd)

Company	Motor vehicles RM	Signboard RM	Office equipment RM	Total RM
At 30 June 2008				
Cost				
At 1 July 2007/30 June 2008	691,492	15,240	10,849	717,581
Accumulated depreciation				
At 1 July 2007	132,749	14,614	6,037	153,400
Depreciation charge for the year (Note 5)	156,718	625	823	158,166
At 30 June 2008	289,467	15,239	6,860	311,566
Net carrying amount				
At 30 June 2008	402,025	1	3,989	406,015
At 30 June 2007				
Cost				
At 1 July 2006	396,892	15,240	8,850	420,982
Additions	413,000	-	1,999	414,999
Disposals	(118,400)	-	-	(118,400)
At 30 June 2007	691,492	15,240	10,849	717,581
Accumulated depreciation				
At 1 July 2006	9,705	13,090	5,085	27,880
Depreciation charge for the year (Note 5)	164,644	1,524	952	167,120
Disposals	(41,600)	-	-	(41,600)
At 30 June 2007	132,749	14,614	6,037	153,400
Net carrying amount				
At 30 June 2007	558,743	626	4,812	564,181

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12. Property, plant and equipment (cont'd)

- (a) Certain land and buildings of the Group have not been revalued since they were revalued in 1997. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of FRS 116₂₀₀₄: Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation as stated below:

Year of valuation	Description of property	Amount RM	Basis of valuation
1997	Freehold land at Muar	909,000	Open market value
1997	Leasehold land and factory at Muar	570,266	Valuation approved by the Securities Commission
1997	Leasehold land and warehouse at Muar	625,833	Valuation approved by the Securities Commission
1997	Leasehold land and factory at Johor	3,656,440	Open market value
1997	Freehold and short term leasehold land and building	16,169,213	Valuation approved by the Securities Commission

- (b) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM9,808,812 (2007 : RM17,310,320) and RM Nil (2007 : RM414,999) respectively of which RM Nil (2007 : RM115,110) and RM Nil (2007 : RM350,000) respectively were acquired by means of hire purchase arrangements. Net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2008 RM	2007 RM
Motor vehicles	<u>468,509</u>	<u>659,743</u>

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 21.

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12. Property, plant and equipment (cont'd)

- (c) The net carrying amounts of property, plant and equipment pledged as securities for bank borrowings (Note 21) are as follows :

Group	2008 RM	2007 RM
Freehold land	1,681,216	1,648,491
Factory buildings	20,613,091	20,710,600
Residential buildings	616,591	632,395
Plant and machinery	6,717,279	6,780,792
	<u>27,946,961</u>	<u>28,123,787</u>

- (d) Included in the motor vehicles of the Group are motor vehicles with net carrying amounts of RM 1 (2007 : RM 1) registered under the name of a son-in-law of a director and another motor vehicle with net carrying amount of RM 1 (2007 : RM 1) registered in the name of a third party.

13. Prepaid land lease payments

	Group	
	2008 RM	2007 RM
Short term leasehold land		
At 1 July	4,440,646	5,352,054
Amortisation for the year (Note 5)	(141,194)	(190,500)
Reclassified as held for sale (Note 19)	-	(744,463)
Exchange differences	(124,008)	23,555
At 30 June	<u>4,175,444</u>	<u>4,440,646</u>
Analysed as :		
At cost	737,344	926,290
At valuation	3,438,100	3,514,356
At 30 June	<u>4,175,444</u>	<u>4,440,646</u>

- (a) The remaining period of the leasehold land ranges between 13 to 46 years.
- (b) Leasehold land with an aggregate carrying amount of RM2,597,534 (2007 : RM2,654,483) are pledged as securities for borrowings (Note 21).

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14. Investment properties

	Group	
	2008	2007
	RM	RM
Cost		
At 1 July	14,442,309	14,674,309
Additions	3,300	-
Disposal	-	(232,000)
At 30 June	<u>14,445,609</u>	<u>14,442,309</u>
Accumulated depreciation		
At 1 July	2,508,965	2,204,098
Amortisation (Note 5)	<u>305,682</u>	<u>304,867</u>
At 30 June	<u>2,814,647</u>	<u>2,508,965</u>
Carrying value	<u><u>11,630,962</u></u>	<u><u>11,933,344</u></u>
Fair value of investment properties	<u><u>13,400,000</u></u>	<u><u>13,400,000</u></u>

Had the revalued investment property been carried at historical cost, the carrying amount of investment properties that would have been included in the financial statements as at 30 June 2008 would be as follows :

	2008	2007
	RM	RM
Freehold land	481,602	481,602
Short term leasehold land	548,446	582,021
Buildings	<u>7,377,452</u>	<u>7,496,416</u>
	<u><u>8,407,500</u></u>	<u><u>8,560,039</u></u>

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14. Investment properties (cont'd)

The carrying amount of investment properties pledged for borrowings as referred to in Note 21 are as follows :

	2008	2007
	RM	RM
Short term leasehold land	1,599,904	1,688,463
Factory buildings	6,799,486	6,965,986
	<u>8,399,390</u>	<u>8,654,449</u>

15. Investments in subsidiaries

	Company	
	2008	2007
	RM	RM
Unquoted shares, at cost		
- in Malaysia	25,818,326	25,818,326
- outside Malaysia	10,491,320	10,032,489
	<u>36,309,646</u>	<u>35,850,815</u>
Less: Provision for diminution in value	<u>(7,717,679)</u>	<u>(4,167,679)</u>
	<u>28,591,967</u>	<u>31,683,136</u>

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2008	2007	
Changhuat Plastic Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic injection moulded components and parts
Kisin (M) Sdn. Bhd.	Malaysia	100	100	Property and investment holding
Changhuat Plastic Industries (Senai) Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic injection moulded components and parts
Changhuat Precision Plastic Sdn. Bhd.	Malaysia	100	100	Manufacturing of precision plastic components and parts
Changhuat Precision Mould Sdn. Bhd.	Malaysia	100	100	Manufacturing and servicing of precision moulds. The company had temporarily ceased operations
Changhuat Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing and processing of plastic products. The company had temporarily ceased operations

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15. Investments in subsidiaries (cont'd)

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2008	2007	
Heng Huat Plastic Industries (S) Pte. Ltd. *	Singapore	100	100	Trading of plastic products. The company had temporarily ceased operations
Heng Huat Precision Mould Pte. Ltd. *	Singapore	100	100	Trading of mould. The company had temporarily ceased operations
PT Heng Huat Plastic Industries Indonesia *	Indonesia	99.99	99.99	Manufacturing and processing of plastic injection moulded components and parts
Changhuat Plastic Industries (Rayong) Co. Ltd.*	Thailand	99.99	99.99	Manufacturing and processing of plastic injection moulded components and parts

* Audited by firms of auditors other than Ernst & Young

16. Inventories

	Group	
	2008 RM	2007 RM
At cost :		
Raw materials	8,025,445	9,000,816
Work-in-progress	2,316,530	2,141,111
Finished goods	6,649,073	5,834,951
	<u>16,991,048</u>	<u>16,976,878</u>
At net realisable value :		
Raw materials	-	276,830
Finished goods	15,381	265,323
	<u>15,381</u>	<u>542,153</u>
	<u>17,006,429</u>	<u>17,519,031</u>

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17. Receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables				
Third parties	16,472,471	19,187,250	-	-
Less: Provision for doubtful debts	<u>(347,703)</u>	<u>(202,848)</u>	<u>-</u>	<u>-</u>
	<u>16,124,768</u>	<u>18,984,402</u>	<u>-</u>	<u>-</u>
Other receivables				
Due from subsidiaries	-	-	30,915,137	33,765,675
Due from companies in which certain directors have interest	<u>35,415</u>	<u>36,522</u>	<u>-</u>	<u>36,522</u>
	35,415	36,522	30,915,137	33,802,197
Deposits	854,324	2,021,374	3,400	3,400
Prepayments	1,629,543	416,933	2,143	11,884
Sundry receivables	2,504,857	4,080,936	85,535	117,808
Less: Provision for doubtful debts	<u>(35,415)</u>	<u>(35,415)</u>	<u>-</u>	<u>-</u>
	<u>4,988,724</u>	<u>6,520,350</u>	<u>31,006,215</u>	<u>33,935,289</u>
	<u>21,113,492</u>	<u>25,504,752</u>	<u>31,006,215</u>	<u>33,935,289</u>

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the balance sheet date, 19% (2007 : 15%) of the trade receivables was concentrated within a group of debtors with a common principal.

(b) Amount due from related parties and subsidiaries

These amounts due from related parties and subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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17. Receivables (cont'd)

(c) Sundry receivables

Included in sundry receivables are the following:

	2008	2007
	RM	RM
PT Cheong Huat Industries Indonesia, a company in which a director, Mr Lim Lai Huat, has an interest	3,769	3,769
Staff loan	<u>137,202</u>	<u>47,705</u>

These amounts are repayable on call, unsecured and interest-free except for the staff loan which bear interest of 6% (2007 : 10%) per annum.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of trade and other receivables are disclosed in Note 32.

18. Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date :

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash on hand and at banks	2,795,109	2,878,893	1,261,829	73,446
Fixed deposit with licensed banks	<u>301,589</u>	<u>600,000</u>	-	-
Cash and bank balances	3,096,698	3,478,893	1,261,829	73,446
Bank overdrafts (Note 21)	<u>(3,865,035)</u>	<u>(4,168,285)</u>	-	-
Cash and cash equivalents	<u>(768,337)</u>	<u>(689,392)</u>	<u>1,261,829</u>	<u>73,446</u>

19. Non-current asset held for sale

	2008	2007
	RM	RM
Carrying amount of short term leasehold land and factory building being classified from prepaid land lease payments and property, plant and equipment (Note 12 and 13)	<u>-</u>	<u>1,715,911</u>

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20. Employee benefits

Employee Share Options Scheme (“ESOS”)

The Changhuat Corporation Berhad Employee Share Options Scheme (“ESOS”) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 January 2004. The ESOS was implemented on 18 March 2004 and is to be in force for a period of 5 years from the date of launch or implementation of the scheme and subject to extension or renewal for further period of 5 years. The salient features of the ESOS are as follows:

- (i) The Options Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Options Committee, any employee whose employment has been confirmed and any executive directors holding office in a full-time executive capacity of the Group, shall be eligible to participate in the ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the Options Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM1.
- (v) The options shall become exercisable to the extent of one-third of the shares granted on each of the first three anniversaries from the date of grant provided that the employee has been in continuous service with the Group throughout the period. The employees’ entitlements to the options are vested as soon as they become exercisable.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options, in any share issue of any other company.

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20. Employee benefits (cont'd)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number of Share Options				
	Outstanding at 1 July	Movements During the Year		Outstanding at 30 June	Exercisable at 30 June
		Granted	Lapsed		
2008					
2004 Options	1,419,000	-	-	1,419,000	1,419,000
	<u>1,419,000</u>	<u>-</u>	<u>-</u>	<u>1,419,000</u>	<u>1,419,000</u>
WAEP	<u>1.092</u>	<u>-</u>	<u>-</u>	<u>1.092</u>	<u>1.092</u>
2007					
2004 Options	1,419,000	-	-	1,419,000	1,419,000
	<u>1,419,000</u>	<u>-</u>	<u>-</u>	<u>1,419,000</u>	<u>1,419,000</u>
WAEP	<u>1.092</u>	<u>-</u>	<u>-</u>	<u>1.092</u>	<u>1.092</u>

Details of share options outstanding at the end of the year:

	WAEP RM	Exercise Period
2008		
2004 Options	1.092	18.03.2006 - 17.03.2009
2007		
2004 Options	1.092	18.03.2006 - 17.03.2009

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21. Borrowings

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short Term Borrowings				
Secured :				
Bank overdrafts	999,156	85,587	-	-
Bankers' acceptances	10,741,701	6,760,250	-	-
Term loans	10,061,826	5,838,019	-	-
Hire purchase payables (Note 22)	321,836	206,718	92,580	122,320
	<u>22,124,519</u>	<u>12,890,574</u>	<u>92,580</u>	<u>122,320</u>
Short Term Borrowings				
Unsecured :				
Bank overdrafts	2,865,879	4,082,698	-	-
	<u>24,990,398</u>	<u>16,973,272</u>	<u>92,580</u>	<u>122,320</u>
Long Term Borrowings				
Secured :				
Term loans	8,355,660	11,035,155	-	-
Hire purchase payables (Note 22)	1,018,904	359,117	190,249	277,383
	<u>9,374,564</u>	<u>11,394,272</u>	<u>190,249</u>	<u>277,383</u>
Total Borrowings				
Bank overdrafts (Note 18)	3,865,035	4,168,285	-	-
Bankers' acceptances	10,741,701	6,760,250	-	-
Term loans	18,417,486	16,873,174	-	-
Hire purchase payables	1,340,740	565,835	282,829	399,703
	<u>34,364,962</u>	<u>28,367,544</u>	<u>282,829</u>	<u>399,703</u>

The secured borrowings are secured by the following :

- (i) legal charge over certain property, plant and equipment of the Group as disclosed in Note 12 and Note 13;
- (ii) corporate guarantees by the Company.

Other information on financial risks of borrowings are disclosed in Note 32.

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22. Hire purchase payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Future minimum lease payments :				
Not later than 1 year	398,505	233,766	107,844	145,661
Later than 1 year and not later than 2 years	308,460	151,520	82,320	107,843
Later than 2 years and not later than 5 years	<u>813,211</u>	<u>248,799</u>	<u>123,480</u>	<u>198,940</u>
Total future minimum lease payments	1,520,176	634,085	313,644	452,444
Less : Future finance charges	<u>(179,436)</u>	<u>(68,250)</u>	<u>(30,815)</u>	<u>(52,741)</u>
Present value of finance lease liabilities (Note 21)	<u>1,340,740</u>	<u>565,835</u>	<u>282,829</u>	<u>399,703</u>
Analysis of present value of finance lease liabilities :				
Not later than 1 year	321,836	206,718	92,580	122,320
Later than 1 year and not later than 2 years	255,159	132,180	72,424	92,985
Later than 2 years and not later than 5 years	<u>763,745</u>	<u>226,937</u>	<u>117,825</u>	<u>184,398</u>
	<u>1,340,740</u>	<u>565,835</u>	<u>282,829</u>	<u>399,703</u>
Analysed as :				
Due within 12 months (Note 21)	321,836	206,718	92,580	122,320
Due after 12 months (Note 21)	<u>1,018,904</u>	<u>359,117</u>	<u>190,249</u>	<u>277,383</u>
	<u>1,340,740</u>	<u>565,835</u>	<u>282,829</u>	<u>399,703</u>

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23. Payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables				
Third parties	13,954,382	9,158,597	-	-
Other payables				
Sundry payables	6,241,758	9,549,054	-	-
Due to director	272,318	-	-	-
Accruals	1,458,941	1,788,671	187,103	202,453
	<u>7,973,017</u>	<u>11,337,725</u>	<u>187,103</u>	<u>202,453</u>
	<u>21,927,399</u>	<u>20,496,322</u>	<u>187,103</u>	<u>202,453</u>

(a) **Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 90 days.

(b) **Amount due to director**

The amount due to director is unsecured, interest-free and repayable on call.

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of trade and other payables are disclosed in Note 32.

24. Deferred taxation

	Group	
	2008 RM	2007 RM
At 1 July	4,676,117	5,511,245
Recognised in income statement	(1,236,032)	(519,195)
Recognised in equity	<u>(26,220)</u>	<u>(315,933)</u>
At 30 June	<u>3,413,865</u>	<u>4,676,117</u>

Presented after appropriate offsetting as follows :

Deferred tax assets	(1,841,000)	(544,000)
Deferred tax liabilities	<u>5,254,865</u>	<u>5,220,117</u>
	<u>3,413,865</u>	<u>4,676,117</u>

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24. Deferred taxation (cont'd)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group :

	Revaluation Reserve RM	Accelerated Capital Allowances RM	Total RM
At 1 July 2007	1,590,116	3,630,001	5,220,117
Recognised in income statement	18,968	42,000	60,968
Recognised in equity	(26,220)	-	(26,220)
At 30 June 2008	<u>1,582,864</u>	<u>3,672,001</u>	<u>5,254,865</u>
At 1 July 2006	1,715,244	4,496,001	6,211,245
Recognised in income statement	190,800	(866,000)	(675,200)
Recognised in equity	(315,928)	-	(315,928)
At 30 June 2007	<u>1,590,116</u>	<u>3,630,001</u>	<u>5,220,117</u>

Deferred tax assets of the Group :

	Unused tax losses RM
At 1 July 2007	(544,000)
Recognised in income statement	(1,297,000)
At 30 June 2008	<u>(1,841,000)</u>
At 1 July 2006	(700,000)
Recognised in income statement	156,000
At 30 June 2007	<u>(544,000)</u>

Deferred tax assets have not been recognised in respect of the following items :

	Group	
	2008 RM	2007 RM
Unutilised reinvestment allowances	6,156,000	6,156,000
Unused tax losses	1,944,000	1,944,000
Unabsorbed capital allowances	<u>427,000</u>	<u>427,000</u>

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24. Deferred taxation (cont'd)

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

25. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised				
At 1 July/30 June	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
At 1 July/30 June	<u>41,998,950</u>	<u>41,998,950</u>	<u>41,998,950</u>	<u>41,998,950</u>

26. Foreign exchange reserve (Non-distributable)

	Group	
	2008 RM	2007 RM
At 1 July	1,531,028	1,799,098
Arising during the year	<u>998,737</u>	<u>(268,070)</u>
At 30 June	<u>2,529,765</u>	<u>1,531,028</u>

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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27. Retained profits

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 30 June 2008, the Company has tax exempt profits available for distribution of approximately RM13,875,000 (2007 : RM14,715,000) and the Company has sufficient credit in the 108 balance and tax exempt account to pay franked dividends out of its retained earnings.

The above are subject to agreement with the Inland Revenue Board.

28. Commitments

	Group	
	2008	2007
	RM	RM
Capital expenditure :		
Approved and contracted for	<u>114,000</u>	<u>408,000</u>
Rental commitments :		
Due within one year	696,158	448,529
Later than 1 year and not later than 2 years	<u>492,943</u>	<u>778,616</u>
	<u>1,189,101</u>	<u>1,227,145</u>

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29. Contingent liabilities

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unsecured :				
Trade dispute and late payment interest and disputed electricity charges	309,224	328,348	-	-
Letters of guarantee in respect of electricity supply and import duty	862,162	1,482,364	-	-
Corporate guarantee given to secure banking facilities for subsidiaries	-	-	35,000,000	43,000,000
	<u>1,171,386</u>	<u>1,810,712</u>	<u>35,000,000</u>	<u>43,000,000</u>

30. Significant related party transactions

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Dividends received from subsidiaries -				
Changhuat Plastic Industries (Senai) Sdn. Bhd.	-	-	-	1,200,000
Changhuat Plastic Industries Sdn. Bhd.	-	-	1,250,000	1,500,000
Interest received from a subsidiary - Changhuat Plastic Industries (Rayong) Co. Ltd.	-	-	-	62,828

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30. Significant related party transactions (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Office renovation paid to Hidayah Kota Enterprise, a company substantially owned by a shareholder, Mr Mah Che Beng	-	546,095	-	-
Hostel rental paid to Ms Lim Gau, a daughter of a director, Mr Lim Kai @ Lim See Khai	9,600	9,600	-	-
Rental paid to director, Mr Lim Lai Huat	<u>50,100</u>	<u>51,600</u>	<u>50,100</u>	<u>51,600</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on mutually agreed terms.

31. Subsequent Event

On 29 July 2008, one of the subsidiaries, Changhuat Manufacturing Sdn. Bhd entered into a Share Sale Agreement to acquire a total of 12,600,000 ordinary shares of RM 1 each, representing 63% equity interest in Arus Dermaga Sdn. Bhd. ("ADSB") for a total cash consideration of RM45,000,000. The acquisition of ADSB has been approved by the Foreign Investment Committee and the shareholders in an Extraordinary General Meeting held on 19 September 2008.

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32. Financial instruments

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

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The following tables set out the carrying amounts, the interest rates as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk :

	Note	Interest Rate %	Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	More Than 5 Years RM	Total RM
At 30 June 2008							
Group							
Fixed rate							
Cash and bank balances	18	3.10	3,096,698	-	-	-	3,096,698
Floating rate							
Bank overdrafts	21	7.88	(3,865,035)	-	-	-	(3,865,035)
Bankers' acceptances	21	4.09	(10,741,701)	-	-	-	(10,741,701)
Hire purchase	21	2.60 to 6.50	(321,836)	(255,159)	(322,285)	(441,460)	(1,340,740)
Term Loan	21	5.00 to 6.50	(10,061,826)	(3,344,342)	(5,011,318)	-	(18,417,486)

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	Note	Interest Rate %	Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	More Than 5 Years RM	Total RM
At 30 June 2007							
Group							
Fixed rate							
Cash and bank balances	18	3.10	3,478,893	-	-	-	3,478,893
Floating rate							
Bank overdrafts	21	7.88	(4,168,285)	-	-	-	(4,168,285)
Bankers' acceptances	21	4.83	(6,760,250)	-	-	-	(6,760,250)
Hire purchase	21	2.68 to 3.30	(206,718)	(132,180)	(226,937)	-	(565,835)
Term Loan	21	6.22	(5,838,019)	(3,113,898)	(7,446,663)	(474,594)	(16,873,174)

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(c) Foreign Exchange Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollars, Thai Baht, Rupiah, Euro and Singapore Dollars. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows :

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies			
	Trade and Other Receivables RM	Cash and Bank Balances RM	Trade and Other Payables RM	Total RM
At 30 June 2008				
Euro	10,819	-	(41,801)	(30,982)
Rupiah	32,561	-	(135,627)	(103,066)
Singapore Dollars	12,299,841	231,450	(2,192,575)	10,338,716
Thai Baht	5,541,293	-	(9,145,157)	(3,603,864)
United States Dollars	7,515,961	748,549	(2,383,201)	5,881,309
	<u>13,057,254</u>	<u>748,549</u>	<u>(11,528,358)</u>	<u>2,277,445</u>
At 30 June 2007				
Euro	10,936	-	(41,801)	(30,865)
Rupiah	24,831	-	(89,957)	(65,126)
Singapore Dollars	13,201,210	99,417	(3,511,590)	9,789,037
Thai Baht	5,565,875	-	(3,629,736)	1,936,139
United States Dollars	10,415,420	316,918	(2,560,291)	8,172,047
	<u>29,218,272</u>	<u>416,335</u>	<u>(9,833,375)</u>	<u>19,801,232</u>

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(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for amounts due from/to subsidiaries.

It is not practical to estimate the fair value of amounts due from/to subsidiaries principally due to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group and the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

33. SEGMENTAL INFORMATION

The Group's activities are predominantly in the sector of manufacturing and processing of plastic injected moulded components and parts. As such, segmental information is only presented by geographical region.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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2008	Malaysia RM	Singapore RM	Indonesia RM	Thailand RM	Total RM	Elimination RM	Consolidated RM
Revenue							
External Sales	50,285,035	-	16,239,551	29,725,919	96,250,505	-	96,250,505
Inter-Segment	7,224,737	-	-	427,670	7,652,407	(7,652,407)	-
Total Revenue	57,509,772	-	16,239,551	30,153,589	103,902,912	(7,652,407)	96,250,505
Result							
(Loss)/profit from operation	(11,953,837)	(14,147)	(2,251,254)	(513,458)	(14,732,696)	4,053,745	(10,678,951)
Finance cost, net	(1,082,539)	(1,351)	(224,073)	(702,856)	(2,010,819)	-	(2,010,819)
Income tax expense	1,183,179	18,142	2,600	-	1,203,921	(325,000)	878,921
Net (loss)/profit for the year	(11,853,197)	2,644	(2,472,727)	(1,216,314)	(15,539,594)	3,728,745	(11,810,849)
Assets and Liabilities							
Segments assets	156,418,973	2,805,997	19,495,472	40,724,243	219,444,685	(93,903,123)	125,541,562
Segments liabilities	54,773,447	8,459,240	19,544,034	37,942,657	120,719,378	(60,332,801)	60,386,577
Other information							
Capital expenditure	2,711,600	-	3,638,420	3,872,713	10,222,733	(413,921)	9,808,812
Amortisation	381,938	-	64,938	-	446,876	-	446,876
Depreciation	3,380,550	-	1,190,174	1,512,848	6,083,572	943,072	7,026,644

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2007	Malaysia RM	Singapore RM	Indonesia RM	Thailand RM	Total RM	Elimination RM	Consolidated RM
Revenue							
External Sales	51,036,983	-	21,341,254	18,774,027	91,152,264	-	91,152,264
Inter-Segment	7,008,333	-	-	883,873	7,892,206	(7,892,206)	-
Total Revenue	58,045,316	-	21,341,254	19,657,900	99,044,470	(7,892,206)	91,152,264
Result							
Profit/(loss) from operation	1,442,432	(13,392)	479,519	975,518	2,884,077	(1,232,879)	1,651,198
Finance cost, net	(1,018,158)	(858)	(67,535)	(540,741)	(1,627,292)	133,456	(1,493,836)
Income tax expense	29,772	-	-	-	29,772	701,800	731,572
Net profit/(loss) for the year	454,046	(14,250)	411,984	434,777	1,286,557	(397,623)	888,934
Assets and Liabilities							
Segments assets	164,457,554	2,149,337	18,492,890	37,210,295	222,310,076	(91,642,394)	130,667,682
Segments liabilities	50,682,900	4,777,419	19,338,118	33,718,479	108,516,916	(54,630,090)	53,886,826
Other information							
Capital expenditure	3,186,883	-	3,722,877	14,251,546	21,161,306	(3,850,986)	17,310,320
Amortisation	420,392	-	74,975	-	495,367	-	495,367
Depreciation	3,699,006	-	937,865	969,142	5,606,013	884,205	6,490,218