

**MALAYSIAN A E MODELS HOLDINGS  
BERHAD  
(239808 - H)  
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements  
31 May 2009**

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**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

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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 31 May 2009.

**Principal activities**

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stated in Note 15 to the financial statements respectively.

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

**Results**

	<b>Group RM</b>	<b>Company RM</b>
Profit for the year	<u>11,713,389</u>	<u>3,065,690</u>
Attributable to:		
Equity holders of the Company	11,793,089	3,065,690
Minority interests	(79,700)	-
	<u>11,713,389</u>	<u>3,065,690</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.

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**Dividends**

The amount of dividends paid by the Company since 31 May 2008 were as follows:

In respect of the financial year ended 31 May 2008 as reported  
in the Directors' Report of that year:

**RM**

First and final dividend of 2.5% on 107,006,868 ordinary shares of RM1.00 each less 25% taxation, paid on 26 February 2009	<u>2,006,377</u>
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At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2009 of 1% less 25% tax on 107,006,868 ordinary shares of RM1.00 each amounting to a dividend of RM802,552 (0.75 sen net per share) will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the equity as an appropriation of retained earnings in the next financial year ending 31 May 2010.

**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:

Datuk Dr. Lim Kee Sinn  
Choo Chee Kiat  
Taza bin Razali Ismail  
Low Peng Lum  
Lim Kee Yin  
Ting Siew Haw  
Dato' Nik Ismail bin Dato' Nik Yusoff  
Dr. Chong Thim Kut  
Dato' Seri Lokman Hakim Bin Md Jasan  
Dato' Koh Kin Lip

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**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 the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than 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 the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 31 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 warrants in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			As at 31 May 2009
	As at 1 June 2008	During the year Acquired	Sold	
<b>The Company</b>				
<b>Direct Interest:</b>				
Datuk Dr. Lim Kee Sinn	1,102,448	608,900	-	1,711,348
Choo Chee Kiat	9,900	-	-	9,900
Taza bin Razali Ismail	313	-	-	313
Low Peng Lum	456,000	-	-	456,000
Lim Kee Yin	256,000	-	-	256,000
Dr. Chong Thim Kut	248,000	-	(178,700)	69,300
Dato' Koh Kin Lip	8,780,000	-	-	8,780,000
<b>Indirect Interest:</b>				
Datuk Dr. Lim Kee Sinn	31,672,690	-	(820,200)	30,852,490
Taza bin Razali Ismail	314,127	-	(70,800)	243,327
Lim Kee Yin	237,500	-	-	237,500
Dato' Koh Kin Lip	20,000	-	-	20,000

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**Directors' interests (contd.)**

	Number of warrants of RM1 each			As at 31 May 2009
	As at 1 June 2008	During the year Exercised	Sold	
<b>The Company</b>				
<b>Direct Interest:</b>				
Datuk Dr. Lim Kee Sinn	594,916	-	-	594,916
Choo Chee Kiat	3,300	-	-	3,300
Low Peng Lum	180,000	-	-	180,000
Lim Kee Yin	85,834	-	-	85,834
Dato' Koh Kin Lip	130,000	-	-	130,000
<b>Indirect Interest:</b>				
Datuk Dr. Lim Kee Sinn	5,286,596	-	-	5,286,596
Taza bin Razali Ismail	282,642	-	-	282,642
Lim Kee Yin	87,500	-	-	87,500

Datuk Dr. Lim Kee Sinn by virtue of his interest in shares in the Company is also deemed interested in shares and warrants in 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.

**Issue of shares**

During the financial year, the Company increased its issued and paid-up share capital from RM106,642,668 to RM107,006,868 by way of the issuance of 364,200 ordinary shares of RM1.00 each pursuant to the conversion of warrants into ordinary shares at an exercise price of RM1.00 per warrant.

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

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**Warrants**

The Warrants 2004/2010 are constituted by a Deed Poll executed by the Company on 27 November 2004 in conjunction with the issuance of 31,705,500 new ordinary shares of RM1.00 each by way of a rights issue at par. The salient features of the warrants are disclosed in Note 22 to the financial statements. 364,200 warrants were converted into ordinary shares during the financial year. The number of outstanding warrants as at 31 May 2009 was 30,734,132.

**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 values 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 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.

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**Other statutory information (contd.)**

(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.

(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 their 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.

**Significant event during the financial year**

Significant event during the financial year is disclosed in Note 35 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 24 September 2009.

Datuk Dr. Lim Kee Sinn

Choo Chee Kiat

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**Statement by directors**

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

We, Datuk Dr. Lim Kee Sinn and Choo Chee Kiat, being two of the directors of Malaysian AE Models Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 86 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 31 May 2009 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 24 September 2009.

Datuk Dr. Lim Kee Sinn

Choo Chee Kiat

**Statutory declaration**

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

I, Lim Kee Yin, being the director primarily responsible for the financial management of Malaysian AE Models Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 86 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 Kee Yin  
at Kuala Lumpur in the Federal  
Territory on 24 September 2009.

Lim Kee Yin

Before me,

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**Independent auditors' report to the members of  
Malaysian AE Models Holdings Berhad  
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**Report on the financial statements**

We have audited the financial statements of Malaysian AE Models Holdings Berhad, which comprise the balance sheets as at 31 May 2009, 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 11 to 86.

*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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.

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**Independent auditors' report to the members of  
Malaysian AE Models Holdings Berhad (contd.)  
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*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 31 May 2009 and of their financial performance and cash flows 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements 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 financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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**Independent auditors' report to the members of  
Malaysian AE Models Holdings Berhad (contd.)  
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**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

Kua Choo Kai  
No. 2030/03/10 (J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
24 September 2009

**Malaysian AE Models Holdings Berhad**  
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**Income statements**

For the year ended 31 May 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM (restated)	2009 RM	2008 RM
<b>Revenue</b>	3	481,856,684	447,116,840	5,000,000	6,000,000
Cost of sales	4	(391,243,206)	(351,202,729)	-	-
<b>Gross profit</b>		90,613,478	95,914,111	5,000,000	6,000,000
Other income	5	8,910,203	3,355,162	15,676,773	12,499,219
Distribution expenses		(10,931,372)	(12,398,328)	(37,898)	(16,251)
Administration expenses		(13,070,887)	(14,019,674)	(9,118)	(9,200)
Other expenses		(39,023,492)	(29,228,228)	(3,774,027)	(2,695,984)
<b>Operating profit</b>	6	36,497,930	43,623,043	16,855,730	15,777,784
Finance costs	8	(18,233,101)	(14,650,610)	(12,708,455)	(11,109,443)
<b>Profit before taxation</b>		18,264,829	28,972,433	4,147,275	4,668,341
Income tax expense					
- Company and subsidiaries	9	(6,551,440)	(9,092,886)	(1,081,585)	(2,701,116)
<b>Profit for the year</b>		11,713,389	19,879,547	3,065,690	1,967,225
Attributable to:					
Equity holders of the Company		11,793,089	19,363,462	3,065,690	1,967,225
Minority interests		(79,700)	516,085	-	-
		11,713,389	19,879,547	3,065,690	1,967,225
Earnings per share attributable equity holders of the Company (sen):					
- Basic	10	11.03	18.96		
- Diluted	10	10.90	17.42		
Net dividends per share (sen)	11			1.88	1.48

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

**Malaysian AE Models Holdings Berhad**  
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**Balance sheets as at 31 May 2009**

		<b>GROUP</b>		<b>COMPANY</b>	
	<b>Note</b>	<b>2009 RM</b>	<b>2008 RM</b>	<b>2009 RM</b>	<b>2008 RM</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	156,105,063	127,467,182	560,601	683,162
Prepaid land lease payments	13	8,794,903	7,981,638	-	-
Intangible assets	14	2,629,357	2,247,036	-	-
Investment in subsidiaries	15	-	-	86,769,079	86,769,079
Other investments	16	14,332,471	17,104,296	800,000	2,361,234
		<u>181,861,794</u>	<u>154,800,152</u>	<u>88,129,680</u>	<u>89,813,475</u>
<b>Current assets</b>					
Inventories	17	7,669,803	15,212,283	-	-
Trade receivables	18	314,102,882	277,368,359	-	-
Other receivables	20	3,867,886	11,545,349	232,784,406	208,982,030
Tax recoverable		835,933	303,725	-	-
Cash and bank balances	21	33,613,113	33,211,326	2,720,159	3,730,827
		<u>360,089,617</u>	<u>337,641,042</u>	<u>235,504,565</u>	<u>212,712,857</u>
<b>Total assets</b>		<u>541,951,411</u>	<u>492,441,194</u>	<u>323,634,245</u>	<u>302,526,332</u>
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company:</b>					
Share capital	22	107,006,868	106,642,668	107,006,868	106,642,668
Share premium	22	3,064,390	3,064,390	3,064,390	3,064,390
Other reserves	23	3,200,519	2,383,366	254,750	254,750
Retained earnings	23	98,220,438	87,745,566	29,491,700	28,432,387
Shareholders' equity		<u>211,492,215</u>	<u>199,835,990</u>	<u>139,817,708</u>	<u>138,394,195</u>
Minority interests		2,905,699	2,969,820	-	-
<b>Total equity</b>		<u>214,397,914</u>	<u>202,805,810</u>	<u>139,817,708</u>	<u>138,394,195</u>

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**Balance sheets as at 31 May 2009 (contd.)**

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>Non-current liabilities</b>					
Long term borrowings	24	62,979,421	30,385,778	51,961,695	20,189,019
Deferred tax liabilities	26	5,106,992	3,852,135	-	-
		<u>68,086,413</u>	<u>34,237,913</u>	<u>51,961,695</u>	<u>20,189,019</u>
<b>Current liabilities</b>					
Trade payables	27	21,812,293	26,364,435	-	-
Other payables	28	8,099,889	8,490,140	1,273,413	2,090,993
Short term borrowings	24	226,956,260	215,331,270	130,005,811	141,067,123
Tax payable		2,598,642	5,211,626	575,618	785,002
		<u>259,467,084</u>	<u>255,397,471</u>	<u>131,854,842</u>	<u>143,943,118</u>
<b>Total liabilities</b>		<u>327,553,497</u>	<u>289,635,384</u>	<u>183,816,537</u>	<u>164,132,137</u>
<b>Total equity and liabilities</b>		<u>541,951,411</u>	<u>492,441,194</u>	<u>323,634,245</u>	<u>302,526,332</u>

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

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**Malaysian AE Models Holdings Berhad  
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**Consolidated statement of changes in equity  
For the year ended 31 May 2009**

	Note	Share capital RM	<-----Non-distributable----->			Distributable retained earnings RM	Minority interests RM	Total equity RM
			Share premium RM	Exchange reserve RM	Capital reserve RM			
At 1 June 2007		96,435,500	25,950	299,300	2,722,683	68,171,656	3,181,673	170,836,762
Issue of ordinary shares with share premium stated at net of transaction costs of RM321,560	22	9,600,000	3,038,440	-	-	-	-	12,638,440
Conversion of warrants	22	607,168	-	-	-	-	-	607,168
Profit for the year		-	-	-	-	19,363,462	516,085	19,879,547
Dividends	11	-	-	-	-	(1,569,325)	-	(1,569,325)
Expense items not recognised in income statement:								
- Dilution of equity interest in a subsidiary		-	-	(239,946)	-	-	(674,175)	(914,121)
- Foreign currency translation		-	-	1,381,102	-	-	(53,763)	1,327,339
Realisation of capital reserve		-	-	-	(1,779,773)	1,779,773	-	-
At 31 May 2008		106,642,668	3,064,390	1,440,456	942,910	87,745,566	2,969,820	202,805,810

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**Consolidated statement of changes in equity  
For the year ended 31 May 2009 (contd.)**

	Note	Share capital RM	<-----Non-distributable----->			Distributable retained earnings RM	Minority interests RM	Total equity RM
			Share premium RM	Exchange reserve RM	Capital reserve RM			
At 1 June 2008		106,642,668	3,064,390	1,440,456	942,910	87,745,566	2,969,820	202,805,810
Conversion of warrants	22	364,200	-	-	-	-	-	364,200
Profit for the year		-	-	-	-	11,793,089	(79,700)	11,713,389
Dividends	11	-	-	-	-	(2,006,377)	-	(2,006,377)
Foreign currency translation		-	-	1,505,313	-	-	22,898	1,528,211
Dilution of investment in a subsidiary by minority	15(b)	-	-	-	-	-	(13,913)	(13,913)
Addition of investment in a subsidiary by minority		-	-	-	-	-	6,594	6,594
Realisation of capital reserve		-	-	-	(688,160)	688,160	-	-
At 31 May 2009		107,006,868	3,064,390	2,945,769	254,750	98,220,438	2,905,699	214,397,914

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

**Malaysian AE Models Holdings Berhad**  
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**Statement of changes in equity**  
**For the year ended 31 May 2009**

	Note	Share capital RM	Non-distributable Share premium RM	Capital reserve RM	Distributable retained earnings RM	Total RM
At 1 June 2007		96,435,500	25,950	254,750	28,034,487	124,750,687
Profit for the year		-	-	-	1,967,225	1,967,225
Issue of ordinary shares	22	9,600,000	3,038,440	-	-	12,638,440
Conversion of warrants	22	607,168	-	-	-	607,168
Dividends	11	-	-	-	(1,569,325)	(1,569,325)
At 31 May 2008		106,642,668	3,064,390	254,750	28,432,387	138,394,195
Profit for the year		-	-	-	3,065,690	3,065,690
Conversion of warrants	22	364,200	-	-	-	364,200
Dividends	11	-	-	-	(2,006,377)	(2,006,377)
At 31 May 2009		107,006,868	3,064,390	254,750	29,491,700	139,817,708

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

**Malaysian AE Models Holdings Berhad**  
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**Cash flow statements**  
**For the year ended 31 May 2009**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Cash flows from operating activities</b>				
Profit before taxation	18,264,829	28,972,433	4,147,275	4,668,341
Adjustments for:				
Depreciation of property, plant and equipment	15,256,316	12,084,526	122,561	122,561
Amortisation of prepaid land lease payments	180,879	137,337	-	-
Amortisation of intangible assets	535,397	409,229	-	-
Bad debts recovered	(44,878)	-	-	-
Interest expenses	18,233,101	14,650,610	12,708,455	11,109,443
Interest income	(208,422)	(472,061)	(13,268,741)	(12,499,219)
Dividend income	-	-	(5,000,000)	(6,000,000)
Gain on disposal of property, plant and equipment	(259,162)	(497,525)	-	-
Negative goodwill	(13,413)	-	-	-
Property, plant and equipment written off	-	42,599	-	-
Bad debts written off	374,708	-	-	-
Allowance for doubtful debts				
- trade receivables	6,135,170	857,684	-	-
- other receivables	1,010,544	29,810	932,356	-
- subsidiaries	-	-	90,285	-
Writeback of provision for doubtful debts				
- trade receivables	(669,146)	(223,580)	-	-
- other receivables	(23,604)	-	-	-
Inventories written down	607,025	1,176,884	-	-
Provision for impairment in value of other investments	1,249,040	-	1,200,000	-
(Gain)/loss on disposal/dilution of:				
- a subsidiary	-	47,396	-	-
- other investments - net	(1,230,127)	520,127	(1,798,766)	600,000
Recovery of previously impaired unquoted investment	(240,000)	-	(240,000)	-
Balance carried forward	<u>59,158,257</u>	<u>57,735,469</u>	<u>(1,106,575)</u>	<u>(1,998,874)</u>

**Malaysian AE Models Holdings Berhad**  
(Incorporated in Malaysia)

**Cash flow statements**

For the year ended 31 May 2009 (contd.)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Cash flows from operating activities (contd.)</b>				
Balance brought forward	59,158,257	57,735,469	(1,106,575)	(1,998,874)
Net unrealised foreign exchange (gain)/loss	(4,803,871)	(882,225)	(369,266)	172,909
Operating profit/(loss) before working capital changes	54,354,386	56,853,244	(1,475,841)	(1,825,965)
Changes in working capital:				
Inventories	6,935,455	(1,397,635)	-	-
Due from customers on contracts	15,735,433	13,204,793	-	-
Receivables	(58,591,295)	(113,222,178)	439,831	(173,156)
Payables	(4,925,429)	81,114,602	320,861	79,893
Subsidiaries	-	-	(7,832,929)	17,028,403
Due to directors	(16,964)	22,596	-	-
Cash generated from/(used in) operations	13,491,586	36,575,422	(8,548,078)	15,109,175
Taxes paid	(8,439,105)	(7,539,106)	(1,290,969)	(641,579)
Interest paid	(18,233,101)	(14,650,610)	(12,708,455)	(11,109,443)
Interest received	208,422	472,061	67,647	168,518
Net cash (used in)/generated from operating activities	(12,972,198)	14,857,767	(22,479,855)	3,526,671
<b>Cash flows from investing activities</b>				
Acquisitions of property, plant and equipment (Note 12)	(26,989,553)	(48,762,177)	-	-
Proceeds from disposal of property, plant and equipment	352,697	2,293,529	-	-
Acquisition of prepaid land lease payment	(895,893)	(1,135,479)	-	-
Acquisition of intangible assets	(917,718)	(552,520)	-	-
Proceeds from disposal of other investment	2,160,000	1,730,000	2,160,000	1,400,000
Balance carried forward	(26,290,467)	(46,426,647)	2,160,000	1,400,000

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**Cash flow statements**

**For the year ended 31 May 2009 (contd.)**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Cash flows from investing activities (contd.)</b>				
Balance brought forward	(26,290,467)	(46,426,647)	2,160,000	1,400,000
Cash outflow on dilution of a subsidiary	-	(2,719,550)	-	-
Proceeds received on the recovery of other investment	240,000	-	240,000	-
Acquisition of additional shares in:				
- other investments	-	(13,363,000)	-	-
- a subsidiary	(500)	-	-	-
Additional investment by minority	6,594	-	-	-
Net cash (used in)/generated from investing activities	<u>(26,044,373)</u>	<u>(62,509,197)</u>	<u>2,400,000</u>	<u>1,400,000</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(2,006,377)	(1,569,325)	(2,006,377)	(1,569,325)
Proceeds from issuance of shares	-	12,638,440	-	12,638,440
Proceeds from exercise of warrants	364,200	607,168	364,200	607,168
Repayment of fixed rate term loan	-	(40,000,000)	-	(40,000,000)
Drawdown of term loans	104,306,431	-	104,488,085	-
Drawdown of other bank borrowings	80,607,486	47,050,873	57,290,402	-
(Repayment)/drawdown of Islamic Commercial Papers	(141,000,000)	21,000,000	(141,000,000)	21,000,000
Payments of hire purchase and lease financing	<u>(1,761,181)</u>	<u>(1,436,117)</u>	<u>(67,123)</u>	<u>(63,747)</u>
Net cash generated from/ (used in) financing activities	<u>40,510,559</u>	<u>38,291,039</u>	<u>19,069,187</u>	<u>(7,387,464)</u>

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**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**Cash flow statements**

**For the year ended 31 May 2009 (contd.)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net increase/(decrease) in cash and cash equivalents	1,493,988	(9,360,391)	(1,010,668)	(2,460,793)
<b>Cash and cash equivalents at beginning of year</b>	32,212,150	40,404,501	3,730,827	6,191,620
Effect of exchange rate fluctuations	(1,123,889)	1,168,040	-	-
<b>Cash and cash equivalents at end of year (Note 21)</b>	<b>32,582,249</b>	<b>32,212,150</b>	<b>2,720,159</b>	<b>3,730,827</b>

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

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**Notes to the financial statements - 31 May 2009**

**1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. It is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 9, Jalan Wawasan 12, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stated 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 24 September 2009.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

**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, investment in subsidiaries are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(a) Subsidiaries and basis of consolidation (contd.)**

**(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 or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are 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.

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 represents 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.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(b) Intangible assets**

**(i) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(ii) Other intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(c) 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 freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress is 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:

Buildings	2%
Renovations	10%
Furniture, fittings and office equipment	10% - 15%
Machineries	10% - 15%
Motor vehicles	20%

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.

**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(d) Construction contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

When the total of costs incurred on contract works plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

**(e) Impairment of non-financial assets**

The carrying amounts of assets other than construction contract assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

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. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(e) Impairment of non-financial assets (contd.)**

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.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset 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 is recognised in profit or loss.

**(f) Inventories**

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

Cost is determined using the first in, first out method. The costs of construction materials and raw materials comprises cost of purchase and other direct charges. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of production 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.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(g) Financial instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and 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 in 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.

**(i) Cash and cash equivalents**

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

**(ii) Other non-current investments**

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

**(iii) Marketable securities**

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

**(iv) Receivables**

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.

**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(g) Financial instruments (contd.)**

**(v) Payables**

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

**(vi) 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.

**(vii) Islamic commercial papers**

The Islamic commercial papers are recorded at the amount of proceeds received, net of transaction costs.

The Islamic commercial papers are classified as current liabilities in the balance sheet and the interests are recognised in the income statement as finance costs in the period in which they are incurred.

**(viii) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(h) Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Lease of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are reclassified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

**(ii) 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 Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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(c).

**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(h) Leases**

**(iii) 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element 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.

**(i) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Malaysian AE Models Holdings Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(j) 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.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(k) Provisions for liabilities**

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.

**(l) 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 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 makes contributions to their respective countries' statutory pension schemes.

**Malaysian AE Models Holdings Berhad**  
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**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(l) Employee benefits (contd.)**

**(iii) Share-based compensation**

The Malaysian AE Models Holdings Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

**(m) 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.

**Malaysian AE Models Holdings Berhad**  
**(Incorporated in Malaysia)**

**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(m) Foreign currencies (contd.)**

**(ii) Foreign currencies 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 currency translation 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 carried at fair value are included in profit or loss for the period except for 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.

**Malaysian AE Models Holdings Berhad**  
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**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(m) Foreign currencies (contd.)**

**(ii) Foreign currencies transactions (contd.)**

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Singapore Dollars	2.44	2.41
Chinese Renminbi	0.51	0.47
United States Dollars	3.54	3.29
Euro Dollars	4.95	5.10
Australian Dollars	2.82	3.17
United Arab Emirates Dirham	0.95	0.88
Hong Kong Dollars	0.45	0.42
Indian Rupee	-	0.08
Great Britain Pound Sterling	5.60	-
100 Japanese Yen	3.70	3.13
100 Indonesian Rupiah	0.04	0.03
100 Thai Baht	11.10	9.99

**(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 into 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 rate for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to foreign currency translation reserve within equity.

**Malaysian AE Models Holdings Berhad**  
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**2. Significant accounting policies (contd.)**

**2.2 Summary of significant accounting policies (contd.)**

**(n) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. 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. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(ii) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(d).

**(iii) Dividend income**

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

**(iv) Interest income**

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

**(v) Rental income**

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

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**2. Significant accounting policies (contd.)**

**2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs**

On 1 June 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 107: Cash Flow Statements  
 FRS 111: Construction Contracts  
 FRS 112: Income Taxes  
 FRS 118: Revenue  
 FRS 120: Accounting for Government Grants and Disclosure of Government Assistance  
 FRS 134: Interim Financial Reporting  
 FRS 137: Provisions, Contingent Liabilities and Contingent Assets  
 Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation  
 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 129 *Financial Reporting in Hyperinflationary Economies*  
 IC Interpretation 8: Scope of FRS 2

The revised FRSs, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and of the Company.

**2.4 Standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and Company:

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

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**2. Significant accounting policies (contd.)**

**2.4 Standards and interpretations issued but not yet effective (contd.)**

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group is exempted from disclosing the possible impact of the initial application of FRS 7 and FRS 139.

**2.5 Significant accounting estimates and judgements**

**Critical judgements made in applying accounting policies**

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**(a) Allowance for bad and doubtful debts in respect of receivables**

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, additional allowances may be required. Further details are provided in Note 18 and 20.

**(b) Other investments**

The Group had invested RM13,363,000 in acquiring equity interests in several entities in the previous financial year. Significant judgement was made by management in classification of these new investments as "other investments" despite holding more than 20% equity interests in the entities. The Group is neither able to exert influence over financial nor operating policy decision of these investee companies in view that the Group has no board representation in these entities. Accordingly, these entities are classified as other investments.

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**2. Significant accounting policies (contd.)**

**2.5 Significant accounting estimates and judgements (contd.)**

**(c) Key sources of estimation uncertainty**

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

**(i) Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed reinvestment allowances and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses, reinvestment allowances 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. Further details are provided for in Note 26.

**(ii) Depreciation of property, plant and machinery**

The costs of property, plant and machinery for each business segment is depreciated on a straight-line basis over the assets' useful lives with no residual value assumed at the end of their respective useful lives. This is due to the intention of management to continue running the operations until the end of the useful life of the assets. Management estimates the useful lives of these property, plant and machinery based on common life expectancies of assets of similar nature in the past. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

**(iii) Construction contracts**

The Group recognises construction revenue and costs in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts incurred for work performed to date bear to the estimated total contract costs and completion of a physical proportion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contracts cost incurred, the estimated total contracts revenue and costs, the completion of a physical proportion of the contract work as well as the recoverability of the contract projects. In making the judgement, the Group evaluates by relying on past experience and the work of in-house specialists.

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**2. Significant accounting policies (contd.)**

**2.6 Significant accounting estimates and judgements (contd.)**

**(c) Key sources of estimation uncertainty (contd.)**

**(iv) Impairment of property, plant and equipment**

As at balance sheet date, the Group assessed impairment on property, plant and equipment based on a variety estimation including the value-in-use of the CGU to which the assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's assessment, the recoverable amounts of property, plant and equipment approximate the carrying value of the property, plant and equipment.

**(v) Impairment of investment in subsidiaries and other investments**

At balance sheet date, management determines whether the carrying amounts of its investment in the subsidiaries and other investments are impaired. This involves assessing net assets of the subsidiaries as at year end and measuring the recoverable amounts which includes the fair value less cost to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximation to the computation of recoverable amount.

Based on management's assessment, the recoverable amounts of the Group's other investments and the Company's investment in subsidiaries are RM14,332,471 (2008: RM17,104,296) and RM86,769,079 (2008: RM86,769,079) respectively.

**3. Revenue**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sale of goods	307,823,370	258,902,478	-	-
Contract revenue	174,033,314	188,214,362	-	-
Dividend income:				
- single tier	-	-	5,000,000	-
- non tax exempt	-	-	-	6,000,000
	<u>481,856,684</u>	<u>447,116,840</u>	<u>5,000,000</u>	<u>6,000,000</u>

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**4. Cost of sales**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Costs of inventories sold	237,292,944	190,998,914
Contract costs	153,950,262	160,203,815
	<u>391,243,206</u>	<u>351,202,729</u>

**5. Other income**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Gain on disposal of property, plant and equipment	259,162	497,525	-	-
Foreign exchange gain				
- unrealised	4,954,959	1,137,683	369,266	-
- realised	497,288	73,546	-	-
Gain on disposal of other investments (Note 16)	1,230,127	79,873	1,798,766	-
Writeback of provision for doubtful debts				
- trade receivables	669,146	223,580	-	-
- other receivables	23,604	-	-	-
Bad debts recovered	44,878	-	-	-
Rental income	192,700	186,000	-	-
Interest income from				
- subsidiaries	-	-	13,201,094	12,330,701
- others	208,422	472,061	67,647	168,518
Recovery of previously impaired unquoted investment	240,000	-	240,000	-
Negative goodwill (Note 15)	13,413	-	-	-
Others	576,504	684,894	-	-
	<u>8,910,203</u>	<u>3,355,162</u>	<u>15,676,773</u>	<u>12,499,219</u>

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**6. Operating profit**

The following amounts have been included in arriving at operating profit:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration:				
- current year	214,815	180,174	66,500	55,000
- underprovision in prior years	28,080	6,500	-	6,500
Directors' remunerations (Note 7)	2,590,338	2,680,425	245,260	205,708
Depreciation of property, plant and equipment	15,256,316	12,084,526	122,561	122,561
Amortisation of prepaid land lease payment (Note 13)	180,879	137,337	-	-
Amortisation of intangible assets (Note 14)	535,397	409,229	-	-
Inventories written down	607,025	1,176,884	-	-
Property, plant and equipment written off	-	42,599	-	-
Bad debts written off	374,708	-	-	-
Provision for doubtful debts				
- trade receivables	6,135,170	857,684	-	-
- other receivables	1,010,544	29,810	932,356	-
- subsidiaries	-	-	90,285	-
Provision for impairment in value of other investments	1,249,040	-	1,200,000	-
Loss on dilution of equity interest in a subsidiary	-	47,396	-	-
Loss on disposal of unquoted investment	-	600,000	-	600,000
Foreign exchange losses/(gain)				
- unrealised	151,088	255,458	-	172,909
- realised	454,522	1,816,815	-	(38,744)
Rent of premises	1,779,330	1,316,788	-	-
Staff costs				
- wages and salaries	15,708,886	16,072,272	-	-
- social security costs	162,053	194,334	-	-
- short term accumulating compensated benefits	(12,621)	(1,627)	-	-
- defined contribution plans	1,769,669	1,832,211	-	-
- other staff related costs	1,005,449	982,708	-	-

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**7. Directors' remunerations**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Directors of the Company</b>				
Executive:				
- salaries and other emoluments	897,780	811,380	-	-
- defined contribution plans	106,092	97,512	-	-
- fees	12,850	12,550	12,550	12,550
	<u>1,016,722</u>	<u>921,442</u>	<u>12,550</u>	<u>12,550</u>
Non-Executive:				
- fees	232,710	193,158	232,710	193,158
	<u>1,249,432</u>	<u>1,114,600</u>	<u>245,260</u>	<u>205,708</u>
<b>Directors of subsidiaries</b>				
Executive:				
- salaries and other emoluments	1,183,395	1,373,695	-	-
- defined contribution plans	139,511	171,130	-	-
- fees	18,000	21,000	-	-
	<u>1,340,906</u>	<u>1,565,825</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	2,590,338	2,680,425	245,260	205,708
Estimated money value of benefits-in-kind	290,874	212,711	214,803	170,543
Total directors' remuneration including benefits-in-kind	<u>2,881,212</u>	<u>2,893,136</u>	<u>460,063</u>	<u>376,251</u>
<b>Analysis:</b>				
Total executive directors' emoluments	2,357,628	2,487,267	12,550	12,550
Total non-executive directors' emoluments	232,710	193,158	232,710	193,158
	<u>2,590,338</u>	<u>2,680,425</u>	<u>245,260</u>	<u>205,708</u>

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**7. Directors' remunerations (contd.)**

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

	2009		2008	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	-	6	-	6
RM50,001 - RM100,000	-	-	1	-
RM100,001 - RM200,000	1	-	-	-
RM200,001 - RM300,000	2	-	2	-
RM300,001 - RM400,000	-	-	1	-
RM400,001 - RM500,000	1	-	-	-

**8. Finance costs**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest expenses on:				
- bank overdrafts	578,476	6,642	443,998	-
- revolving credits	1,768,036	1,360,636	207,903	-
- letter of credit	35,549	149,179	-	-
- bankers' acceptances	2,531,787	1,168,014	-	-
- term loans	883,784	462,568	-	-
- hire purchase and finance lease payables	289,503	228,813	10,553	13,930
- unsecured fixed rate term loan	6,998,903	3,072,296	6,998,903	3,072,296
- Islamic commercial papers	2,399,248	8,023,217	2,399,248	8,023,217
- Islamic accepted bills	-	117,321	-	-
- others	2,747,815	61,924	2,647,850	-
	<b>18,233,101</b>	<b>14,650,610</b>	<b>12,708,455</b>	<b>11,109,443</b>

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**9. Income tax expense**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Income tax:				
- Malaysian income tax	5,055,405	8,171,424	853,936	2,623,320
- Foreign tax	103,415	-	-	-
	<u>5,158,820</u>	<u>8,171,424</u>	<u>853,936</u>	<u>2,623,320</u>
Under/(over)provision in prior years:				
- Malaysian income tax	135,093	(20,182)	227,649	77,796
	<u>5,293,913</u>	<u>8,151,242</u>	<u>1,081,585</u>	<u>2,701,116</u>
Deferred tax (Note 26):				
- Relating to origination and reversal of temporary differences	901,263	732,662	-	-
- Relating to changes in tax rate	(27,153)	(222,014)	-	-
- Under provision in prior years	383,417	430,996	-	-
	<u>1,257,527</u>	<u>941,644</u>	<u>-</u>	<u>-</u>
Tax expense for the year	<u>6,551,440</u>	<u>9,092,886</u>	<u>1,081,585</u>	<u>2,701,116</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income:	20%
In excess of RM500,000 of chargeable income:	26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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**9. Income tax expense (contd.)**

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

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>GROUP</b>		
Profit before taxation	18,264,829	28,972,433
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	4,566,207	7,532,833
Effects of lower tax rate applicable to small and medium scale company	-	(127,104)
Effect of changes in tax rates on opening balance of deferred tax	(27,153)	(222,014)
Deferred tax recognised at different tax rate	-	(54,999)
Effects of different tax rate applicable to foreign subsidiaries	20,734	(148,073)
Effects of temporary difference originating and reversing during pioneer period	1,094	13,191
Income not subject to tax	(1,432,523)	(1,220,125)
Expenses not deductible for tax purposes	2,788,852	2,648,518
Deferred tax assets not recognised during the year	115,719	345,472
Effect of utilisation of previously unrecognised deferred tax benefits	-	(41,258)
Utilisation of current year reinvestment allowances	-	(44,369)
Under/(over)provision of income tax in prior years	135,093	(20,182)
Underprovision of deferred tax in prior years	383,417	430,996
Tax expense for the year	<u>6,551,440</u>	<u>9,092,886</u>
<b>COMPANY</b>		
Profit before taxation	4,147,275	4,668,341
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	1,036,819	1,213,769
Income not subject to tax	(1,852,008)	-
Expenses not deductible for tax purposes	1,669,125	1,409,551
Underprovision of income tax in prior years	227,649	77,796
Tax expense for the year	<u>1,081,585</u>	<u>2,701,116</u>

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**10. Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	11,793,089	19,363,462
	<hr/>	<hr/>
<b>Number of shares</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	106,958,285	102,118,789
Effect of potential conversion of warrants	1,189,086	9,042,777
	<hr/>	<hr/>
	108,147,371	111,161,566
	<hr/>	<hr/>
Basic earnings per share	11.03 sen	18.96 sen
	<hr/>	<hr/>
Diluted earnings per share	10.90 sen	17.42 sen
	<hr/>	<hr/>

There has been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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**11. Net dividends per share**

	Dividends in respect of year			Dividends Recognised in year	
	2009 RM	2008 RM	2007 RM	2009 RM	2008 RM
Recognised during the year: - 2% less tax at 26% on 106,035,500 ordinary shares (1.48 sen per ordinary share)	-	-	1,569,325	-	1,569,325
Recognised during the year: - 2.5% less tax at 25% on 107,006,868 ordinary shares (1.88 sen per ordinary share)	-	2,006,377	-	2,006,377	-
Proposed for approval at AGM (not recognised as at 31 May 2009): - 1% less tax at 25% on 107,006,868 ordinary shares (0.75 sen per ordinary share)	802,552	-	-	-	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 May 2009 of 1% less 25% tax on 107,006,868 ordinary shares of RM1.00 each amounting to a dividend of RM802,552 (0.75 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the equity as an appropriation of retained earnings in the next financial year ending 31 May 2010.

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**12. Property, plant and equipment**

<b>GROUP</b>	<b>Freehold land RM</b>	<b>Buildings RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Renovations RM</b>	<b>Machineries RM</b>	<b>Motor vehicles RM</b>	<b>Work in progress RM</b>	<b>Total RM</b>
<b>Cost</b>								
At 1 June 2008	426,881	51,346,442	27,482,995	9,548,660	58,420,000	5,566,373	31,558,006	184,349,357
Additions	-	1,664,762	2,139,615	536,496	30,861,508	1,429,434	4,211,826	40,843,641
Disposals	-	-	-	-	-	(693,760)	-	(693,760)
Reclassifications	-	-	-	-	3,118,808	-	(3,118,808)	-
Exchange differences	-	-	90,035	35,924	788,957	14,431	2,357,503	3,286,850
At 31 May 2009	426,881	53,011,204	29,712,645	10,121,080	93,189,273	6,316,478	35,008,527	227,786,088
<b>Accumulated depreciation and impairment losses</b>								
At 1 June 2008	-	5,128,670	17,322,681	5,151,845	25,582,584	3,696,395	-	56,882,175
Charge for the year	-	1,039,702	2,550,083	1,018,703	9,758,277	889,551	-	15,256,316
Disposals	-	-	-	-	-	(600,225)	-	(600,225)
Exchange differences	-	-	30,787	16,460	93,225	2,287	-	142,759
At 31 May 2009	-	6,168,372	19,903,551	6,187,008	35,434,086	3,988,008	-	71,681,025
<b>Analysed as:</b>								
Accumulated depreciation	-	6,168,372	19,887,644	6,187,008	35,433,882	3,987,914	-	71,664,820
Accumulated impairment losses	-	-	15,907	-	204	94	-	16,205
	-	6,168,372	19,903,551	6,187,008	35,434,086	3,988,008	-	71,681,025
<b>Net carrying amount</b>								
At 31 May 2009	426,881	46,842,832	9,809,094	3,934,072	57,755,187	2,328,470	35,008,527	156,105,063

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## 12. Property, plant and equipment (contd.)

GROUP	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Renovations RM	Machineries RM	Motor vehicles RM	Work in progress RM	Total RM
<b>Cost</b>								
At 1 June 2007	426,881	44,375,427	26,918,726	8,643,943	49,473,012	5,618,896	5,885,568	141,342,453
Additions	-	4,320,000	3,090,475	618,559	10,971,743	1,033,605	31,558,006	51,592,388
Disposals	-	-	(5,399)	-	(2,649,043)	(146,028)	-	(2,800,470)
Written off	-	-	(236,965)	(31,088)	(55,202)	(52,112)	-	(375,367)
Reclassifications	-	3,406,783	-	330,000	1,088,793	-	(4,825,576)	-
Dilution of a subsidiary	-	(654,518)	(2,332,938)	(33,176)	(501,105)	(878,670)	(1,103,805)	(5,504,212)
Exchange differences	-	(101,250)	49,096	20,422	91,802	(9,318)	43,813	94,565
At 31 May 2008	426,881	51,346,442	27,482,995	9,548,660	58,420,000	5,566,373	31,558,006	184,349,357
<b>Accumulated depreciation and impairment losses</b>								
At 1 June 2007	-	4,221,563	15,742,933	4,123,849	20,846,243	3,372,476	-	48,307,064
Charge for the year	-	1,001,816	3,029,777	1,058,100	6,116,361	878,472	-	12,084,526
Disposals	-	-	(2,632)	-	(855,808)	(146,026)	-	(1,004,466)
Written off	-	-	(221,537)	(20,725)	(43,607)	(46,899)	-	(332,768)
Dilution of a subsidiary	-	(83,042)	(1,230,777)	(16,312)	(453,965)	(351,416)	-	(2,135,512)
Exchange differences	-	(11,667)	4,917	6,933	(26,640)	(10,212)	-	(36,669)
At 31 May 2008	-	5,128,670	17,322,681	5,151,845	25,582,584	3,696,395	-	56,882,175
<b>Analysed as:</b>								
Accumulated depreciation	-	5,128,670	17,306,774	5,151,845	25,582,380	3,696,301	-	56,865,970
Accumulated impairment losses	-	-	15,907	-	204	94	-	16,205
	-	5,128,670	17,322,681	5,151,845	25,582,584	3,696,395	-	56,882,175
<b>Net carrying amount</b>								
At 31 May 2008	426,881	46,217,772	10,160,314	4,396,815	32,837,416	1,869,978	31,558,006	127,467,182

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**12. Property, plant and equipment (contd.)**

COMPANY	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Renovations RM	Motor vehicles RM	Total RM
<b>Cost</b>						
At 1 June 2008/ 31 May 2009	289,469	289,469	69,894	574,867	583,871	1,807,570
<b>Accumulated depreciation</b>						
At 1 June 2008	-	70,945	69,894	574,867	408,702	1,124,408
Charge for the year	-	5,789	-	-	116,772	122,561
At 31 May 2009	-	76,734	69,894	574,867	525,474	1,246,969
<b>Net carrying amount</b>						
At 31 May 2009	289,469	212,735	-	-	58,397	560,601
<b>Cost</b>						
At 1 June 2007/ 31 May 2008	289,469	289,469	69,894	574,867	583,871	1,807,570
<b>Accumulated depreciation</b>						
At 1 June 2007	-	65,156	69,894	574,867	291,930	1,001,847
Charge for the year	-	5,789	-	-	116,772	122,561
At 31 May 2008	-	70,945	69,894	574,867	408,702	1,124,408
<b>Net carrying amount</b>						
At 31 May 2008	289,469	218,524	-	-	175,169	683,162

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**12. Property, plant and equipment (contd.)**

- (a) Net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Motor vehicles	2,104,563	1,652,880	58,397	175,169
Machineries	2,482,193	2,076,696	-	-
Furniture, fittings and office equipment	614,400	529,656	-	-
	<u>5,201,156</u>	<u>4,259,232</u>	<u>58,397</u>	<u>175,169</u>

- (b) Acquisitions of property, plant and equipment during the financial year were by the following means:

	GROUP	
	2009 RM	2008 RM
Cash	26,989,553	48,762,177
Set-off against trade receivables	11,819,879	-
Hire purchase arrangements	2,034,209	2,830,211
	<u>40,843,641</u>	<u>51,592,388</u>

Included in the acquisition by set-off against trade receivables is an amount of RM11,429,879 for heavy machineries set-off with trade receivables balance from AE Automotion (S) Pte Ltd, a company related via common directorship of a director in a subsidiary of the Company.

- (c) Carrying amounts of property, plant and equipment pledged as securities for borrowings as at the balance sheet date are as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Freehold land	426,881	426,881	289,469	289,469
Buildings	45,271,406	46,217,772	212,735	218,524
Motor vehicles	69,694	55,234	-	-
Machineries	41,860,034	24,042,451	-	-
Furniture, fittings and office equipment	7,895,189	8,309,390	-	-
Renovations	3,358,178	3,785,570	-	-
	<u>98,881,382</u>	<u>82,837,298</u>	<u>502,204</u>	<u>507,993</u>

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**13. Prepaid land lease payments**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At beginning of year	8,533,648	7,347,708
Additions	895,893	1,135,479
Exchange differences	98,310	50,461
At end of year	<u>9,527,851</u>	<u>8,533,648</u>
<b>Accumulated amortisation</b>		
At beginning of year	552,010	414,673
Amortisation	180,879	137,337
Exchange differences	59	-
At end of year	<u>732,948</u>	<u>552,010</u>
<b>Net carrying amount of long term leasehold land</b>	<u>8,794,903</u>	<u>7,981,638</u>

Leasehold land with an aggregate carrying value of RM6,658,366 (2008: RM6,795,700) are pledged as securities for borrowings as at balance sheet date. The additions in both financial years pertained to the acquisition of a parcel of land by a subsidiary in The People's Republic of China.

**14. Intangible assets**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Computer software</b>		
<b>Cost</b>		
At beginning of year	3,229,029	2,676,509
Additions	917,718	552,520
At end of year	<u>4,146,747</u>	<u>3,229,029</u>
<b>Accumulated amortisation</b>		
At beginning of year	981,993	572,764
Amortisation	535,397	409,229
At end of year	<u>1,517,390</u>	<u>981,993</u>
<b>Net carrying amount</b>	<u>2,629,357</u>	<u>2,247,036</u>

All intangible assets are amortised over the useful life of 7 years. Intangible assets with an aggregate carrying value of RM2,570,278 (2008: RM2,247,036) are pledged as securities for borrowings as at balance sheet date.

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**15. Investment in subsidiaries**

	<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>At cost:</b>		
Unquoted investments	89,364,752	89,364,752
Less: Provision for impairment loss in value of investments	(2,595,673)	(2,595,673)
	<u>86,769,079</u>	<u>86,769,079</u>

Details of the subsidiaries are as follows:

<b>Company</b>	<b>Place of incorporation</b>	<b>Equity interest held (%)</b>		<b>Principal activities</b>
		<b>2009</b>	<b>2008</b>	
<b>Subsidiaries of the Company</b>				
AE Automotion (M) Sdn Bhd	Malaysia	100.00	100.00	Manufacturing, installation and marketing of material handling and conveyor systems and parts
Indusmech Engineering (M) Sdn Bhd	Malaysia	75.50	75.50	Machining and manufacturing of steel structure for conveyor parts and systems
AE Datalogic (M) Sdn Bhd	Malaysia	100.00	100.00	Trade in electrical components and provision of software programming and wiring services

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**15. Investment in subsidiaries (contd.)**

Company	Place of incorporation	Equity interest held (%)		Principal activities
		2009	2008	
<b>Subsidiaries of the Company (contd.)</b>				
AE Eltromatic (M) Sdn Bhd	Malaysia	100.00	100.00	Trade in automation equipment, motors, conveyor and transmission belts, sensor equipment and related products
AE Manufacturing (M) Sdn Bhd	Malaysia	100.00	100.00	Manufacturing and trading of conveyor parts and furniture
Matromatic Handling Systems (M) Sdn Bhd	Malaysia	100.00	100.00	Designing, manufacturing, installation and marketing of material handling and conveyor systems and parts
Technamation (M) Sdn Bhd	Malaysia	100.00	100.00	Designing of engineering models
Indusrol Technology Sdn Bhd	Malaysia	100.00	100.00	Manufacturing of industrial rollers

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**15. Investment in subsidiaries (contd.)**

Company	Place of incorporation	Equity interest held (%)		Principal activities
		2009	2008	
<b>Subsidiary of AE Automotion (M) Sdn Bhd</b>				
AE Wurster Technology (M) Sdn Bhd	Malaysia	70.00	70.00	Manufacturing designing, installation, and trading of paintline plants and systems
PT AE Material Handling Systems *	Indonesia	99.00	-	Dormant
<b>Subsidiary of AE Manufacturing (M) Sdn Bhd</b>				
AE Envirotech (M) Sdn Bhd	Malaysia	70.00	70.00	Manufacturing and trading of industrial equipment
<b>Subsidiary of AE Datalogic (M) Sdn Bhd</b>				
Aedatech System (M) Sdn Bhd	Malaysia	100.00	100.00	Designing of software and programming systems and information technology related business
<b>Subsidiary of Technamation (M) Sdn Bhd</b>				
Technibuilt (M) Sdn Bhd	Malaysia	50.67	50.00	Designing, constructing, building and erection of architectural scale models

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**15. Investment in subsidiaries (contd.)**

Company	Place of incorporation	Equity interest held (%)		Principal activities
		2009	2008	
<b>Subsidiaries of Matromatic Handling Systems (M) Sdn Bhd</b>				
Matromatic Manufacturing (M) Sdn Bhd	Malaysia	100.00	100.00	Provision of project management services
Vitontech Sdn Bhd	Malaysia	100.00	100.00	Manufacturing, designing and marketing of automated handling systems
Matromatic Technologies (Suzhou) Co. Ltd.*	The People's Republic of China	100.00	100.00	Designing, manufacturing and installation of automated handling systems
AE Van Riet (Shanghai) Co Ltd.*	The People's Republic of China	60.00	60.00	Trading of logistic and warehousing system business
Matromatic Technologies (Suqian) Co. Ltd.*	The People's Republic of China	100.00	100.00	Manufacturing, installing and maintaining hi-speed logistic, sorting and warehousing system

\* Audited by firms of auditors other than Ernst & Young

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**15. Investment in subsidiaries (contd.)**

**(a) Acquisition of a new subsidiary**

During the financial year, the Group via its wholly-owned subsidiary, AE Automotion (M) Sdn. Bhd., subscribed for 198,000 new ordinary share of USD1.00 each in PT AE Material Handling Systems ("PT AE") , representing 99% of the entire issued and paid up share capital of PT AE for a total cash consideration of USD198,000 (equivalent to RM652,806).

The acquired subsidiary was incorporated on 4 September 2008 and has yet to commence operation as at year end. The results contributed by the acquired subsidiary has no material impact on the financial statements of the Group.

**(b) Additional investment in subsidiary**

During the financial year, the Group via its wholly-owned subsidiary, Technamation (M) Sdn. Bhd. has increased its equity interest in Technibuilt (M) Sdn. Bhd. from 50.00% to 50.67% by the transfer of 500 ordinary at par value of RM1.00 each. As a result of the transfer, a negative goodwill of RM13,413 was recognised in the Group's income statement as disclosed in Note 5.

**16. Other investments**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>At cost:</b>				
Transferable club memberships	209,000	209,000	-	-
Unquoted subordinated bonds	2,000,000	2,000,000	2,000,000	2,000,000
Unquoted investments	13,462,000	14,984,785	-	361,234
Malaysian quoted investments	3,400	3,400	-	-
	<u>15,674,400</u>	<u>17,197,185</u>	<u>2,000,000</u>	<u>2,361,234</u>
Less: Accumulated impairment losses	(1,341,929)	(92,889)	(1,200,000)	-
	<u>14,332,471</u>	<u>17,104,296</u>	<u>800,000</u>	<u>2,361,234</u>
Market value of Malaysian quoted investments	<u>360</u>	<u>560</u>	<u>-</u>	<u>-</u>

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**16. Other investments (contd.)**

Subordinated Bonds subscribed by the Company are pursuant to the Primary Collateralised Loan Obligations Transactions in connection with the acceptance of an Unsecured Fixed Rate Term Loan Facility with RHB Investment Bank Berhad. The salient terms of the Unsecured Fixed Rate Term Loan Facility are detailed in Note 24.

The RM1,200,000 impairment loss during the year represents the write down of the Subordinate Bonds to its recoverable amounts. The bonds were issued by a special purpose vehicle and the term loans were disbursed by the lenders to the Company and other borrowers. As advised by the trustee of the bonds, certain other borrowers have defaulted in repayments of their term loan obligations, resulting in the impairment of investments. The quantum of impairment loss was estimated by management after benchmarking the return of a similar Subordinated Bonds which the Company had invested in prior years.

In last financial year, the Group invested RM13,363,000 to acquire various equity interests in certain companies detailed as follows:

Company	Place of incorporation	Equity interest held (%)		Cost of investment	
		2009	2008	2009 RM	2008 RM
Fox-Kon Solution (M) Sdn Bhd	Malaysia	49.00	49.00	3,038,000	3,038,000
Champro Asia Sdn Bhd	Malaysia	45.00	45.00	2,700,000	2,700,000
Logistic Automation (M) Sdn Bhd	Malaysia	45.00	45.00	2,025,000	2,025,000
Maruyatech Systems (M) Sdn Bhd	Malaysia	45.00	45.00	3,150,000	3,150,000
E-Matic Technology (M) Sdn Bhd	Malaysia	49.00	49.00	2,450,000	2,450,000
123 DIY Sdn Bhd	Malaysia	19.80	19.80	99,000	99,000
AE Automotion (S) Pte Ltd *	Singapore	-	40.00	-	1,522,785

\* During the financial year, the Company disposed its entire equity interest in AE Automotion (S) Pte Ltd to Senvik Sorting System (M) Sdn. Bhd., a company related via common directorship of a director in a subsidiary of the Company. The total consideration on the disposal amounted to RM2,160,000 resulting in a gain on disposal to the Group and the Company amounting to RM1,230,127 and RM1,798,766 respectively as disclosed in Note 5 to the financial statements.

Despite holding more than 20% equity in companies above, the Group is neither able to exert influence over financial nor operating policy decisions of these investee companies. The Group has no board representation in these companies.

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**17. Inventories**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>At cost:</b>		
Raw materials and consumables	2,684,500	5,666,233
Work-in-progress	-	4,531,215
Finished goods	4,985,303	5,014,835
	<u>7,669,803</u>	<u>15,212,283</u>

Inventories amounting to RM1,303,525 (2008: RM Nil) are pledged as securities for borrowings as disclosed in Note 24.

**18. Trade receivables**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	272,096,222	214,160,242
Less: Allowance for doubtful debts	<u>(9,298,568)</u>	<u>(3,832,544)</u>
	262,797,654	210,327,698
Due from customers on contracts (Note 19)	51,305,228	67,040,661
	<u>314,102,882</u>	<u>277,368,359</u>

The Group's normal trade credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

As at balance sheet date, the trade receivables of the Group include debts totalling RM136,609,525 (2008: RM103,918,868) due from 8 (2008:7) entities of which the Group has financial interests during the year. The amount also represents a significant concentration of credit risk to the Group.

All amounts due are unsecured, non-interest bearing and have the same terms of repayment as with other trade debtors.

Other than as mentioned above, the Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

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**19. Due from customers on contracts**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Construction contract costs incurred to-date	50,643,372	96,763,842
Add: Attributable profits	3,245,566	8,145,417
	<u>53,888,938</u>	<u>104,909,259</u>
Less: Progress billings	(2,583,710)	(37,868,598)
Due from customers on contracts (Note 18)	<u>51,305,228</u>	<u>67,040,661</u>

Included in amounts due from customers on contracts of the Group is a balance totalling RM10,953,552 (2008: RM10,241,995) due from AE Automotion (S) Pte Ltd and PT AE Automotion Indonesia, of which a director of a subsidiary of the Company has financial interest in. Except as disclosed above, there is no other significant concentration of credit risk to the Group.

**20. Other receivables**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Due from subsidiaries	-	-	234,661,561	208,616,605
Deposits	332,302	3,248,524	4,478	4,478
Prepayments	1,511,657	3,873,950	-	1,286,286
Sundry receivables	3,120,609	4,532,617	932,356	866,009
	<u>4,964,568</u>	<u>11,655,091</u>	<u>235,598,395</u>	<u>210,773,378</u>
Less: Allowance for doubtful debts				
- Due from subsidiaries	-	-	(1,881,633)	(1,791,348)
- Sundry receivables	(1,096,682)	(109,742)	(932,356)	-
	<u>(1,096,682)</u>	<u>(109,742)</u>	<u>(2,813,989)</u>	<u>(1,791,348)</u>
	<u>3,867,886</u>	<u>11,545,349</u>	<u>232,784,406</u>	<u>208,982,030</u>

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**20. Other receivables (contd.)**

The Group's normal credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have significant concentration of credit risk in the form of balances due from 2 (2008: 3) and 1 (2008: 1) debtors, representing approximately 54.2% (2008: 66.4%) and 97% (2008: 97%) of the sundry receivables respectively.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for amounts due from certain subsidiaries of RM221,175,791 (2008: RM121,235,543) which bore interest at rates ranging between 4.22% and 9.0% (2008: 4.0% and 9.0%) per annum.

**21. Cash and bank balances**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash on hand and at banks	30,142,907	14,668,917	1,445,378	187,952
Deposits with licensed banks	3,470,206	18,542,409	1,274,781	3,542,875
Cash and bank balances	33,613,113	33,211,326	2,720,159	3,730,827
Less: Bank overdrafts (Note 24)	(1,030,864)	(999,176)	-	-
Cash and cash equivalents	32,582,249	32,212,150	2,720,159	3,730,827
Pledged as securities for borrowing facilities:				
- Cash on hand and at banks	22,748,686	-	1,445,378	-
- Deposits with licensed banks	3,212,348	3,905,661	1,274,781	1,152,147
- Deposits held in trust by directors of subsidiaries	227,060	227,060	-	-

Fixed deposits of RM227,060 (2008:RM227,060) are held in trust by certain directors of the subsidiaries of the Company.

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**21. Cash and bank balances (contd.)**

The maturities of the deposits during the year ranges from 1 to 262 days. The weighted average interest rates as at year end were as follows:

	GROUP		COMPANY	
	2009	2008	2009	2008
Weighted average interest rates (% per annum)	2.48	4.22	1.40	4.86

**22. Share capital and share premium**

	Number of ordinary shares of RM1 each		<----- Amount ----->	
	2009	2008	2009 RM	2008 RM
<b>Authorised share capital</b>				
At beginning/end of year	200,000,000	200,000,000	200,000,000	200,000,000
	<b>Number of ordinary shares of RM1 each</b>		<b>&lt;----- Amount -----&gt;</b>	
	<b>Share capital (Issued and fully paid)</b>	<b>Share capital (Issued and fully paid)</b>	<b>Share premium</b>	<b>Total share capital and share premium</b>
		RM	RM	RM
At 1 June 2007	96,435,500	96,435,500	25,950	96,461,450
Issue of shares	9,600,000	9,600,000	3,038,440	12,638,440
Conversion of warrants	607,168	607,168	-	607,168
At 31 May 2008	106,642,668	106,642,668	3,064,390	109,707,058
Conversion of warrants	364,200	364,200	-	364,200
At 31 May 2009	107,006,868	107,006,868	3,064,390	110,071,258

During the financial year, the Company increased its issued and paid-up share capital from RM106,642,668 to RM107,006,868 by way of the issuance of 364,200 ordinary shares of RM1 each pursuant to the conversion of warrants into ordinary shares.

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

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**22. Share capital and share premium (contd.)**

The movements of warrants are as follows:

	Company	
	2009 No.	2008 No.
Number of unexercised warrant at beginning of year	31,098,332	31,705,500
Exercised during the year	(364,200)	(607,168)
Number of unexercised warrant at end of year	30,734,132	31,098,332

The warrants are exercisable at RM1.00 per warrant.

**Salient terms of the warrants**

The warrants are governed by a Deed Poll dated 27 November 2004.

The number of warrants in issue was 31,705,500. These warrants may be exercised at any time from the date of issue of the warrants until 19 September 2010 or such period as may be extended in accordance with the provision of the Deed Poll. Warrants not exercised during this period will lapse and cease to be valid.

The exercise price of the warrants is fixed at RM1.00, subject to such adjustments as may be allowed under the Deed Poll.

**23. Reserves**

		GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
Capital reserve	(a)	254,750	942,910	254,750	254,750
Foreign currency translation reserve	(b)	2,945,769	1,440,456	-	-
		3,200,519	2,383,366	254,750	254,750
Retained earnings	(c)	98,220,438	87,745,566	29,491,700	28,432,387
		101,420,957	90,128,932	29,746,450	28,687,137

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**23. Reserves (contd.)**

**(a) Capital reserve**

Capital reserve arose from the Employee Share Options Scheme ("ESOS") expense arising from exercise of ESOS provided to employees of subsidiaries not recognised in the income statement. The Company's ESOS expired on 9 April 2007. In prior year, capital reserve includes bonus issues by certain subsidiaries of the Company.

**(b) Foreign currency translation reserve**

The foreign currency translation 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. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

**(c) Retained earnings**

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 irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

As at the financial year end, the Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 May 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 May 2009 and 2008, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

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**24. Borrowings**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Short term borrowings</b>				
<b>Secured:</b>				
Bank overdrafts (Note 21)	1,030,864	999,176	-	-
Revolving credits	17,000,000	20,000,000	7,000,000	-
Bankers' acceptances	62,158,402	12,708,000	50,290,402	-
Hire purchase and finance lease liabilities (Note 25)	1,190,824	1,441,424	70,500	67,123
Islamic commercial papers	-	141,000,000	-	141,000,000
Term loans	78,148,637	2,934,597	72,644,909	-
	<u>159,528,727</u>	<u>179,083,197</u>	<u>130,005,811</u>	<u>141,067,123</u>
<b>Unsecured:</b>				
Revolving credits	18,125,084	5,000,000	-	-
Bankers' acceptances	48,678,000	27,646,000	-	-
Term loans	624,449	3,602,073	-	-
	<u>67,427,533</u>	<u>36,248,073</u>	<u>-</u>	<u>-</u>
	<u>226,956,260</u>	<u>215,331,270</u>	<u>130,005,811</u>	<u>141,067,123</u>
<b>Long term borrowings</b>				
<b>Secured:</b>				
Hire purchase and finance lease liabilities (Note 25)	2,979,025	2,455,397	118,519	189,019
Term loans	37,859,630	5,222,782	31,843,176	-
	<u>40,838,655</u>	<u>7,678,179</u>	<u>31,961,695</u>	<u>189,019</u>
<b>Unsecured:</b>				
Term loans	2,140,766	2,707,599	-	-
Unsecured fixed rate term loan	20,000,000	20,000,000	20,000,000	20,000,000
	<u>22,140,766</u>	<u>22,707,599</u>	<u>20,000,000</u>	<u>20,000,000</u>
	<u>62,979,421</u>	<u>30,385,778</u>	<u>51,961,695</u>	<u>20,189,019</u>

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**24. Borrowings (contd.)**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Total borrowings</b>				
Bank overdrafts	1,030,864	999,176	-	-
Revolving credits	35,125,084	25,000,000	7,000,000	-
Bankers' acceptances	110,836,402	40,354,000	50,290,402	-
Hire purchase and finance lease payables (Note 25)	4,169,849	3,896,821	189,019	256,142
Term loans	118,773,482	14,467,051	104,488,085	-
Islamic commercial papers	-	141,000,000	-	141,000,000
Unsecured fixed rate term loan	20,000,000	20,000,000	20,000,000	20,000,000
	<u>289,935,681</u>	<u>245,717,048</u>	<u>181,967,506</u>	<u>161,256,142</u>
<b>Maturity of borrowings</b>				
Within 1 year	226,956,260	215,331,270	130,005,811	141,067,123
More than 1 year and less than 2 years	25,501,322	3,192,710	21,917,605	70,500
More than 2 years and less than 5 years	34,544,743	25,533,710	30,044,090	20,118,519
5 years and more	2,933,356	1,659,358	-	-
	<u>289,935,681</u>	<u>245,717,048</u>	<u>181,967,506</u>	<u>161,256,142</u>

**Salient terms of the unsecured fixed rate term loans**

In 2007, the Company entered into Loan Facility Agreement with RHB Investment Bank Berhad ("RHB Bank") and Prima Uno Berhad ("Prima") under another Collateralised Loan Obligations Transactions ("CLO") arrangement. RHB Bank disbursed RM20 million of the Loan Facility to the Company with a tenure of not exceeding five (5) years and the Company subscribed for Subordinated Bonds amounting to RM2 million issued by Prima pursuant to the CLO.

The Company is required to maintain a certain level of rating accorded by the Malaysian Rating Corporation Berhad. In the event that the rating falls below the prescribed level, it will trigger the prepayment clause stated in the Facility Agreement rendering the Loan Facility payable on demand.

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**24. Borrowings (contd.)**

**Islamic Commercial Papers**

On 26 October 2005, the Company entered into a Islamic Commercial Papers/Medium Term Notes ("CP/MTN") Programme with Bank Muamalat Malaysia Berhad in respect of the acceptance of an asset-back Murabahah Commercial Papers/Murabahah Medium Term Notes (the "Notes").

The aggregate nominal value for the Islamic CP/MTN Programme was limited to RM175 million with a tenure of seven (7) years and the Company subscribed for the Notes amounting to RM141 million in prior years. During the financial year, the Board of directors had decided on early redemption of CP/MTN, considering the financing requirement of the Group. On 8 August 2008, the balance of RM141 million was fully repaid.

**Term loans**

Term loans facility of the Group comprises Term Loan I and II granted to the Company and other term loans granted to subsidiaries.

Term loans I and II:

During the year, the Company was granted with new term loan facility of RM150 million for the full redemption of CP/MTN. The Company has drawdown RM144 million during the financial year. The salient terms of term loans I and II are as follows:

(a) Term loan I

- (i) Monthly servicing commencing one month from date of first release; and
- (ii) Monthly principal repayment commencing one month from date of first release as follows:-

	<b>Monthly Installments</b>		
	<b>1st to 5th</b>	<b>6th to 23rd</b>	<b>24th</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Monthly amount payable</b>	2,000,000	5,790,000	5,780,000

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**24. Borrowings (contd.)**

**Term loans (contd.)**

Term loans I and II:

(b) Term loan II

- (i) Monthly servicing commencing one month from date of first release; and
- (ii) Monthly principal repayment commencing one month from date of first release as follows:-

	<b>Monthly Installments</b>		
	<b>1st to 5th RM</b>	<b>6th to 52nd RM</b>	<b>53rd RM</b>
<b>Monthly amount payable</b>	360,000	420,900	313,200

The Term Loans I and II are secured by:

- (i) an 'all monies' Facilities Agreement stamped to the amount of the Banking Facility granted;
- (ii) A Corporate Guarantee for the amount of the Banking Facility granted from the following companies (hereinafter collectively referred to as the "Said Companies"):-
  - (a) AE Automotion (M) Sdn Bhd
  - (b) Matromatic Handling Systems (M) Sdn Bhd
  - (c) Vitontech Sdn Bhd
  - (d) Indusrol Technology Sdn Bhd
- (iii) 'all monies' Deed(s) of Debenture by the Borrower and each of the Said Companies creating a first fixed and floating charge over all their respective assets, properties and undertakings (both movable and immovable, present and future);
- (iv) 1st fixed legal charge over the current accounts maintained respectively by the Borrower and each of the Said Companies with RHB Bank Berhad (the "Bank"), whereupon all contract proceeds of the Borrower and each of the Said Companies relating to contracts/projects financed from the proceeds of the Banking Facility shall be deposited into; and
- (v) Power(s) of Attorney by the Borrower and each of the Said Companies in relation to the Borrower and Said Companies' respective rights, title and interest in and under the projects/contracts including all proceeds arising therefrom and any other amendment(s) or variation(s) thereof and addition(s) thereto or in substitution thereof, performance bonds/guarantees in respect of the projects/contracts and all proceeds arising therefrom to the extent permitted by prevailing laws and Insurance Policies required to be undertaken by the projects/contracts.

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**24. Borrowings (contd.)**

**Term loans (contd.)**

Other term loans:

Other term loans granted to subsidiaries are secured by way of:

- (i) fresh corporate guarantee issued by the Company;
- (ii) fourth legal charge of RM2.5 million over 3 pieces of industrial land held under HS(D) 38427, Lot No. PTD35111, HS(D) 38428, Lot No. 35112 and HS(D) 44917, Lot No. PTD39893, Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim;
- (iii) first party/first fixed registered charge for RM2.5 million to be taken over a unit of industrial property held under PLO51 of Kawasan Perindustrian Mengkibol, Mukim and District of Kluang, Johor Darul Takzim in the name of AE Manufacturing (M) Sdn. Bhd.; and
- (iv) pledge agreement executed by the Company over USD300,000 with United Overseas Bank (Malaysia) Berhad, Batu Pahat branch in favor of United Overseas Bank (China) Limited, Shanghai branch.

**Other bank borrowings**

Securities for other bank borrowings are as follows:

- (i) Legal charge over certain assets and deposits placed with licensed banks of the Group and of the Company as disclosed in Note 12, 13, 14 and 21;
- (ii) Fixed and floating charge over entire assets of certain subsidiaries both present and future including stocks and debtors;
- (iii) First party, first and second charge for RM118,000 and RM79,000 respectively over a 3 storey shop house title no. HS(M)8230 PT4816, Mukim of Cheras, District of Ulu Langat located at 10 and 12, Jalan Mas 6, Taman Cheras Mas, Batu 8, 43200 Cheras Selangor Darul Ehsan; and
- (iv) Joint and several guarantee by directors of the Group and third parties.

The unsecured borrowings are guaranteed by the Company and certain subsidiaries.

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**24. Borrowings (contd.)**

The weighted average of effective interest rates and fair values during the financial year for borrowings, excluding hire purchase and finance lease liabilities, are as follows:

Group	Type	Weighted average interest rate		Fair value	
		2009 %	2008 %	2009 RM	2008 RM
Bank overdrafts	Floating	6.24	8.00	1,030,864	999,176
Revolving credits	Floating	4.10	6.04	35,125,084	25,000,000
Bankers' acceptances	Floating	2.68	3.85	110,836,402	40,354,000
Islamic accepted bills	Floating	-	3.80	-	-
Islamic commercial papers	Floating	6.23	6.15	-	141,000,000
Term loans	Floating	5.78	4.59	118,516,261	13,948,583
Unsecured fixed rate term loan	Fixed	7.38	7.38	19,701,973	19,196,059
<b>Company</b>					
Revolving credits	Floating	4.61	-	7,000,000	-
Bankers' acceptances	Floating	4.17	-	50,290,402	-
Islamic commercial papers	Floating	6.23	6.15	-	141,000,000
Term loans	Floating	4.17	-	104,372,223	-
Unsecured fixed rate term loan	Fixed	7.38	7.38	19,701,973	19,196,059

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**25. Hire purchase and finance lease payables**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Future minimum lease payments</b>				
Not later than 1 year	1,407,772	1,643,439	77,676	77,676
Later than 1 year and not later than 2 years	1,227,768	1,014,089	77,676	77,676
Later than 2 years and not later than 5 years	1,848,870	1,485,528	45,299	122,975
Later than 5 years	169,824	171,727	-	-
	<u>4,654,234</u>	<u>4,314,783</u>	<u>200,651</u>	<u>278,327</u>
Less: future finance charges	(484,385)	(417,962)	(11,632)	(22,185)
Present value of finance leases	<u>4,169,849</u>	<u>3,896,821</u>	<u>189,019</u>	<u>256,142</u>
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	1,190,824	1,441,424	70,500	67,123
Later than 1 year and not later than 2 years	1,088,784	892,921	73,877	70,500
Later than 2 years and not later than 5 years	1,726,288	1,393,503	44,642	118,519
Later than 5 years	163,953	168,973	-	-
	<u>4,169,849</u>	<u>3,896,821</u>	<u>189,019</u>	<u>256,142</u>
<b>Analysed as:</b>				
Due within 12 months (Note 24)	1,190,824	1,441,424	70,500	67,123
Due after 12 months (Note 24)	2,979,025	2,455,397	118,519	189,019
	<u>4,169,849</u>	<u>3,896,821</u>	<u>189,019</u>	<u>256,142</u>

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group by entering into these leases.

Other information on financial risks of hire purchase and finance lease liabilities are disclosed as follows:

Group	Type	Weighted average interest rate		Maturity	Fair value	
		2009 %	2008 %		2009 RM	2008 RM
Hire purchase and finance lease liabilities	Fixed	5.71	5.46	2009 to 2015	4,376,000	3,890,260

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**25. Hire purchase and finance lease payables (contd.)**

Company	Type	Weighted average Interest rate		Maturity	Fair value	
		2009 %	2008 %		2009 RM	2008 RM
Hire purchase liabilities	Fixed	4.74	4.84	2011	188,033	254,617

**26. Deferred taxation**

	GROUP	
	2009 RM	2008 RM
At beginning of year	3,852,135	2,751,821
Recognised in income statement (Note 9)	1,257,527	941,644
Dilution of a subsidiary	-	136,274
Exchange differences	(2,670)	22,396
At end of year	<u>5,106,992</u>	<u>3,852,135</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	-	-
Deferred tax liabilities	5,106,992	3,852,135
	<u>5,106,992</u>	<u>3,852,135</u>

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**26. Deferred taxation (contd.)**

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:**

	<b>Property, plant and equipment RM</b>
At 1 June 2007	5,165,888
Recognised in income statement	929,131
Dilution of a subsidiary	(12,751)
Exchange differences	(36,276)
At 31 May 2008	<u>6,045,992</u>
Recognised in income statement	1,737,680
Exchange differences	(2,670)
At 31 May 2009	<u><u>7,781,002</u></u>

**Deferred tax assets of the Group:**

	<b>Provisions RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 June 2007	(1,358,731)	(1,055,336)	(2,414,067)
Recognised in income statement	-	12,513	12,513
Dilution of a subsidiary	145,298	3,727	149,025
Exchange differences	58,672	-	58,672
At 31 May 2008	<u>(1,154,761)</u>	<u>(1,039,096)</u>	<u>(2,193,857)</u>
Recognised in income statement	(480,153)	-	(480,153)
At 31 May 2009	<u><u>(1,634,914)</u></u>	<u><u>(1,039,096)</u></u>	<u><u>(2,674,010)</u></u>

Deferred tax assets have not been recognised in the financial statements are as follows:

	<b>GROUP</b>	
	<b>2009 RM</b>	<b>2008 RM</b>
Unutilised tax losses	787,770	406,181
Unabsorbed capital allowances	52,837	143,208
Unabsorbed reinvestment allowances	1,299,425	1,127,767
Others	248,281	248,281
	<u>2,388,313</u>	<u>1,925,437</u>
Net deferred tax benefits at 25% (2008: 25%)	<u>597,078</u>	<u>481,359</u>

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**26. Deferred taxation (contd.)**

The availability of the unutilised tax losses and unabsorbed capital allowances for off-setting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in the shareholdings of these subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967. Other temporary differences are available indefinitely for offset against future taxable profits of the respective subsidiaries. Deferred tax assets have not been recognised as it is not probable that future taxable profits will be available against which the subsidiaries can utilise the benefits.

**27. Trade payables**

**Group**

The normal trade credit terms granted to the Group ranges from 30 days to 60 days although it is customary for certain suppliers to extend credit terms to exceed 60 days but generally not more than 12 months.

**28. Other payables**

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Due to subsidiaries	-	-	178,809	1,317,250
Due to directors	76,485	93,449	-	-
Other payables	5,724,513	7,011,686	1,094,604	773,743
Accruals	2,298,891	1,385,005	-	-
	<u>8,099,889</u>	<u>8,490,140</u>	<u>1,273,413</u>	<u>2,090,993</u>

Balances with subsidiaries and directors are unsecured, interest-free, repayable on demand and are to be settled in cash.

**29. Capital commitments**

	GROUP	
	2009 RM	2008 RM
Capital expenditure approved but not contracted for property, plant and equipment	<u>6,166,028</u>	<u>6,208,450</u>

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**30. Contingent liabilities - unsecured**

	<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
(a) Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>102,557,239</u>	<u>80,278,317</u>
(b) In 2001, AE Automotion (M) Sdn Bhd, a wholly-owned subsidiary of the Company, made a claim against a debtor for the repayment sum of RM262,000 together with interest and costs for the delivery and commissioning of a machine. A counter claim was made by the debtor for a sum of RM702,234 together with interest and costs for failure to design, assemble and commission the machine in accordance with the contractual specification.		

The directors were informed by their solicitors that the debtor had been dissolved at the hearing of 17 September 2009. The matter is pending further advice from the solicitors.

**31. Significant related party transactions**

	<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
<b>Transactions with subsidiaries</b>		
<b>Interests receivable from the following subsidiaries:</b>		
Matromatic Handling		
Systems (M) Sdn Bhd	(i) 8,178,529	6,022,323
AE Automotion (M) Sdn Bhd	(i) 4,697,096	5,256,521
AE Datalogic (M) Sdn Bhd	(i) 246,412	80,682
AE Manufacturing (M) Sdn Bhd	(i) 79,057	524,560
Indusmech Engineering (M) Sdn Bhd	(i) -	91,468
AE Automotion (S) Pte Ltd	(i) -	355,147
	<u>13,201,094</u>	<u>12,330,701</u>

- (i) The advances to certain subsidiaries which were charged at an interest rate of 4.22% to 9% (2008: 4% to 9%) per annum;

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**31. Significant related party transactions (contd.)**

		<b>GROUP</b>	
		<b>2009</b>	<b>2008</b>
		<b>RM</b>	<b>RM</b>
<b>Transactions with related parties</b>			
<b>Nature of Transactions:</b>	<b>Name of Company</b>		
Purchases of goods	AE Automotion (S) Pte Ltd *	(222,017)	(701,137)
	AE Automotion (Shanghai) Co Ltd *	-	(400,200)
	PT AE Automotion Indonesia *	-	(24,868)
Sales of goods	Champro Asia Sdn Bhd	9,535,573	4,151,943
	Maruyatech Systems (M) Sdn Bhd	4,646,253	4,003,700
	Fox-Kon Solutions (M) Sdn Bhd	7,994,291	4,001,101
	Logistic Automotion (M) Sdn Bhd	5,628,699	4,002,626
	E-Matic Technology (M) Sdn Bhd	7,398,534	399,997
Contract sales	AE Automotion (S) Pte Ltd *	43,240,690	20,726,738
	AE Automotion (Shanghai) Co Ltd *	12,056,845	9,754,375
	PT AE Automotion Indonesia *	31,799,481	47,355,774
	Senvik Sorting System (M) Sdn Bhd **	800,554	-
Purchase of machinery and equipment	AE Automotion (S) Pte Ltd *	(11,429,879)	-
	Senvik Sorting System (M) Sdn Bhd **	(2,400,000)	-
	Samatronic Sdn Bhd **	(1,660,000)	-
Disposal of investment	Senvik Sorting System (M) Sdn Bhd **	<u>2,160,000</u>	<u>-</u>

\* AE Automotion (Shanghai) Co Ltd and PT AE Automotion Indonesia are subsidiaries of AE Automotion (S) Pte Ltd, ("AE Auto Group" collectively) is related via common directorship of a director in a subsidiary of the Company. AE Auto Group were previously investees companies of the Group which the Group had disposed during the financial year.

\*\* The entity is related via common directorship of a director in a subsidiary of the Company.

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**31. Significant related party transactions (contd.)**

**Compensation of key management personnel**

The remunerations of directors and other members of the key management during the year were as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries and other emoluments	2,548,875	2,325,748	460,063	205,708
Bonus	61,060	86,035	-	-
Defined contributions plans	265,907	268,642	-	-
Estimated money value of benefits-in-kind	290,874	212,711	214,803	170,543
	<u>3,166,716</u>	<u>2,893,136</u>	<u>674,866</u>	<u>376,251</u>

Included in the total key management personnel are:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors' remuneration (Note 7)	<u>2,590,338</u>	<u>2,680,425</u>	<u>245,260</u>	<u>205,708</u>

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**32. Segment information**

**(a) Geographical segments**

The Group operates mainly in Malaysia, Indonesia and The People's Republic of China.

<b>2009</b>	<b>Malaysia RM</b>	<b>Outside Malaysia RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b>Revenue</b>				
External sales	461,266,260	20,590,424	-	481,856,684
Inter-segment sales	213,664,252	9,261,091	(222,925,343)	-
	<u>674,930,512</u>	<u>29,851,515</u>	<u>(222,925,343)</u>	<u>481,856,684</u>
<b>Result</b>				
Segment results	54,257,529	(1,783,024)	(15,976,575)	36,497,930
Finance costs	(17,812,452)	(420,649)		(18,233,101)
Taxation	(6,448,026)	(103,414)		(6,551,440)
Profit after taxation				<u>11,713,389</u>
Minority interests	79,700	-		79,700
Profit for the year				<u>11,793,089</u>
<b>Assets</b>				
Segment assets	455,158,127	86,793,284		<u>541,951,411</u>
<b>Liabilities</b>				
Segment liabilities	312,313,206	15,240,291		<u>327,553,497</u>
<b>Other information</b>				
Capital expenditure	27,556,951	13,286,690		40,843,641
Depreciation	13,375,377	1,880,939		15,256,316
Amortisations	667,942	48,334		<u>716,276</u>
<b>Other significant non-cash expense:</b>				
Net provision for doubtful debts	6,452,964	-		6,452,964
Bad debts written off	374,708	-		<u>374,708</u>

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**32. Segment information (contd.)**

**(a) Geographical segments (contd.)**

<b>2009</b>	<b>Malaysia RM</b>	<b>Outside Malaysia RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b>Other significant non-cash expense: (contd.)</b>				
Provision for diminution of value in investment	1,249,040	-		1,249,040
Inventories written down	607,025	-		<u>607,025</u>
 <b>2008</b>				
<b>Revenue</b>				
External sales	397,143,606	49,973,234	-	447,116,840
Inter-segment sales	165,134,661	60,734,537	(225,869,198)	-
	<u>562,278,267</u>	<u>110,707,771</u>	<u>(225,869,198)</u>	<u>447,116,840</u>
 <b>Result</b>				
Segment results	59,272,880	1,864,452	(17,514,289)	43,623,043
Finance costs	(14,256,880)	(393,730)		(14,650,610)
Taxation	(9,092,886)	-		(9,092,886)
Profit after taxation				<u>19,879,547</u>
Minority interests	(516,085)	-		(516,085)
Profit for the year				<u>19,363,462</u>
 <b>Assets</b>				
Segment assets	430,057,963	62,383,231		<u>492,441,194</u>
 <b>Liabilities</b>				
Segment liabilities	279,116,339	10,519,045		<u>289,635,384</u>
 <b>Other information</b>				
Capital expenditure	16,144,286	35,448,102		51,592,388
Depreciation	11,017,788	1,066,738		12,084,526
Amortisations	546,566	-		<u>546,566</u>

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**32. Segment information (contd.)**

**(a) Geographical segments (contd.)**

2008	Malaysia RM	Outside Malaysia RM	Elimination RM	Consolidated RM
<b>Other significant non-cash expense:</b>				
Property, plant and equipment written off	42,599	-		42,599
Net provision for doubtful debts	663,914	-		663,914
Loss on disposal of:				
- a subsidiary	47,396	-		47,396
- other investment	520,127	-		520,127
Inventories written down	1,176,884	-		<u>1,176,884</u>

**(b) Business segments**

The Group operates principally within the automation industry. Accordingly, no business segment information is provided.

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.

**33. 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, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group policy is not to engage in speculative transactions.

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**34. Financial instruments (contd.)**

**(b) Interest rate risk**

The Group's primary interest rate risk relates to interest-bearing debt. The investment in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

**(c) Foreign currency risk**

The Group operates internationally and is exposed to various currencies, mainly United States Dollars, Indonesian Rupiah, Chinese Renminbi, Japanese Yen, Singapore Dollars, United Arab Emirates Dirham, Australian Dollars, Indian Rupee, Hong Kong Dollars, Thai Baht, Great Britain Pound Sterling and Euro Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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**34. Financial instruments (contd.)**

**(c) Foreign currency risk (contd.)**

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

<b>Group</b>	<b>Japanese Yen RM</b>	<b>United States Dollars RM</b>	<b>Singapore Dollars RM</b>	<b>Hong Kong Dollars RM</b>	<b>Chinese Reminbi RM</b>	<b>Indonesia Rupiah RM</b>	<b>United Arab Emirates Dirham RM</b>	<b>Great Britain Pound Sterling RM</b>	<b>Thai Baht RM</b>	<b>Australia Dollars RM</b>	<b>Euro Dollars RM</b>	<b>Total RM</b>
<b>At 31 May 2009:</b>												
Trade receivables	55,782	102,005,682	67,853,868	97,291	-	9,598,147	117,682	-	-	-	3,534,372	183,262,824
Other receivables	-	1,203,496	-	-	-	-	-	-	-	-	-	1,203,496
Cash and bank balances	124,229	6,609,541	3,321,922	12	-	-	-	-	-	-	385,149	10,440,853
Trade payables	(541,571)	(835,638)	(527,431)	-	(511,750)	(16,138)	-	(30,725)	(20,828)	(1,078)	(70,577)	(2,555,736)
Other payables	-	(698,082)	(157,975)	-	-	-	-	-	-	-	(41,952)	(898,009)
Borrowings	-	(5,160,562)	-	-	-	-	-	-	-	-	-	(5,160,562)
	<b>(361,560)</b>	<b>103,124,437</b>	<b>70,490,384</b>	<b>97,303</b>	<b>(511,750)</b>	<b>9,582,009</b>	<b>117,682</b>	<b>(30,725)</b>	<b>(20,828)</b>	<b>(1,078)</b>	<b>3,806,992</b>	<b>186,292,866</b>
<b>Company</b>												
<b>At 31 May 2009:</b>												
Cash and bank balances	-	1,274,791	-	-	-	-	-	-	-	-	-	1,274,791
Amount due from subsidiaries	-	-	-	-	2,106,759	-	-	-	-	-	-	2,106,759
Other receivables	-	907,870	-	-	-	-	-	-	-	-	-	907,870

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**34. Financial instruments (contd.)**

**(c) Foreign currency risk (contd.)**

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

<b>Group</b>	<b>Japanese Yen RM</b>	<b>United States Dollars RM</b>	<b>Singapore Dollars RM</b>	<b>Hong Kong Dollars RM</b>	<b>Indian Rupee RM</b>	<b>Indonesia Rupiah RM</b>	<b>United Arab Emirates Dirham RM</b>	<b>Thai Baht RM</b>	<b>Australian Dollars RM</b>	<b>Euro Dollars RM</b>	<b>Total RM</b>
<b>At 31 May 2008:</b>											
Trade receivables	91,475	39,321,893	65,073,905	4,328,029	80,759	35,293,303	137,392	-	-	2,435,048	146,761,804
Other receivables	-	2,118,783	827,842	-	225,604	-	-	-	-	-	3,172,229
Cash and bank balances	693,208	1,098,737	1,666,106	-	-	-	-	-	-	7,470	3,465,521
Trade payables	(381,177)	(1,481,848)	(936,311)	(21,211)	(5,426)	(13,720)	(2,856,353)	(316,303)	(134,247)	(299,092)	(6,445,688)
Other payables	-	(822,840)	(267,721)	-	-	-	-	-	-	(169,514)	(1,260,075)
Borrowings	-	(4,977,339)	-	-	-	-	-	-	-	-	(4,977,339)
	<b>403,506</b>	<b>35,257,386</b>	<b>66,363,821</b>	<b>4,306,818</b>	<b>300,937</b>	<b>35,279,583</b>	<b>(2,718,961)</b>	<b>(316,303)</b>	<b>(134,247)</b>	<b>1,973,912</b>	<b>140,716,452</b>
<b>Company</b>											
<b>At 31 May 2008:</b>											
Cash and bank balances	-	1,152,147	-	-	-	-	-	-	-	-	1,152,147
Other receivables	-	841,523	-	-	-	-	-	-	-	-	841,523

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**34. Financial instruments (contd.)**

**(d) Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

**(e) Credit risk**

The carrying amounts of trade and other receivables, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect Groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group is principally involved in manufacturing activities associated with the automated handling and conveyer systems. Consequently, the risk of non-payment from its trade receivables is affected by any unfavourable economic changes to these industries. The Group trades with recognised and credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, and hence there is no requirement for collateral. The Group manages its credit risk through regular review on collectibility of receivables.

**(f) Fair values**

It is not practical to determine the fair values of amounts due from/(to) subsidiaries due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the directors do 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.

The fair values of all other financial assets and liabilities of the Group and of the Company as at 31 May 2009 are not materially different from their carrying values except as stated elsewhere in these financial statements.

