

SABAH DEVELOPMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company, which is incorporated as a public company, is granted consent in writing by the Minister of Finance to incorporate the word 'Bank' into its name.

The Company is principally involved in the provision of finance for development projects. The principal activities of the subsidiary companies are as disclosed in Note 22.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The Company, which is a scheduled institution under the Banking and Financial Institutions Act, 1989 and a development financial institution, is a limited liability public company incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company are located at 10th Floor, SDB Tower, Wisma Tun Fuad Stephens, Km 2.4, Jalan Tuaran, Karamuning, 88300 Kota Kinabalu, Sabah, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on May 21, 2009.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

During the financial year, the Group and the Company have adopted all of the new Financial Reporting Standards ("FRS") which are relevant to their operations and effective for annual reporting periods beginning on or after July 1, 2007 as follows.

- FRS 107 *Cash Flow Statement* Effective for annual periods beginning on or after July 1, 2007
- FRS 112 *Income Taxes* Effective for annual periods beginning on or after July 1, 2007
- FRS 118 *Revenue* Effective for annual periods beginning on or after July 1, 2007
- FRS 137 *Provisions, Contingent Liabilities and Contingent Assets* Effective for annual periods beginning on or after July 1, 2007

The adoption of these new FRS does not have any significant effects on the financial statements of the Group and of the Company.

Standards and Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the following FRS, amendments to FRS and IC Interpretations were in issue but not yet effective:

FRS 1	<i>First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)</i>
FRS 2	<i>Share-based Payment (Amendments relating to vesting conditions and cancellations)</i>
FRS 4	<i>Insurance Contracts</i>
FRS 7	<i>Financial Instruments: Disclosures</i>
FRS 8	<i>Operating Segments</i>
FRS 123	<i>Borrowing Costs (Revised)</i>
FRS 127	<i>Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)</i>
FRS 139	<i>Financial Instruments: Recognition and Measurement</i>
IC Interpretation 9	<i>Reassessment of Embedded Derivatives</i>
IC Interpretation 10	<i>Interim Financial Reporting and Impairment</i>
IC Interpretation 11	<i>FRS 2 – Group and Treasury Share Transactions</i>
IC Interpretation 13	<i>Customer Loyalty Programmes</i>
IC Interpretation 14	<i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>

Consequential amendments were also made to various FRS as a result of these new/revised FRS.

Except for FRS 8 which is effective for annual financial statements for periods beginning on or after 1 July 2009, the new/revised FRS, amendments to FRS and IC Interpretations are effective for annual periods beginning on or after January 1, 2010.

Except for FRS 7, FRS 123 (Revised), FRS 127 and FRS 139, the above FRS and IC Interpretations are not expected to be relevant to the operations of the Group and of the Company. The directors anticipate that FRS 7, FRS 123 (Revised), FRS 127 and FRS 139 will be adopted in the annual financial statements of the Group and of the Company for the year commencing May 1, 2010 and that the adoption of these new/revised FRS will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

FRS 7 - Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 *Presentation of Financial Statements* require disclosure of information about the significance of financial instruments for the Group and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital.

By virtue of the exemption provided in paragraph 44AB of FRS 7 and paragraph 103AB of FRS 139, the impact of applying FRS 7 and FRS 139 respectively on the Group and the Company's financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia.

(b) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies stated below.

The financial statements of the Group and of the Company incorporate all activities relating to the Islamic Banking business which have been undertaken by the Company. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the principles of Syariah.

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiary companies. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies to be in line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) **Business Combinations**

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) **Investment in Associated Companies**

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

The results and assets and liabilities of associated companies are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies, less any impairment in the value of individual investment. Losses of an associated company in excess of the Group's interest in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Where a group entity transacts with an associated company, the Group's profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

(f) **Interest Income**

Interest income represents mainly income earned on loans, advances and financing and deposits placements with financial institutions.

(g) Income Recognition

Interest income is recognised on a time proportion basis that takes into account the principal outstanding and the effective interest rate applicable over the period to maturity, when it is determined that such income will accrue to the Group and to the Company. Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing when repayments are in arrears for six months or more and where there is no confirmed scheme of repayment.

Interest income on overdue accounts is recognised on a cash basis.

Income from Islamic Banking business is recognised on a cash basis in accordance with the principles of Syariah.

Loan arrangement, management and participation fees are recognised upfront as income on contractual arrangement. Guarantee fee is recognised as income upon issuance of guarantees.

Dividend income represents gross dividends from investments in subsidiary companies, securities held-for-trading, securities available-for-sale and securities held-to-maturity and is recognised when the shareholders' rights to receive payment is established.

Rental income, pertaining to a direct and an indirect subsidiary company, is accrued on a time basis by reference to the agreements entered into.

Fund management services fees pertaining to a direct subsidiary company, is recognised upon performance of services.

Insurance commissions received and receivable, pertaining to a direct subsidiary company, is recognised at the prescribed rates on gross premiums received.

Sale of bulk water to the Sabah State Government, pertaining to an indirect subsidiary company, is recognised based on the quantity of treated water purchased by the Sabah State Government and at a fixed monthly fee in accordance with the Privatisation Cum Concession Agreement.

Sale of Islamic Gold Dinar and Silver Dirham, pertaining to a direct subsidiary company, is recognised net of sales taxes 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.

Sale of goods, pertaining to an indirect subsidiary company, is recognised net of sales taxes and discount upon transfer of risks and rewards. Revenue from rental of hotel rooms, sales of food and beverage and other related income is recognised on an accrual basis while revenue from services is recognised net of service taxes and discount as and when the services are performed.

(h) **Interest Expense Recognition**

Interest expenses on deposits and borrowings are recognised on an accrual basis.

(i) **Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the functional currency are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, the assets and liabilities are converted at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

(j) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax are calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

(k) Project Expenditure

Project expenditures, pertaining to one of the indirect subsidiary companies, represent direct costs including interest costs incurred during the construction work in relation to the water project and the rehabilitation programme. Rehabilitation costs and construction costs incurred on completed sections of the project are reported at cost less accumulated amortisation and accumulated impairment loss, if any. Amortisation is charged on a straight-line basis over the remaining period of the Concession.

Project expenditure and rehabilitation project expenditure pertaining to another indirect subsidiary company are stated at cost less reimbursements received less accumulated amortisation and accumulated impairment loss, if any. Cost comprises expenditure incurred on rehabilitation, replacement and improvement works to the existing water works owned by the Sabah State Government. These expenditures are amortised over ten years.

(l) Construction Contract

Where the outcome of a construction contract pertaining to an indirect subsidiary company can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variation in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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 construction contract 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.

(m) Property, Plant and Equipment

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

Depreciation other than hotel building and capital work-in-progress, is charged so as to write off the cost over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

It is the practice of a indirect subsidiary company to maintain its hotel building at a high standard and condition such that the residual value is at least equal to the carrying amount and consequently depreciation would be insignificant. Accordingly, no depreciation is provided on hotel building. The related maintenance expenditure is recognised in profit or loss.

To establish whether the residual value of hotel building is a least equal to its carrying amount, the hotel building is appraised by independent professional valuers at least once in every five years based on existing use basis. Revaluation surplus or deficit arising therefrom, if considered by the directors to be permanent in nature, will be dealt with in the revaluation reserve account. Any reduction in value of hotel building below its original costs plus capitalised interest is recognised as an expense in profit or loss.

Capital work-in-progress are not depreciated.

The initial costs of kitchen equipment which comprise china glass, cutlery, linen and kitchen utensils are capitalised, subsequent replacements are recognised in the income statement as and when incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates are as follows:

Leasehold improvements	10% - 50%
Motor vehicles	20% - 25%
Office equipment and furniture	10% - 25%
Computer equipment	10% - 25%
Plant and equipment	20% - 25%

(n) **Investment Properties**

Investment properties pertaining to an indirect subsidiary company are properties which are held to earn rental income or for capital appreciation or for both. Such properties were measured initially at cost, including transaction costs.

Investment properties, which are property interest held under an operating lease, are carried at fair value in accordance with FRS 140 *Investment Properties* to reflect market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of the investment properties are recognised in profit or loss in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property-by-property basis when the subsidiary company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

(o) **Non-current Assets Held for Sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(p) **Intangible Assets**

Franchise fee pertaining to a direct subsidiary company and intangible assets acquired separately are reported at cost less 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 useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortised but are 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 useful life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets acquired separately.

(q) Properties Held for Resale

Properties held for resale pertaining to subsidiary companies are stated at the lower of cost and net realisable value. Cost represents the purchase consideration at which the properties were acquired. Net realisable values represent open market value of the properties held.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Repurchase Agreements

Securities purchased under resale agreements, stated at cost, are securities which the Company purchased with a commitment to resell at future dates with maturity period of less than 30 days from the date of acquisition. The commitment to resell the securities is reflected as an asset in the balance sheets.

(t) **Securities**

The Group classifies its securities portfolio into securities held-for-trading, securities available-for-sale and securities held-to-maturity. Classification of the securities is determined at the time of initial recognition.

(i) **Securities held-for-trading**

Securities held-for-trading are securities acquired principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Shares held-for-trading are stated at the lower of cost and market value, determined on an aggregate portfolio basis. Other securities held-for-trading are stated at cost less allowance for diminution in value of investment.

(ii) **Securities available-for-sale**

Securities available-for-sale are securities that are not classified as held-for-trading or held-to-maturity. Securities available-for-sale are stated at cost less allowance for diminution in value of investment.

(iii) **Securities held-to-maturity**

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Securities held-to-maturity are stated at cost. An allowance for diminution in value of investment is made when the directors are of the opinion that there is a diminution in their values, which is other than temporary.

(u) **Impairment of Tangible and Intangible Assets Excluding Goodwill**

At each balance sheet date, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequent reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of Islamic Gold Dinar and Silver Dirham pertaining to a direct subsidiary company and chemicals and spare parts pertaining to an indirect subsidiary company are determined on the first-in, first-out method which comprise the original purchase price plus cost incurred in bringing the inventories to their present location. Costs of food and beverages and stationery and general supplies pertaining to another indirect subsidiary company are determined on the weighted average basis which comprise the original purchase price plus cost incurred in bringing the inventories to their present location. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs.

(w) Allowance for Losses on Loans and Financing

Specific allowances are made for losses on loans and financing which have been individually reviewed and specifically identified as doubtful.

A general allowance based on a set percentage of the loan and financing portfolio net of specific allowance and interest-in-suspense is also made. This percentage is reviewed annually and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off when in the judgement of the management, there is no prospect of recovery after taking into consideration the realisable value of collateral.

(x) Receivables

Receivables other than loans, advances and financing are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

(y) Non-current Investments

Non-current investments in Islamic Gold Dinar, pertaining to a direct subsidiary company and non-current investments in transferable corporate club membership, pertaining to an indirect subsidiary company, 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.

(z) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that the Group will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of time value of money is material, the amount of the provision is determined by discounting expected future cash flows, using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

At each balance sheet date, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provision is reversed if it is no longer probable that the Group will be required to settle the obligation.

(aa) Liabilities

Liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity. Deposits from customers are stated at placement values and adjusted for accrued interest. Other liabilities are stated at cost.

(bb) Employee Benefits

(i) Defined Contribution Plan

The Group and the Company are required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in salaries and wages.

(ii) Retirement Gratuities Scheme

The Company has a non-contributory unfunded retirement benefits scheme for its employees. Retirement gratuities are payable to employees of the Company who have been in service for at least ten years and who have reached retirement age or upon resignation. Provision for retirement gratuities is made based on eligible employees' basic salary and the number of completed years of service. No actuarial valuation has been conducted on the retirement benefits provision as the directors consider the amount to be insignificant to the Company.

(cc) **Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) **Critical Judgements in Applying Accounting Policies**

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those estimations described below.

(ii) **Key Sources of Estimation Uncertainty**

The following are 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.

Impairment of Property, Plant and Equipment

Determining whether property, plant and equipment value is impaired requires an estimation of the value of the property, plant and equipment in use. This requires the Group to estimate the future cashflows expected from the property, plant and equipment and an appropriate discount rate in order to calculate the present value of the future cashflows. The carrying amount of property, plant and equipment at the balance sheet date is disclosed in Note 25.

Deferred Tax Assets

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses can be utilised. Significant management judgement is required to determine that 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.

Loans, Advances and Financing and Trade Receivables

Allowance for losses on loans, advances and financing and trade receivables are made based on estimated possible losses which may arise from non-collection of certain receivable accounts. Significant management judgement is required to determine the adequacy of the allowance for losses on loans and financing to cover any losses which may be incurred from uncollectible accounts on outstanding loan, advances and financing and trade receivables as of the balance sheet date.

(dd) Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. INTEREST INCOME

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Loans, advances and financing	104,975,110	88,785,174	134,044,407	115,800,462
Money at call and deposit placements with financial institutions	1,849,324	1,251,396	1,751,030	1,180,647
Non-current asset held for sale	1,813,000	2,100,000	1,813,000	2,100,000
Securities held-to-maturity	470,998	630,020	470,998	630,020
Securities held-for-trading	147,482	443,978	147,482	443,978
Others	271,535	861,210	68,751	758,674
	<u>109,527,449</u>	<u>94,071,778</u>	<u>138,295,668</u>	<u>120,913,781</u>

5. INTEREST EXPENSE

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Deposits from customers	23,974,016	20,752,829	23,974,016	20,752,829
Long-term borrowings	42,127,238	34,956,197	41,651,340	34,956,197
Short-term borrowings	13,706,604	9,988,032	14,118,507	9,988,032
Bank overdraft	62,118	-	-	-
Bank guarantee	21,600	21,600	-	-
Leasing and hire-purchase	2,216	3,910	-	-
Overdue accounts:				
Current year	-	808,290	-	-
Overprovision in prior years	-	(7,637,401)	-	-
Others	106,037	5,846	-	-
	<u>79,999,829</u>	<u>58,899,303</u>	<u>79,743,863</u>	<u>65,697,058</u>

6. OTHER OPERATING INCOME

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fee income:				
Commission	3,661,241	3,598,556	3,337,973	3,307,892
Fund management services fees	21,236	23,383	-	-
Other fee income	5,398,929	5,462,116	5,398,929	5,462,116
	<u>9,081,406</u>	<u>9,084,055</u>	<u>8,736,902</u>	<u>8,770,008</u>
Investment income:				
Gain arising from sale/ redemption of securities:				
Held-for-trading	595,811	2,595,858	595,811	2,595,858
Held-to-maturity	116,024	920,137	116,024	920,137
Available-for-sale	-	1,730,947	-	1,730,947
Final distribution arising from liquidation of venture capital company	114,609	-	114,609	-
	<u>826,444</u>	<u>5,246,942</u>	<u>826,444</u>	<u>5,246,942</u>
Gross dividends:				
Securities held-for-trading	884,223	604,031	884,223	604,031
Subsidiary company	-	-	-	230,000,000
Tax-exempt dividend: Subsidiary company	-	-	22,000,000	-
	<u>884,223</u>	<u>604,031</u>	<u>22,884,223</u>	<u>230,604,031</u>
Other income:				
Sale of bulk water and services rendered to Sabah State Government (Note 26)	98,174,778	96,249,802	-	-
Hotel income:				
Room revenue	1,543,160	-	-	-
Food and beverage	778,253	-	-	-
Miscellaneous services	119,163	-	-	-
Rental income	68,400	28,800	-	-
Realised gain on foreign exchange	10,134	36,952	10,134	36,952
Gain on disposal of property, plant and equipment	2,883	133,500	2,883	9,605
Sale of Islamic Gold Dinar and Silver Dirham	-	928	-	-
Others	165,909	3,354,794	160,025	3,243,477
	<u>100,862,680</u>	<u>99,804,776</u>	<u>173,042</u>	<u>3,290,034</u>
Total	<u>111,654,753</u>	<u>114,739,804</u>	<u>32,620,611</u>	<u>247,911,015</u>

Included in other income of the Group and of the Company is an amount of RM2,541 (2007: RM2,898,906) given by the Sabah State Government in consideration for the prepayment of RM38,652,080 made by the Company for the proposed acquisition of 38.7% equity interest in an insurance company as mentioned in Note 19.

7. OTHER OPERATING EXPENSES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Staff costs	11,848,298	10,665,608	5,525,779	5,187,222
Personnel costs	1,509,660	1,152,107	1,509,660	1,152,107
Establishment costs	3,870,231	2,726,182	1,799,982	1,750,603
Marketing expenses	465,060	372,722	502,805	372,722
Direct cost and administrative and other overhead expenses	<u>51,021,268</u>	<u>48,157,589</u>	<u>5,270,733</u>	<u>3,445,141</u>
	<u>68,714,517</u>	<u>63,074,208</u>	<u>14,608,959</u>	<u>11,907,795</u>

The above expenditure includes the following statutory disclosure items:

Amortisation of project expenditure (Note 24)	26,718,000	26,718,000	-	-
Depreciation and amortisation expenses:				
Depreciation of property, plant and equipment (Note 25)	3,093,331	1,961,105	1,058,177	1,045,020
Amortisation of prepaid lease payments (Note 21)	98,952	92,853	26,039	26,039
Directors' remunerations (Note 8)	2,117,259	1,956,133	1,324,460	1,211,957
Rental of premises payable to:				
Sabah State Government (Note 26)	502,768	502,768	452,768	452,768
Others	144,343	147,711	14,570	14,620
Provision for retirement gratuities	324,611	320,629	324,611	320,629
Loss arising from sale of securities held-for- trading	1,914,159	188,590	1,914,159	188,590
Realised loss on foreign exchange	98,679	69,121	98,679	69,121

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Fees payable to external auditors:				
Auditors of the Company:				
Current	64,300	64,300	55,000	55,000
Other auditors:				
Current	47,667	39,934	-	-
Underprovision in prior year	1,000	-	-	-
Property, plant and equipment written off/expensed off	2,833	1,296	-	-
Loss on disposal of property, plant and equipment	<u>7</u>	<u>60</u>	<u>7</u>	<u>60</u>

Included in staff costs of the Group and of the Company are contributions of the Group and of the Company to Employees' Provident Fund amounting to RM1,469,197 (2007: RM1,253,538) and RM722,255 (2007: RM659,903) respectively.

8. **DIRECTORS' REMUNERATION**

This represents remuneration in aggregate for all directors charged to the income statements for the year.

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company:				
Fees:				
Non-executive directors	186,000	183,000	186,000	183,000
Other emoluments:				
Executive director	971,468	878,377	971,468	878,377
Non-executive directors	166,992	150,580	166,992	150,580
	<u>1,324,460</u>	<u>1,211,957</u>	<u>1,324,460</u>	<u>1,211,957</u>
Directors of the subsidiary companies:				
Fees:				
Non-executive directors	215,000	214,000	-	-
Other emoluments:				
Executive director	515,799	466,676	-	-
Non-executive directors	62,000	63,500	-	-
	<u>792,799</u>	<u>744,176</u>	<u>-</u>	<u>-</u>
	<u><u>2,117,259</u></u>	<u><u>1,956,133</u></u>	<u><u>1,324,460</u></u>	<u><u>1,211,957</u></u>

Included in other emoluments of the executive director of the Group and of the Company are Employees' Provident Fund contributions of RM175,181 (2007: RM156,905) and RM118,545 (2007: RM105,750) respectively made by the Group and the Company.

The estimated monetary value of benefits-in-kind received or receivable by the directors otherwise than in cash from the Group and the Company amounted to RM27,687 (2007: RM25,291) and RM21,187 (2007: RM25,291) respectively.

9. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group and the Company	
	2008	2007
	RM	RM
Allowance for losses on loans and financing:		
Specific allowance:		
Made during the financial year	1,101,714	7,629,241
Written back during the financial year	(1,166,677)	-
General allowances made during the financial year	5,406,901	4,959,188
Bad debts recovered	<u>(4,978)</u>	<u>(1,538,773)</u>
	<u>5,336,960</u>	<u>11,049,656</u>

10. WRITE-BACK OF ALLOWANCE/(ALLOWANCE) FOR DIMINUTION IN VALUE

	The Group and the Company	
	2008	2007
	RM	RM
Write-back of allowance for diminution in value of:		
Securities held-for-trading	-	2,793,051
Securities available-for-sale	-	1,033,959
Allowance for diminution in value of:		
Securities held-for-trading	(5,810,602)	(3,404,633)
Securities available-for-sale	<u>-</u>	<u>(368,792)</u>
	<u>(5,810,602)</u>	<u>53,585</u>

11. INCOME TAX EXPENSE

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Current tax expense	(11,628,145)	(12,997,111)	(47,438)	(62,152,180)
Deferred tax expense (Notes 28 and 35)	(5,871,221)	(7,670,562)	(11,597,706)	(13,532,000)
Over/(Under)provision in prior years:				
Current tax expense	(9,524,896)	(11,871,230)	(11,250,852)	(12,630,711)
Deferred tax expense (Notes 28 and 35)	8,811,061	10,176,058	8,819,706	10,176,000
Section 108 shortfall	<u>(1,888,179)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(20,101,380)</u>	<u>(22,362,845)</u>	<u>(14,076,290)</u>	<u>(78,138,891)</u>

A numerical reconciliation of income tax expense at the applicable income tax rates to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Profit before tax	<u>62,113,438</u>	<u>76,494,484</u>	<u>66,094,771</u>	<u>280,876,356</u>
Tax at the applicable tax rates of 20% and 26% (2007: 20% and 27%)	(17,147,048)	(21,492,137)	(17,184,640)	(75,836,616)
Tax effects of expenses that are not deductible in determining taxable profit	(261,280)	(610,398)	(131,627)	(412,263)
Tax effects of income not subject to tax	328	93,477	5,720,000	43,814
Deferred tax assets not recognised during the year	(85,814)	(81,495)	-	-
Net effect of changes in tax rates	43,325	1,419,376	-	519,700
Over/(Under)provision in prior years:				
Current tax expense	(9,524,896)	(11,871,230)	(11,250,852)	(12,630,711)
Deferred tax expense	8,811,061	10,176,058	8,819,706	10,176,000
Section 108 shortfall	(1,888,179)	-	-	-
Others	<u>(48,877)</u>	<u>3,504</u>	<u>(48,877)</u>	<u>1,185</u>
	<u>(20,101,380)</u>	<u>(22,362,845)</u>	<u>(14,076,290)</u>	<u>(78,138,891)</u>

As of December 31, 2008, the Group and the Company have tax-exempt income of RM283,298 (2007: RM235,628) and RM274,876 (2007: RM227,206) respectively arising from exempt dividend received and the chargeable income the tax payable on which was waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999. The said amounts, which have been agreed by the tax authorities, are available to frank the distribution of tax-exempt dividends to the shareholder of the Company and to the Company.

12. BASIC EARNINGS PER ORDINARY SHARE

	The Group	
	2008	2007
Profit for the year attributable to ordinary shareholder	<u>RM42,011,931</u>	<u>RM54,116,404</u>
Number of ordinary shares in issue as of January 1	430,000,000	430,000,000
Effect of new issue during the year	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares in issue	<u>430,000,000</u>	<u>430,000,000</u>
Basic earnings per ordinary share	<u>9.77 sen</u>	<u>12.58 sen</u>

13. CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances with banks and other financial institutions	15,009,553	17,182,026	8,111,405	10,200,104
Money at call and deposit placements with financial institutions maturing within one month	<u>11,585,006</u>	<u>9,406,874</u>	<u>11,585,006</u>	<u>9,406,874</u>
	<u>26,594,559</u>	<u>26,588,900</u>	<u>19,696,411</u>	<u>19,606,978</u>

The average effective interest rates are as follows:

	The Group		The Company	
	2008 %	2007 %	2008 %	2007 %
Bank balances	1.9	1.9	1.9	1.9
Money at call	<u>2.9</u>	<u>3.1</u>	<u>2.9</u>	<u>3.1</u>

14. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Licensed banks	20,030,334	6,943,366	1,000,000	1,000,000
Other financial institutions	<u>2,533,187</u>	<u>2,433,515</u>	<u>2,436,608</u>	<u>2,340,000</u>
	<u>22,563,521</u>	<u>9,376,881</u>	<u>3,436,608</u>	<u>3,340,000</u>

Included in deposits and placements of the Group are amounts totalling RM1,203,222 (2007: RM1,192,343) pledged to secure bank guarantee facilities granted to a direct and two indirect subsidiary companies.

The average effective interest rate of the deposits and placements of the Group and of the Company is 3.25% (2007: 3.20%) and 3.70% (2007: 3.78%) per annum respectively.

Deposits and placements of the Group and of the Company have a maturity of 36 days to 366 days (2007: 212 days to 365 days) respectively.

15. SECURITIES HELD-FOR-TRADING

	The Group and the Company	
	2008	2007
	RM	RM
At cost:		
Quoted securities outside Malaysia:		
Shares	3,134,765	2,087,096
Quoted securities in Malaysia:		
Shares	20,120,959	18,642,767
Unit trusts	11,649,992	11,649,992
Irredeemable convertible unsecured loan stocks	-	3,812,000
	34,905,716	36,191,855
Less: Allowance for diminution in value of:		
Shares:		
Quoted outside Malaysia	(981,283)	(317,272)
Quoted in Malaysia	(10,047,031)	(3,407,131)
Unit trusts	(6,401,622)	(4,730,886)
Irredeemable convertible unsecured loan stocks	-	(3,164,044)
	<u>(17,429,936)</u>	<u>(11,619,333)</u>
	<u>17,475,780</u>	<u>24,572,522</u>
Market value:		
Shares:		
Quoted outside Malaysia	2,116,184	1,793,426
Quoted in Malaysia	8,342,422	17,160,996
Unit trusts	5,248,370	6,919,106
Irredeemable convertible unsecured loan stocks	-	647,955
	<u>15,706,976</u>	<u>26,521,483</u>

16. SECURITIES AVAILABLE-FOR-SALE

	The Group and the Company	
	2008	2007
	RM	RM
At cost:		
Unquoted securities in Malaysia:		
Venture capital fund	5,764,294	6,097,625
Shares	<u>5,646,000</u>	<u>5,646,000</u>
	11,410,294	11,743,625
Less: Allowance for diminution in value of:		
Venture capital fund	<u>(4,613,000)</u>	<u>(4,613,000)</u>
Shares	<u>(5,579,300)</u>	<u>(5,579,300)</u>
	<u>(10,192,300)</u>	<u>(10,192,300)</u>
	<u><u>1,217,994</u></u>	<u><u>1,551,325</u></u>

A venture capital company, Pengurusan EMGC Sdn. Bhd., in which the Company has 20% equity interest which has been fully written down as of December 31, 2008, has subsequently been wound up on January 8, 2009.

17. SECURITIES HELD-TO-MATURITY

	The Group and the Company	
	2008	2007
	RM	RM
At cost:		
Money market instruments:		
Mudharabah placements	18,962,629	18,251,551
Malaysian Government Securities	-	7,000,000
	<u>18,962,629</u>	<u>25,251,551</u>
Quoted securities in Malaysia:		
Irredeemable convertible unsecured loan stocks	11,144,822	11,144,822
Irredeemable convertible bonds	5,426,732	5,426,732
	<u>16,571,554</u>	<u>16,571,554</u>
Unquoted securities in Malaysia:		
Redeemable convertible secured loan stocks	44,587,281	48,427,541
Redeemable secured loan stocks	16,329,722	16,329,722
Redeemable convertible unsecured loan stocks	-	4,208,503
Redeemable exchangeable unsecured loan stocks	-	5,728,000
	<u>60,917,003</u>	<u>74,693,766</u>
Floating rate negotiable instrument of deposit	<u>500,000</u>	<u>500,000</u>
	96,951,186	117,016,871
Less: Allowance for diminution in value of unquoted redeemable convertible secured loan stocks	<u>(20,450,880)</u>	<u>(20,450,880)</u>
	<u>76,500,306</u>	<u>96,565,991</u>
Market value:		
Money market instruments:		
Malaysian Government Securities	<u>-</u>	<u>7,182,700</u>
Quoted securities in Malaysia:		
Irredeemable convertible unsecured loan stocks	3,120,550	6,241,100
Irredeemable convertible bond	2,550,564	3,418,841
	<u>5,671,114</u>	<u>9,659,941</u>

The maturity structure of money market instruments is as follows:

	The Group and the Company	
	2008	2007
	RM	RM
Maturing within one year	<u>18,962,629</u>	<u>25,251,551</u>

The maturity structure of quoted securities is as follows:

	The Group and the Company	
	2008	2007
	RM	RM
Three years to five years	<u>16,571,554</u>	<u>16,571,554</u>

Redeemable loan stocks, which are redeemable upon maturity, have the following maturity structure:

	The Group and the Company	
	2008	2007
	RM	RM
Overdue or maturing within one year	22,040,000	31,976,503
One year to three years	38,877,003	-
Three years to five years	<u>-</u>	<u>42,717,263</u>
	<u>60,917,003</u>	<u>74,693,766</u>

The maturity structure of floating rate negotiable instrument of deposit is as follows:

	The Group and the Company	
	2008	2007
	RM	RM
One year to three years	<u>500,000</u>	<u>500,000</u>

18. LOANS, ADVANCES AND FINANCING

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Revolving credits	714,931,352	629,195,148	1,158,416,371	1,043,150,916
Term loans	1,186,493,967	972,677,680	1,186,493,967	972,677,680
Short-term advances	55,346,176	153,782,787	61,012,435	159,449,044
Staff loans	1,421,443	1,543,378	1,421,443	1,543,378
Other loans	78,773,435	75,514,998	78,773,435	75,514,998
	<u>2,036,966,373</u>	<u>1,832,713,991</u>	<u>2,486,117,651</u>	<u>2,252,336,016</u>
Unearned income	<u>(28,195)</u>	<u>(37,611)</u>	<u>(28,195)</u>	<u>(37,611)</u>
Gross loans, advances and financing	2,036,938,178	1,832,676,380	2,486,089,456	2,252,298,405
Less:				
Allowance for losses on loans and financing	<u>(636,964,186)</u>	<u>(699,167,905)</u>	<u>(636,964,186)</u>	<u>(699,167,905)</u>
Net loans, advances and financing	<u>1,399,973,992</u>	<u>1,133,508,475</u>	<u>1,849,125,270</u>	<u>1,553,130,500</u>

Included in loans, advances and financing of the Company are the following outstanding amounts due from direct and indirect subsidiary companies:

	The Company	
	2008 RM	2007 RM
Revolving credits	464,988,311	413,955,768
Short-term advances	<u>5,666,257</u>	<u>5,666,267</u>

The average interest rate for revolving credits granted to the direct and indirect subsidiary companies is 6.00% (2007: 8.47%) per annum while the short-term advances are interest-free. The revolving credits and short-term advances are unsecured and repayable within the next 12 months.

(i) The maturity structure of gross loans, advances and financing is as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Maturing within one year	1,406,056,114	1,452,661,978	1,855,207,392	1,872,284,003
One year to three years	362,048,765	220,525,010	362,048,765	220,525,010
Three years to five years	163,349,280	77,233,603	163,349,280	77,233,603
Over five years	<u>105,484,019</u>	<u>82,255,789</u>	<u>105,484,019</u>	<u>82,255,789</u>
	<u><u>2,036,938,178</u></u>	<u><u>1,832,676,380</u></u>	<u><u>2,486,089,456</u></u>	<u><u>2,252,298,405</u></u>

(ii) Gross loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Real estate and construction	783,721,676	892,135,204	786,265,518	892,135,204
Infrastructure construction	485,924,836	233,945,885	485,924,836	233,945,885
Manufacturing	316,441,501	274,522,781	316,441,501	274,522,781
Finance, insurance and business services	16,169,091	97,627,252	16,169,091	97,627,252
Agriculture, mining and quarrying	108,740,503	97,707,643	109,360,376	98,334,716
General commerce	34,804,509	32,681,063	34,804,509	32,681,063
Housing	894,000	975,141	894,000	975,141
Others	<u>290,242,062</u>	<u>203,081,411</u>	<u>736,229,625</u>	<u>622,076,363</u>
	<u><u>2,036,938,178</u></u>	<u><u>1,832,676,380</u></u>	<u><u>2,486,089,456</u></u>	<u><u>2,252,298,405</u></u>

19. OTHER ASSETS

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-current investments in:				
Islamic Gold Dinar	673,589	673,589	-	-
Transferable corporate club membership	101,780	101,780	-	-
Investment property	816,000	816,000	-	-
Interest receivables	769,831	523,903	754,388	495,750
Properties held for resale	12,506,212	5,506,212	-	-
Receivables, deposits and prepayments	<u>408,830,471</u>	<u>477,806,572</u>	<u>358,153,052</u>	<u>360,012,478</u>
	<u>423,697,883</u>	<u>485,428,056</u>	<u>358,907,440</u>	<u>360,508,228</u>

Non-current investment in Islamic Gold Dinar has a net realisable value of RM673,589 (2007: RM673,589).

Investment property, pertaining to an indirect subsidiary company, consists of a parcel of long leasehold land together with a factory building erected thereon, is held under lease term and carried at fair value.

Properties held for resale, pertaining to a direct subsidiary company, consist of the following:

	The Group	
	2008 RM	2007 RM
At cost:		
Freehold land	5,099,202	5,099,202
Long leasehold land	<u>7,407,010</u>	<u>407,010</u>
	<u>12,506,212</u>	<u>5,506,212</u>

As of December 31, 2008, a parcel of long leasehold land pertaining to a direct subsidiary company with a carrying amount of RM7 million is in the process of being registered in the name of a director of the said subsidiary company and a third party who would hold it in trust for the said subsidiary company. Six parcels of freehold land with a total carrying amount of RM5,099,202 are registered in the name of a director of the said subsidiary company and a third party who are holding them in trust for the said subsidiary company.

Receivables, deposits and prepayments consist of the following:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivable	298,806,783	342,995,174	-	-
Prepayments	40,548,952	40,484,630	39,838,145	39,901,425
Tax refundable	28,521,872	41,565,000	19,182,089	30,434,575
Penalty interest recoverable from the Sabah State Government	30,000,000	30,000,000	-	-
Amount receivable from the Sabah State Government	5,605,815	17,521,879	-	12,945,906
Other receivables	2,383,796	1,411,869	601,315	156,773
Inventories	2,092,636	1,420,118	-	-
Deposits	798,249	2,279,105	174,392	173,692
Franchise fee	50,520	50,520	-	-
Front-end bond interest	15,278	23,611	15,278	23,611
Dividend receivable	6,570	37,423	6,570	37,423
Accrued income on non-current investment in Islamic Gold Dinar	-	17,243	-	-
Amount due from subsidiary companies	-	-	298,335,263	276,339,073
	<u>408,830,471</u>	<u>477,806,572</u>	<u>358,153,052</u>	<u>360,012,478</u>

Trade receivable, pertaining to an indirect subsidiary company, consists of:

	The Group	
	2008	2007
	RM	RM
Trade receivable	466,806,783	510,995,174
Less: Allowance for doubtful debts - fair value adjustment arising from business combination	<u>(168,000,000)</u>	<u>(168,000,000)</u>
	<u>298,806,783</u>	<u>342,995,174</u>

Trade receivable represents amount due from the holding entity, Sabah State Government, the sole customer of the indirect subsidiary company for sale of bulk water which bears interest at 1.5% plus the average of the base lending rate of CIMB Bank Berhad and Malayan Banking Berhad calculated on a daily basis. The credit period granted is 45 days (2007: 45 days.)

Prepayments of the Group and of the Company comprise mainly an amount of RM38,652,080 (2007: RM38,652,080) being full consideration in respect of the proposed acquisition of 38.7% equity interest in an insurance company from the Sabah State Government.

Penalty interest recoverable from Sabah State Government, which arose from business combination in 2005, represents the fair value adjustment on interest-in-suspense pertaining to an indirect subsidiary company which would only be recognised in the income statement by the indirect subsidiary company upon receipt of the penalty interest.

Amount receivable from the Sabah State Government in 2007 of RM12,945,906 represented cumulative income receivable from the Sabah State Government in consideration for the prepayment of RM38,652,080 mentioned above.

Inventories pertaining to a direct and an indirect subsidiary companies consist of:

	The Group	
	2008	2007
	RM	RM
Chemicals	997,908	500,985
Spare parts	918,564	914,100
Food and beverage	86,469	-
Stationery and general supplies	84,662	-
Islamic Gold Dinar	5,033	5,033
	<u>2,092,636</u>	<u>1,420,118</u>

Franchise fee represents fee paid by a direct subsidiary company to a corporate shareholder of the direct subsidiary company to operate as a Wakala in the State of Sabah.

Amount due from subsidiary companies is unsecured, interest-free and has no fixed repayment terms.

20. **NON-CURRENT ASSET HELD FOR SALE**

Non-current asset held for sale represents a parcel of long leasehold land that is being disposed of. The vacant possession of the said land has yet to be delivered to the buyer pending full settlement of purchase consideration by the buyer pursuant to the Sale and Purchase Agreement. In accordance with the terms of the said agreement, deposits totalling RM10,000,000 (2007: RM6,000,000) have been received from the purchaser as of December 31, 2008 as mentioned in Note 33.

21. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unamortised prepaid lease payments	8,634,333	7,019,424	1,997,599	2,023,638
Less: Current portion	<u>(68,457)</u>	<u>(92,853)</u>	<u>(26,039)</u>	<u>(26,039)</u>
Non-current portion	<u>8,565,876</u>	<u>6,926,571</u>	<u>1,971,560</u>	<u>1,997,599</u>

The non-current portion will be amortised as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
In the second to fifth years inclusive	468,998	371,414	104,158	104,158
Later than 5 years	<u>8,096,878</u>	<u>6,555,157</u>	<u>1,867,402</u>	<u>1,893,441</u>
Non-current portion	<u>8,565,876</u>	<u>6,926,571</u>	<u>1,971,560</u>	<u>1,997,599</u>

Prepaid lease payments of the Company relate to two parcels of long leasehold land of the Company located at Pinosuk Plateau, Kundasan, Sabah, Malaysia and Taman Victoria Phase 2, Tawau, Sabah, Malaysia. The two leases will expire in 2092 and 2084 respectively.

As of December 31, 2008, the land title of a parcel of long leasehold land of the Company with a carrying amount of RM200,000 (2007: RM200,000) is yet to be registered in the Company's name pending sub-division of master title.

Prepaid lease payments pertaining to a direct subsidiary company relate to two parcels of long leasehold land of the Company located at Kg. Gaggarak, Federal Territory of Labuan, Malaysia and Kg. Sungei Bedaun, Federal Territory of Labuan, Malaysia. Both leases will expire in 2082.

Prepaid lease payments pertaining to an indirect subsidiary company relate to the long leasehold land, on which the hotel building is constructed, located at Lorong Kemajuan, Kota Kinabalu, Sabah, Malaysia. The lease will expire in 2078. The said land has been pledged for borrowing as mentioned in Note 31.

The movements in prepaid lease payments during the financial year are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At Cost:				
At beginning of year	7,580,549	7,580,549	2,049,677	2,049,677
Acquisition of an indirect subsidiary company	<u>1,713,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>9,294,410</u>	<u>7,580,549</u>	<u>2,049,677</u>	<u>2,049,677</u>
Cumulative Amortisation:				
At beginning of year	561,125	468,272	26,039	-
Amortisation for the year (Note 7)	<u>98,952</u>	<u>92,853</u>	<u>26,039</u>	<u>26,039</u>
At end of year	<u>660,077</u>	<u>561,125</u>	<u>52,078</u>	<u>26,039</u>
Carrying Amount	<u>8,634,333</u>	<u>7,019,424</u>	<u>1,997,599</u>	<u>2,023,638</u>

22. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2008	2007
	RM	RM
Unquoted shares - at cost	<u>3,220,002</u>	<u>2,920,002</u>

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2008	2007	
		%	%	
Direct Subsidiary Companies				
Sedia Usaha Sdn. Bhd.	Malaysia	100	100	Investment and property holding
Sabah Development Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	Nominee services and insurance agency
SDB Asset Management Sdn. Bhd.	Malaysia	100	100	Management fund services
Sabah Gold Traders Sdn. Bhd.*	Malaysia	80	80	Trading of gold dinar and silver dirham
Indirect Subsidiary Companies				
Kota Kinabalu Water Sdn. Bhd. *	Malaysia	100	100	Investment holding
Corporate Dynamics Sdn. Bhd.*	Malaysia	100	100	Operation and maintenance of water treatment facilities
Jetama Sdn. Bhd.*	Malaysia	100	100	Concessionaire to supply treated water to the Sabah State Government
Karamunsing Hotel Sdn. Bhd.*	Malaysia	100	-	Hotel business

*The financial statements of these companies were examined by auditors other than the auditors of the Company.

Kota Kinabalu Water Sdn. Bhd. and Karamunsing Hotel Sdn. Bhd. are wholly-owned subsidiary companies of Sedia Usaha Sdn. Bhd.

Corporate Dynamics Sdn. Bhd. and Jetama Sdn. Bhd. are wholly-owned subsidiary companies of Kota Kinabalu Water Sdn. Bhd.

During the year, the Group acquired the following indirect subsidiary company:

(a) Karamusing Hotel Sdn. Bhd.

On May 23, 2008, the Company entered into an agreement on behalf of Sedia Usaha Sdn. Bhd. to acquire the entire equity interest in Karamusing Hotel Sdn. Bhd. from Borneo Development Corporation Sdn. Bhd., a company incorporated in Malaysia which is involved in hotel business. The takeover was completed on September 30, 2008.

The net assets acquired in the transaction, and the excess of the Group's interest in the net fair value of Karamusing Hotel Sdn. Bhd.'s identifiable assets and liabilities over the cost are as follows:

	Acquiree's carrying amount before combination RM	Fair value adjustments RM	Fair value RM
Net assets acquired:			
Property, plant and equipment	49,028,256	(3,988,327)	45,039,929
Prepaid lease payment	1,713,861	-	1,713,861
Inventories	164,691	-	164,691
Trade and other receivables	1,034,670	-	1,034,670
Cash and bank balances	1,458,900	-	1,458,900
Borrowings	(39,688,577)	-	(39,688,577)
Trade and other payables	<u>(2,109,206)</u>	<u>-</u>	<u>(2,109,206)</u>
	<u>11,602,595</u>	<u>(3,988,327)</u>	7,614,268
Net credit arising from acquisition of indirect subsidiary company			<u>(114,268)</u>
Total consideration satisfied by cash			7,500,000
Cash and cash equivalents of indirect subsidiary company acquired			<u>(1,458,900)</u>
Net cash outflow arising on acquisition			<u>6,041,101</u>

In 2008, the Company increased its investment in subsidiary company, SDB Asset Management Sdn. Bhd. by subscribing for additional shares of RM1 each at par for RM300,000.

Karamusing Hotel Sdn. Bhd. contributed RM2,440,576 to other operating income and RM192,307 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on January 1, 2008, total group other operating income for the year would have been RM118,976,486.

23. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares				
- At cost	900,000	900,000	900,000	900,000
Share of post-acquisition results	(899,999)	(899,999)	-	-
Less: Accumulated impairment loss	-	-	(899,999)	(899,999)
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The associated company of the Group is as follows:

Name of Company	Country of Incorporation	Percentage of Equity Held		Principal Activities
		2008 %	2007 %	
Asal Baru Sdn. Bhd.	Malaysia	33 ¹ / ₃	33 ¹ / ₃	Property management and related services

The Company has not taken up any further share in losses of its investment in Asal Baru Sdn. Bhd. in the consolidated results as the Company's share in losses had been accounted for to the extent of its cost of investment. The summarised information about the associated company based on the latest available audited financial statements as of and for the year ended December 31, 2007 (2007: December 31, 2006) are presented below:

	The Group	
	2008 RM	2007 RM
Total assets	1,187,555	939,187
Total liabilities	3,263,751	3,380,970
Revenue	1,349,258	1,302,711
Profit for the year	<u>349,612</u>	<u>331,346</u>

24. PROJECT EXPENDITURE

	The Group	
	2008	2007
	RM	RM
Carrying amount, at cost	184,771,178	184,771,178
Fair value adjustment arising from business combination in 2005	<u>30,000,000</u>	<u>30,000,000</u>
Fair value at date of acquisition (group cost)	214,771,178	214,771,178
Accumulated amortisation:		
At beginning of year	(81,223,579)	(54,505,579)
Amortisation for the year (Note 7)	<u>(26,718,000)</u>	<u>(26,718,000)</u>
At end of year	<u>(107,941,579)</u>	<u>(81,223,579)</u>
	<u>106,829,599</u>	<u>133,547,599</u>

Project expenditure arising from business combination includes the fair value of a 20-year operations agreement of an indirect subsidiary to operate the water treatment facilities which is computed at the date of business combination based on the discounted cash flow method.

An indirect subsidiary has been awarded a Concession for a period of 20 years from June 5, 1993. This Concession entails the operation, maintenance and management of the existing water production facilities owned by the Sabah State Government and the construction and subsequently the operation, maintenance and management of a dam, new water treatment facilities, transmission facilities and reservoirs in return for an exclusive concession to supply treated water to the Sabah State Government within the designated Concession Area.

At the end of the Concession period, the indirect subsidiary company's rights over the plant and equipment installed and constructed will be relinquished and returned to the Sabah State Government at nominal value. The length of the concession period is 20 years. However, under the Privatisation Cum Concession Agreement, the State Government of Sabah can, at any time after the expiry of 10 years, take over the concession and compensate the indirect subsidiary company adequately for the take-over.

The bulk of the construction work is carried out on land owned by the Sabah State Government in which the indirect subsidiary company has obtained the exclusive right to occupy, construct upon and use.

25. **PROPERTY, PLANT AND EQUIPMENT**

2008

The Group	← Cost →							At end of year RM
	At beginning of year RM	Additions RM	Acquisition of a subsidiary company RM	Disposals/ Write-off RM	Adjustments RM	Reclassification RM		
Freehold land	828,000	-	-	-	-	-	828,000	
Hotel building	-	-	42,000,000	-	-	-	42,000,000	
Leasehold improvements	2,122,349	-	-	-	-	-	2,122,349	
Motor vehicles	3,479,605	195,500	243,562	(485)	-	-	3,918,182	
Office equipment and furniture	2,399,205	74,297	5,036,367	(106,617)	-	-	7,403,252	
Computer equipment	1,069,422	116,335	-	(91,119)	(360)	-	1,094,278	
Plant and equipment	12,400,548	43,621	-	(617,323)	-	672,580	12,499,426	
Kitchen equipment	-	-	2,252,309	-	-	-	2,252,309	
Capital work-in-progress	1,076,640	-	-	-	(404,060)	(672,580)	-	
Total	23,375,769	429,753	49,532,238	(815,544)	(404,420)	-	72,117,796	

2008

The Group	← Accumulated Depreciation →						At end of year RM
	At Beginning of year RM	Charge for the year RM	Acquisition of a subsidiary company RM	Disposals/ Write-off RM	Adjustments RM	Reclassification RM	
Freehold land	-	-	-	-	-	-	-
Hotel building	-	-	-	-	-	-	-
Leasehold improvements	1,104,792	510,004	-	-	-	-	1,614,796
Motor vehicles	2,206,056	550,913	186,485	(484)	-	-	2,942,970
Office equipment and furniture	1,844,566	331,427	4,326,136	(106,264)	-	-	6,395,865
Computer equipment	751,690	154,106	-	(91,044)	(48)	-	814,704
Plant and equipment	3,330,912	1,526,569	-	(615,156)	-	-	4,242,325
Kitchen equipment	-	20,312	(20,312)	-	-	-	-
Capital work-in-progress	-	-	-	-	-	-	-
Total	9,238,016	3,093,331	4,492,309	(812,948)	(48)	-	16,010,660

2007

The Group	← Cost →				At end of year RM
	At beginning of year RM	Additions RM	Disposals/ Write-off RM	Reclassification RM	
Freehold land	828,000	-	-	-	828,000
Leasehold improvements	2,726,020	6,070	(609,741)	-	2,122,349
Motor vehicles	3,513,640	435,026	(412,061)	(57,000)	3,479,605
Office equipment and furniture	2,155,949	45,271	(81,031)	279,016	2,399,205
Computer equipment	1,332,476	116,517	(100,099)	(279,472)	1,069,422
Plant and equipment	2,880,690	19,667	(1,620)	9,501,811	12,400,548
Capital work-in-progress	9,156,029	1,364,966	-	(9,444,355)	1,076,640
Total	22,592,804	1,987,517	(1,204,552)	-	23,375,769

The Group	← Accumulated Depreciation →				At end of year RM
	At beginning of year RM	Charge for the year RM	Disposals/ Write-off RM	Reclassification RM	
Freehold land	-	-	-	-	-
Leasehold improvements	1,204,869	509,625	(609,702)	-	1,104,792
Motor vehicles	2,122,188	495,915	(412,047)	-	2,206,056
Office equipment and furniture	1,393,536	276,811	(81,015)	255,234	1,844,566
Computer equipment	972,329	134,664	(100,069)	(255,234)	751,690
Plant and equipment	2,787,146	544,090	(324)	-	3,330,912
Capital work-in-progress	-	-	-	-	-
Total	8,480,068	1,961,105	(1,203,157)	-	9,238,016

2008

The Company	← Cost →				← Accumulated Depreciation →			
	At beginning of year	Additions	Disposals	At end of year	At beginning of year	Charge for the year	Disposals	At end of year
	RM	RM	RM	RM	RM	RM	RM	RM
Leasehold improvements	2,042,063	-	-	2,042,063	1,025,738	509,388	-	1,535,126
Motor vehicles	1,104,536	500	-	1,105,036	573,776	168,495	-	742,271
Office equipment and furniture	1,487,614	13,639	(1,690)	1,499,563	1,031,637	234,210	(1,690)	1,264,157
Computer equipment	931,698	107,056	(91,119)	947,635	648,090	146,084	(91,044)	703,130
Total	5,565,911	121,195	(92,809)	5,594,297	3,279,241	1,058,177	(92,734)	4,244,684

2007

The Company	← Cost →				← Accumulated Depreciation →			
	At beginning of year	Additions	Disposals	At end of year	At beginning of year	Charge for the year	Disposals	At end of year
	RM	RM	RM	RM	RM	RM	RM	RM
Leasehold improvements	2,645,734	6,070	(609,741)	2,042,063	1,126,431	509,009	(609,702)	1,025,738
Motor vehicles	1,105,336	-	(800)	1,104,536	404,705	169,869	(798)	573,776
Office equipment and furniture	1,558,636	9,449	(80,471)	1,487,614	873,792	238,300	(80,455)	1,031,637
Computer equipment	943,714	88,083	(100,099)	931,698	620,317	127,842	(100,069)	648,090
Total	6,253,420	103,602	(791,111)	5,565,911	3,025,245	1,045,020	(791,024)	3,279,241

	← The Group →		← The Company →	
	Carrying Amount		Carrying Amount	
	2008	2007	2008	2007
	RM	RM	RM	RM
Freehold land	828,000	828,000	-	-
Hotel building	42,000,000	-	-	-
Leasehold improvements	507,553	1,017,557	506,937	1,016,325
Motor vehicles	975,212	1,273,549	362,765	530,760
Office equipment and furniture	1,007,387	554,639	235,406	455,977
Computer equipment	279,574	317,732	244,505	283,608
Plant and equipment	8,257,101	9,069,636	-	-
Kitchen equipment	2,252,309	-	-	-
Capital work-in-progress	-	1,076,640	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	56,107,136	14,137,753	1,349,613	2,286,670

Hotel building of the Group, pertaining to an indirect subsidiary company, with a carrying amount of RM42,000,000 is pledged to bank for borrowings granted to the said indirect subsidiary company as mentioned in Note 31.

Freehold land, pertaining to a direct subsidiary company, is registered in the name of a director of the said subsidiary company and a third party who are holding the land in trust for the said subsidiary company.

As of December 31, 2008, the carrying amount of plant and equipment pertaining to an indirect subsidiary company acquired under hire-purchase and finance lease arrangement amounted to RM16,835 (2007: RM42,087).

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use, with costs totalling RM8,143,062 (2007: RM5,573,396) and RM1,276,661 (2007: RM1,190,684) respectively.

26. HOLDING ENTITY AND RELATED PARTY TRANSACTIONS

The Company is wholly owned by the Sabah State Government.

During the financial year, significant related party transactions are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Holding entity, Sabah State Government				
Sale of bulk water and services rendered (Note 6)	98,174,778	96,249,802	-	-
Interest payable on deposits	19,983,901	24,422,905	19,983,901	24,422,905
Income receivable (Note 6)	2,541	2,898,906	2,541	2,898,906
Rental of premises payable (Note 7)	<u>502,768</u>	<u>502,768</u>	<u>452,768</u>	<u>452,768</u>
Direct subsidiary companies				
SDB Asset Management Sdn. Bhd.				
Management fee	-	-	37,745	37,843
Sedia Usaha Sdn. Bhd.				
Loan, advances and financing	-	-	24,705,124	1,700,000
Loan interest receivable	<u>-</u>	<u>-</u>	<u>359,821</u>	<u>10,045,211</u>
Indirect subsidiary companies				
Loan, advances and financing				
Jetama Sdn. Bhd.	-	-	224,522,002	61,449,170
Corporate Dynamics Sdn. Bhd.	-	-	-	18,448,470
Kota Kinabalu Water Sdn. Bhd.	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,026,508</u>
Loan interest receivable				
Jetama Sdn. Bhd.	-	-	25,574,047	6,241,125
Corporate Dynamics Sdn. Bhd.	-	-	3,026,797	2,372,450
Kota Kinabalu Water Sdn. Bhd.	<u>-</u>	<u>-</u>	<u>23,219</u>	<u>8,026,508</u>
Associated company, Asal Baru Sdn. Bhd.				
Service fee payable	<u>127,386</u>	<u>127,386</u>	<u>127,386</u>	<u>127,386</u>

The above related party transactions are negotiated based on terms and conditions agreed between the related parties and the Company.

27. **AMOUNT DUE FROM ASSOCIATED COMPANY**

	The Group and the Company	
	2008	2007
	RM	RM
Amount due from associated company	511,130	511,130
Less: Allowance for doubtful debts	<u>(511,130)</u>	<u>(511,130)</u>
	<u>-</u>	<u>-</u>

Amount due from associated company represents advances to Asal Baru Sdn. Bhd. The amount is interest-free and has no fixed terms of repayment.

28. **DEFERRED TAX ASSETS**

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

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At beginning of year	80,603,000	83,959,000	33,563,000	36,919,000
Transfer to income statements (Note 11)	<u>(2,778,000)</u>	<u>(3,356,000)</u>	<u>(2,778,000)</u>	<u>(3,356,000)</u>
	<u>77,825,000</u>	<u>80,603,000</u>	<u>30,785,000</u>	<u>33,563,000</u>

The net deferred tax assets are in respect of the following:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Tax effects of:				
Temporary differences arising from:				
General allowance for doubtful debts	54,983,000	53,898,000	7,943,000	6,858,000
Interest suspended on non-performing loans	4,824,000	7,939,000	4,824,000	7,939,000
Allowance for diminution in value of:				
Securities held-for-trading	4,357,000	3,021,000	4,357,000	3,021,000
Securities available-for-sale	2,548,000	2,650,000	2,548,000	2,650,000
Securities held-to-maturity	5,113,000	5,317,000	5,113,000	5,317,000
Property, plant and equipment	9,000	(69,000)	9,000	(69,000)
Front-end bond interest	(4,000)	(6,000)	(4,000)	(6,000)
Provision for retirement gratuities	814,000	765,000	814,000	765,000
Unutilised tax losses	<u>5,181,000</u>	<u>7,088,000</u>	<u>5,181,000</u>	<u>7,088,000</u>
	<u>77,825,000</u>	<u>80,603,000</u>	<u>30,785,000</u>	<u>33,563,000</u>

As of December 31, 2008, the Company has unutilised tax losses amounting to RM20,724,000 (2007: RM67,703,000) which are available to offset against future taxable profit.

As mentioned in Note 3(j), the tax effects of temporary differences which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2008, the estimated deferred tax assets of two direct subsidiary companies and one indirect subsidiary company calculated at applicable tax rate which have not been recognised in the financial statements, are as follows:

	The Group	
	Deferred Tax Assets/(Liabilities)	
	2008	2007
	RM	RM
Tax effects of:		
Unutilised tax losses and unabsorbed capital allowances	22,449,651	647,300
Temporary differences arising from property, plant and equipment	<u>(8,200)</u>	<u>(6,500)</u>
	<u>22,441,451</u>	<u>640,800</u>

As of December 31, 2008, the said two direct subsidiary companies and one indirect subsidiary company have unutilised tax losses and unabsorbed capital allowances totalling about RM86,462,000 (2007: RM2,490,000) which may be applied to reduce taxable income in future years. Out of the said amount, RM1,599,025 (2007: RM1,599,025) has been agreed by the tax authorities.

29. DEPOSITS FROM CUSTOMERS

	The Group and the Company	
	2008	2007
	RM	RM
Fixed deposits	<u>653,071,823</u>	<u>585,829,258</u>
(i) The maturity structure of fixed deposits is as follows:		
Due within six months	530,144,966	480,476,115
Six months to one year	<u>122,926,857</u>	<u>105,353,143</u>
	<u>653,071,823</u>	<u>585,829,258</u>
(ii) The deposits are sourced from the following:		
Sabah State Government	530,018,225	500,018,225
Government-owned enterprises	114,119,549	40,573,109
Statutory authorities	<u>8,934,049</u>	<u>45,237,924</u>
	<u>653,071,823</u>	<u>585,829,258</u>

The average effective interest rate of the Group and of the Company is 3.62% (2007: 3.58%) per annum.

30. LONG-TERM BORROWINGS

The Group and the Company	Current	Non-current	Total
	RM	RM	RM
2008			
Term loans from licensed bank	25,000,000	175,000,000	200,000,000
Local currency bonds	120,000,000	380,000,000	500,000,000
Medium Term Note	<u>-</u>	<u>60,000,000</u>	<u>60,000,000</u>
	<u>145,000,000</u>	<u>615,000,000</u>	<u>760,000,000</u>
2007			
Term loans from licensed bank	-	160,000,000	160,000,000
Local currency bonds	<u>-</u>	<u>500,000,000</u>	<u>500,000,000</u>
	<u>-</u>	<u>660,000,000</u>	<u>660,000,000</u>

	Facilities	Interest Rates		Repayment Terms	Securities
		Per Annum 2008 %	2007 %		
(a)	RM100 Million term loan from a local licensed bank	4.45	4.47	Repayable by four quarterly instalments of RM25 million each commencing on November 26, 2009, the 60 th month from the date of first drawdown in 2004.	Secured by Letter of Comfort from the Sabah State Government
(b)	RM120 Million nominal value 3-year 5.7% Coupon Non-convertible Redeemable Unsecured Fixed Rate Bonds 2006/2009	5.7	5.7	Redeemable on July 10, 2009, the 3 rd anniversary from the date of drawdown in 2006 or may be purchased at any time in the open market or by private treaty at any price.	Secured by Letter of Support from the Sabah State Government
(c)	RM380 Million nominal value 5-year 6.2% Coupon Non-convertible Redeemable Unsecured Fixed Rate Bonds 2006/2011	6.2	6.2	Redeemable on July 10, 2011, the 5 th anniversary of the drawdown date in 2006 or may be purchased at any time in the open market or by private treaty at any price.	Secured by Letter of Support from the Sabah State Government
(d)	RM100 Million term loan from a local licensed bank	4.52	4.52	Repayable on December 21, 2010, the 3 rd anniversary of the first drawdown date.	Secured by Letter of Comfort from the Sabah State Government
(e)	RM1,000 Million, 20-year Medium Term Notes Programme (“MTN Programme”) (Within line, a 7-year RM500 Million CP Programme)	5.05	-	Redeemable on respective maturity due dates. All repayments due in respect of the notes shall be made in full without and deduction or withholding unless required by law.	Secured by Letter of Comfort from the Sabah State Government

31. SHORT-TERM BORROWINGS - UNSECURED

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Commercial paper	200,000,000	-	200,000,000	-
Revolving credits	34,689,534	201,000,000	15,000,000	201,000,000
Bank overdraft (Note 40)	3,203,829	-	-	-
	<u>237,893,363</u>	<u>201,000,000</u>	<u>215,000,000</u>	<u>201,000,000</u>
Term loans	165,823,932	120,000,000	160,000,000	120,000,000
	<u>403,717,295</u>	<u>321,000,000</u>	<u>375,000,000</u>	<u>321,000,000</u>

The average effective interest rates for borrowings are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	%	%	%	%
Revolving credits	4.18	3.96	4.23	3.96
Bank overdraft	7.50	-	-	-
Term loans	5.67	3.97	3.83	3.97

The commercial paper consists of:

Facilities	Interest Rates		Repayment Terms	Securities
	2008	2007		
	%	%		
RM500 Million - 7- year Commercial Papers Programme ("CP Programme") (Within the 20-year MTN Programme)	4.00	-	Redeemable on respective maturity due dates. All repayments due in respect of the notes shall be made in full without and deduction or withholding unless required by law.	Secured by Letter of Comfort from the Sabah State Government

The revolving credits, bank overdraft and term loans pertaining to an indirect subsidiary company are secured by:

- (i) legal charges on the said indirect subsidiary company's leasehold land and hotel building;
- (ii) a debenture incorporating fixed and floating charges on all assets of the said indirect subsidiary company; and
- (iii) a corporate guarantee given by its holding company.

On August 26, 2008, the banker and the said indirect subsidiary company agreed on revised settlement arrangements which have been extended until September 30, 2009.

32. HIRE-PURCHASE AND FINANCE LEASE PAYABLES

	The Group			
	Minimum Lease Payments		Present Value of Minimum Lease payments	
	2008 RM	2007 RM	2008 RM	2007 RM
Amount payable under finance lease:				
Within one year	19,560	19,560	18,278	17,277
In the second to fifth years inclusive	<u>12,990</u>	<u>32,550</u>	<u>12,809</u>	<u>31,154</u>
	32,550	52,110	31,087	48,431
Less: Future finance charges	<u>(1,463)</u>	<u>(3,679)</u>	<u>-</u>	<u>-</u>
Present value of finance lease payable	<u><u>31,087</u></u>	<u><u>48,431</u></u>	31,087	48,431
Less: Amount due within 12 months – current portion			<u>(18,278)</u>	<u>(17,277)</u>
Non-current portion			<u><u>12,809</u></u>	<u><u>31,154</u></u>

The non-current portion is repayable as follows:

	The Group	
	2008 RM	2007 RM
Later than 1 year and not later than 2 years	12,809	18,278
Later than 2 years and not later than 5 years	<u>-</u>	<u>12,876</u>
	<u><u>12,809</u></u>	<u><u>31,154</u></u>

The hire-purchase and finance lease liabilities have an average effective interest rate of 5.6% (2007: 5.6%) per annum.

33. OTHER LIABILITIES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amount due to the Sabah				
State Government	32,400,000	138,250,000	32,400,000	138,250,000
Trade payables	2,608,402	2,257,014	-	-
Interest payables	24,030,675	22,073,937	24,030,675	22,073,937
Other payables	6,076,302	10,606,878	1,775,968	4,579,397
Deposits	10,177,600	6,887,570	10,169,000	6,878,970
Tax liabilities	388,937	43,043	2,400	2,400
Accrued expenses	2,855,813	2,227,971	1,641,915	1,597,428
Amount due to indirect subsidiary company	-	-	71,398,304	-
	<u>78,537,729</u>	<u>182,346,413</u>	<u>141,418,262</u>	<u>173,382,132</u>

Trade payables pertaining to an indirect subsidiary company comprise amount outstanding for trade purchases. The average credit period granted ranges from 30 days to 90 days (2007: 30 days to 90 days).

Other payables comprise amounts outstanding for ongoing costs. The average credit period for other payables is 30 days (2007: 30 days).

Also included in other payables of the Group, pertaining to a direct subsidiary company, is an amount of RM114,719 (2007: RM114,719) which represents amount owing to its corporate shareholder. The amount is unsecured, interest-free and have no fixed terms of repayment.

Included in deposits of the Group and of the Company is an amount of RM10,000,000 (2007: RM6,000,000) which represents deposits received from the purchaser of the long leasehold land pertaining to the Company as mentioned in Note 20.

Included in accrued expenses of the Group and of the Company are vacation and outfit allowance for directors of RM717,060 and RM579,724 (2007: RM671,825 and RM534,489) respectively.

Amount due to indirect subsidiary company comprises mainly payments on behalf. The amount is unsecured, interest-free and has no fixed terms of repayment.

34. PROVISIONS

	The Company Provision for Retirement Gratuities RM	Indirect Subsidiary Company Provision for Rectification Works RM	Provision for Structural Repair RM	The Group Total RM
At beginning of year	2,940,858	948,292	302,366	4,191,516
Additions	332,026	-	425,936	332,026
Utilised	(17,558)	-	(679,802)	(271,424)
At end of year	<u>3,255,326</u>	<u>948,292</u>	<u>48,500</u>	<u>4,252,118</u>
Analysis of total provisions:				
Current	-	-	-	-
Non-current	<u>3,255,326</u>	<u>948,292</u>	<u>48,500</u>	<u>4,252,118</u>
	<u>3,255,326</u>	<u>948,292</u>	<u>48,500</u>	<u>4,252,118</u>

Provision for Retirement Gratuities

The Company has a non-contributory unfunded retirement benefits scheme for its employees. Retirement gratuities are payable to employees of the Company who have been in service for at least ten years and who have reached retirement age or upon resignation. Provision for retirement gratuities is made based on eligible employees' basic salary and the number of completed years of service. No actuarial valuation has been conducted on the retirement benefits provision as the directors consider the amount to be insignificant to the Company.

Provision for Rectification Works

This is in respect of the cost of rectifying the erosion of the river bank adjoining the water treatment plant.

Provision for Structural Repair

This is in respect of the cost of structural repair of the water treatment plant clarifiers and filters.

35. DEFERRED TAX LIABILITIES

	The Group	
	2008	2007
	RM	RM
At beginning of year	39,604,599	45,466,095
Transfer to income statement (Note 11)	<u>(5,717,840)</u>	<u>(5,861,496)</u>
At end of year	<u>33,886,759</u>	<u>39,604,599</u>

The deferred tax liabilities are in respect of the following:

	The Group	
	2008	2007
	RM	RM
Tax effects of temporary differences arising from:		
Project expenditure	22,472,024	28,352,370
Penalty interest recoverable	10,080,000	10,080,000
Property, plant and equipment	1,334,799	1,172,317
Others	<u>(64)</u>	<u>(88)</u>
	<u>33,886,759</u>	<u>39,604,599</u>

36. SHARE CAPITAL

	The Group and the Company	
	2008	2007
	RM	RM
Authorised		
380,000,000 ordinary shares of RM1 each	380,000,000	380,000,000
50,000,000 3% redeemable convertible non-cumulative preference shares of RM1 each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>430,000,000</u>	<u>430,000,000</u>
Issued and fully paid		
At beginning and end of year:		
Ordinary shares of RM1 each	380,000,000	380,000,000
3% redeemable convertible non-cumulative preference shares of RM1 each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>430,000,000</u>	<u>430,000,000</u>

The 3% redeemable convertible non-cumulative preference shares carry the following principal rights:

- (a) right to receive out of the reserve of the Company and subject to the availability of Section 108 tax credit, a non-cumulative preferential dividend at the rate of 3% per annum on the capital for the time being paid up on such shares. Subject to the foregoing, dividends will be payable annually commencing from the issuance date of the redeemable convertible non-cumulative preference shares;
- (b) right in a winding-up to a return of all capital paid up thereon and subject to (a) above, the payment of any of the said non-cumulative preferential dividend payable and the repayment of capital in priority to the ordinary shares in the Company but to no further or other right to share in surplus assets;
- (c) right to receive notice of and attend all general meetings of the Company but with no right to vote at such meetings except as may be provided under the Companies Act, 1965 (the Act);
- (d) the holder of any of these preference shares may by notice in writing, together with the certificate for the shares therein referred to at the Company's office not earlier than one (1) year upon the issuance of these preference shares or such later date as the directors may agree, elect to convert each of the preference shares specified in such notice into one ordinary share of nominal value RM1.00 whereupon such shares shall from the date of the notice become ordinary shares and shall rank in all respects pari passu with the ordinary shares of the Company, and shall cease to have any preference or priority as abovementioned, and a new certificate shall be issued to the holder thereof free of charge within seven (7) days from the date of conversion;
- (e) subject to the Act and notwithstanding any provisions that may be contained therein, the rights and privileges of the holders of the preference shares shall not be altered except with the consent of the holders of not less than three-fourths of such preference shares; and
- (f) the Company may at any time give notice to the registered holders thereof of its intention to redeem so much of the preference shares. Such notice shall be in writing and shall fix the time and place for such redemption, whereupon the registered holders of such shares shall be bound to deliver up to the Company the certificates thereof for cancellation, and the Company shall pay to them the redemption monies payable in respect of such shares. This power of redemption may be exercised by the Board of Directors of the Company acting on behalf of the Company upon the giving of seven (7) clear days' notice of the proposed redemption to the holders of such redeemable preference shares.

37. RESERVES

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Non-distributable reserve:				
Capital redemption reserve	50,000,000	50,000,000	50,000,000	50,000,000
Distributable reserves:				
General reserve	93,230,000	93,230,000	93,230,000	93,230,000
Accumulated losses	(226,249,726)	(268,261,657)	(79,165,588)	(131,184,069)
	<u>(133,019,726)</u>	<u>(175,031,657)</u>	<u>14,064,412</u>	<u>(37,954,069)</u>
	<u>(83,019,726)</u>	<u>(125,031,657)</u>	<u>64,064,412</u>	<u>12,045,931</u>

Capital redemption reserve

Capital redemption reserve is in respect of the redemption of redeemable convertible non-cumulative preference shares. The amount transferred to the capital redemption reserve was made pursuant to Section 61 of the Companies Act, 1965.

General reserve

General reserve represents the cumulative amounts transferred from retained earnings or from the net profit in prior years, as approved by the Board of Directors of the Company, after declaration of dividend for the purpose of setting aside funds for the long-term use of the Company.

Distributable reserves

In accordance with the Finance Act, 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies without Section 108 tax credit balance will automatically move to the single tier tax system on January 1, 2008. However, companies with such tax credits are given an irrevocable option to elect for the single tier tax system and disregard the tax credit or to continue to use the tax credits under Section 108 account to frank the payment of cash dividends on ordinary shares for a period of 6 years ending December 31, 2013 or until the tax credits are fully utilised, whichever comes first. During the transitional period, any tax paid will not be added to the Section 108 account and any tax credits utilised will reduce the tax credit balance. All companies will be in the new system on January 1, 2014.

As of the balance sheet date, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the tax-exempt account balance as mentioned in Note 11 and the prevailing tax rate applicable to dividends, the total amount of retained earnings of the Company as of December 31, 2008 is available for distribution by way of cash dividends without incurring additional tax liabilities being incurred.

38. **DIVIDENDS**

	The Group and the Company	
	2008	2007
	RM	RM
Interim ordinary share dividend declared - 37.76 sen, less tax, in 2007	-	104,755,000
Interim preference share dividend declared - 3 sen, less tax, in 2007	-	1,095,000
	<u>-</u>	<u>105,850,000</u>

An interim dividend of 37.76 sen per ordinary share, less tax, amounting to RM104,755,000 in respect of the financial year ended December 31, 2007 was declared by the directors in 2007.

An interim dividend of 3 sen per redeemable convertible non-cumulative preference share, less tax, amounting to RM1,095,000 in respect of the financial year ended December 31, 2007 was declared by the directors in 2007.

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any final dividend in respect of the current financial year.

39. **FINANCIAL INSTRUMENTS****Financial Risk Management Objectives and Policies**

The Group's and the Company's risk management objectives and policies are to provide adequate emphasis to sound risk control, identify risks and recommend strategies to manage/mitigate losses and assist the management and the directors to steer the Group and the Company in line with the regulatory requirements in Malaysia.

(i) Interest rate risk

The Group's and the Company's exposure to risk for changes in interest rates, relates primarily to interest-bearing financial assets and financial liabilities. The Group's and the Company's policy is to manage their interest cost by maintaining a mix of fixed and floating rate borrowings and by spreading out the timing of interest rate fixing. In addition, the Group's and the Company's interest-bearing financial liabilities are hedged by interest-bearing financial assets, such as commercial loans (short-term and long-term), money market placements and fixed deposit placements.

(ii) Market risk

The Group's and the Company's market risk is 'associated' with the potential loss in the Group's and the Company's investment in quoted securities resulting from the changes in the prices of the securities traded on Bursa Malaysia.

Market risk is monitored through the market risk management system with the establishment of relevant overseeing committees as part of the overall risk management of the Group and the Company.

(iii) **Credit risk**

The Group's and the Company's policy is to manage their credit risk through the application of good credit approvals, credit limits, monitoring procedures and credit assessment.

(iv) **Liquidity risk**

The Group and the Company monitor and maintain sufficient liquidity and the availability of funding through liquid funding placements and an adequate amount of committed credit facilities from both the domestic banks and the capital markets. In addition, the Group and the Company actively manage their cash flow projections to ensure collection on loans and asset-maturities are adequate to meet the Group's and the Company's debt-serving commitments and/or any other funding requirements.

(v) **Cash flow risk**

The Group and the Company review their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

Financial Assets

The Group's and the Company's principal financial assets are cash and short-term funds, securities purchased under resale agreement, deposits and placements with financial institutions, securities held-for-trading, securities available-for-sale, securities held-to-maturity, loans, advances and financing, other assets and non-current asset held for sale.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments issued which carry a right to convert into equity that is dependent on the outcome of uncertainties beyond the control of the Group and of the Company and the holder of instrument are classified as liabilities except where the possibility of non-conversion is remote.

Significant financial liabilities of the Group and of the Company include deposits from customers, local currency bonds, term loans from licensed banks, short-term borrowings, hire-purchase and finance lease payables and other liabilities.

Deposits from customers are recorded at the proceeds received. Local currency bonds, term loans from licensed banks and short-term borrowings are recorded at the proceeds received net of direct issue costs. Finance charges, including premium payable on settlement or redemption, are accounted for on accrual basis.

Equity instruments are recorded at the proceeds received.

Credit Risk

The financial instruments which potentially subject the Group and the Company to credit risk are loans, advances and financing and deposits and placements with financial institutions. Credit risk is the potential loss arising from any failure by the Group's and the Company's customers or counterparties to fulfill their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments and other credit-related activities undertaken by the Group and the Company.

The directors are responsible for assessing credit risk recommended by the management. They are also responsible for providing directions and timely guidance on lending to different economic sectors and industries.

In general, the Group and the Company monitor the levels of credit risk they undertake through regular review by the management, with independent oversight of their credit concentration and portfolio quality by the directors.

In respect of their lending-related activities, the management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, economic sectors and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counterparties that permit the Group and the Company to offset receivables and payables with such counterparties.

Fair Values

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of December 31, 2008 are as follows:

2008	Note	The Group		The Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Cash and short-term funds	13	26,594,559	26,594,559	19,696,411	19,696,411
Securities purchased under resale agreements		12,100,000	12,100,000	12,100,000	12,100,000
Deposits and placements with financial institutions	14	22,563,521	22,563,521	3,436,608	3,436,608
Securities held-for-trading	15	17,475,780	15,706,976	17,475,780	15,706,976
Securities available-for-sale*	16	1,217,994	1,217,994	1,217,994	1,217,994
Securities held-to-maturity**	17	76,500,306	65,599,866	76,500,306	65,599,866
Loans, advances and financing	18	1,339,973,992	1,430,298,955	1,849,125,270	1,879,450,231
Other assets	19	423,697,883	423,697,883	358,907,440	358,907,440
Non-current asset held for sale	20	50,997,799	55,000,000	50,997,799	55,000,000
Financial Liabilities					
Deposits from customers	29	653,071,823	653,071,823	653,071,823	653,071,823
Borrowings:					
Long-term	30	760,000,000	760,785,000	760,000,000	760,785,000
Short-term	31	403,717,295	403,717,295	375,000,000	375,000,000
Hire-purchase and finance lease payables	32	31,087	31,087	-	-
Other liabilities	33	78,537,729	78,537,729	141,418,262	141,418,262

2007	Note	The Group		The Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Cash and short-term funds	13	26,588,900	26,588,900	19,606,978	19,606,978
Securities purchased under resale agreements		34,131,525	34,131,525	34,131,525	34,131,525
Deposits and placements with financial institutions	14	9,376,881	9,376,881	3,340,000	3,340,000
Securities held-for-trading	15	24,572,522	26,521,483	24,572,522	26,521,483
Securities available-for-sale*	16	1,551,325	1,551,325	1,551,325	1,551,325
Securities held-to-maturity**	17	96,565,991	89,837,079	96,565,991	89,837,079
Loans, advances and financing	18	1,133,508,475	1,159,944,736	1,553,130,500	1,579,566,761
Other assets	19	485,428,056	485,428,056	360,508,228	360,508,228
Non-current asset held for sale	20	<u>50,997,799</u>	<u>55,000,000</u>	<u>50,997,799</u>	<u>55,000,000</u>
Financial Liabilities					
Deposits from customers	29	585,829,258	585,829,258	585,829,258	585,829,258
Borrowings:					
Long-term	30	660,000,000	661,244,111	660,000,000	661,244,111
Short-term	31	321,000,000	321,000,000	321,000,000	321,000,000
Hire-purchase and finance lease payables	32	48,431	52,110	-	-
Other liabilities	33	<u>182,346,413</u>	<u>182,346,413</u>	<u>173,382,132</u>	<u>173,382,132</u>

* It is not practical to estimate the fair value of investments in unquoted shares of venture capital companies. As of the end of the financial year, based on the latest audited financial statements, the Group's and the Company's share of the net tangible assets of investments in the unquoted shares of venture capital companies amounted to RM406,360 (2007: RM651,920).

**For investment in redeemable loan stocks, the directors are of the opinion that the carrying amounts approximate the fair values as they are redeemable at par.

(i) **Cash and short-term funds and other assets**

The carrying amounts represent reasonable estimates of the fair values because of their short-term tenure.

(ii) **Securities purchased under resale agreements**

The fair value of securities purchased under resale agreements is estimated to be its carrying amount due to its short-term tenure.

(iii) **Deposits and placements with financial institutions**

The fair values of deposits and placements with remaining maturities of less than one year are estimated to approximate their carrying amounts at the balance sheet date.

There were no deposits and placements with remaining maturities of more than one year as of the end of the financial year.

(iv) **Quoted securities held-for-trading and available-for-sale**

The fair values are based on the market price at the balance sheet date.

(v) **Loans, advances and financing**

The fair values of loans with remaining maturities of less than one year are estimated to approximate their carrying amounts. For loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying amounts, net of interest-in-suspense and specific allowance for doubtful debts and financing.

(vi) **Non-current asset held for sale**

The fair value is based on its selling price.

(vii) **Deposits from customers**

The fair values of fixed deposits with remaining maturities of less than one year are estimated to approximate their carrying amounts at the balance sheet date.

There were no fixed deposits with remaining maturities of more than one year as of the end of the financial year.

(viii) **Long-term borrowings**

The fair values of long-term borrowings with remaining maturities of less than one year are estimated to approximate their carrying amounts.

The fair values of term loans are estimated using discounted cash flow analysis based on current borrowing rates of similar types of borrowing arrangements.

(ix) **Short-term borrowings, hire-purchase and finance lease payables and other liabilities**

The carrying amounts approximate fair values because of the short maturity of these instruments.

40. **CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and short-term funds (Note 13)	26,594,559	26,588,900	19,696,411	19,606,978
Deposits and placements with financial institutions (Note 14)	22,563,521	9,376,881	3,436,608	3,340,000
Bank overdraft (Note 31)	<u>(3,203,829)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	45,954,251	35,965,781	23,133,019	22,946,978
Less: Deposits pledged to banks	<u>(1,203,222)</u>	<u>(1,192,343)</u>	<u>-</u>	<u>-</u>
	<u>44,751,029</u>	<u>34,773,438</u>	<u>23,133,019</u>	<u>22,946,978</u>

41. **LEASE COMMITMENTS**

As of the end of the financial year, lease commitments in respect of rental of premises and certain plant and equipment are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than one year	217,756	544,187	217,756	447,512
Later than one year and not later than five years	<u>-</u>	<u>260,799</u>	<u>-</u>	<u>217,756</u>
	<u>217,756</u>	<u>804,986</u>	<u>217,756</u>	<u>665,268</u>

42. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Capital expenditure:				
Approved and contracted for	-	141,300	-	141,300
Approved but not contracted for	3,400,000	5,865,645	-	-
Irrevocable commitments to extend credit with maturity exceeding one year	707,298,734	850,246,412	707,298,734	850,246,412
Guarantees issued	<u>681,764,428</u>	<u>277,627,648</u>	<u>279,764,428</u>	<u>277,627,648</u>
	<u>1,392,463,162</u>	<u>1,133,881,005</u>	<u>987,063,162</u>	<u>1,128,015,360</u>

43. CONTINGENT LIABILITIES - UNSECURED

	The Group and the Company	
	2008	2007
	RM	RM
Claim by customers for breach of contracts	<u>-</u>	<u>306,616</u>

44. **ISLAMIC BANKING BUSINESS**

The results for the financial year ended December 31, 2008 and the state of affairs at that date under the Islamic Banking business of the Company included in the financial statements of the Group and of the Company are summarised as follows:

Income Statement for the Year Ended December 31, 2008

	Note	The Group and the Company 2008 RM	2007 RM
Income	(a)	665,603	644,683
Write-back of allowance for losses on loans and financing	(b)	<u>13,294</u>	<u>7,821</u>
Total Income		678,897	652,504
Other expense		<u>(21)</u>	<u>(20)</u>
Profit for the year		678,876	652,484
Retained earnings brought forward		<u>6,965,059</u>	<u>6,312,575</u>
Retained earnings carried forward	(c)	<u><u>7,643,935</u></u>	<u><u>6,965,059</u></u>

The accompanying Notes form an integral part of the Financial Statements.

Balance Sheet as of December 31, 2008

	Note	The Group and the Company 2008 RM	2007 RM
ASSETS			
Cash and short-term funds	(d)	66,613	44,421
Securities held-to-maturity	(e)	18,962,629	18,251,552
Financing assets	(f)	<u>235,143</u>	<u>289,537</u>
Total Assets		<u>19,264,385</u>	<u>18,585,510</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Total Liabilities		-	-
Islamic Banking Funds	(c)	<u>19,264,385</u>	<u>18,585,510</u>
Total Liabilities and Islamic Banking Funds		<u>19,264,385</u>	<u>18,585,510</u>

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements**(a) INCOME**

	2008	2007
	RM	RM
Income derived from investment of funds allocated:		
Mudharabah placements	656,078	631,013
Income from financing	9,416	13,066
Income from penalty on overdue instalment	<u>109</u>	<u>604</u>
	<u>665,603</u>	<u>644,683</u>

(b) WRITE-BACK OF ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	2008	2007
	RM	RM
Specific allowance written back during the financial year	12,370	7,200
General allowance written back during the financial year	<u>924</u>	<u>621</u>
	<u>13,294</u>	<u>7,821</u>

(c) ISLAMIC BANKING FUNDS

	2008	2007
	RM	RM
Funds allocated	11,620,450	11,620,451
Retained earnings	<u>7,643,935</u>	<u>6,965,059</u>
	<u>19,264,385</u>	<u>18,585,510</u>

(d) CASH AND SHORT-TERM FUNDS

	2008	2007
	RM	RM
Cash and bank balances with banks and other financial institutions	<u>66,613</u>	<u>44,421</u>

(e) SECURITIES HELD-TO-MATURITY

	2008 RM	2007 RM
Money market instrument: Mudharabah placements	<u>18,962,629</u>	<u>18,251,552</u>

(f) FINANCING ASSETS

	2008 RM	2007 RM
Term financing	917,464	994,569
Unearned income	<u>(28,195)</u>	<u>(37,611)</u>
Gross financing assets	889,269	956,958
Less:		
General allowance for bad and doubtful debts and financing	(3,993)	(4,918)
Specific allowance for bad and doubtful debts and financing	<u>(650,134)</u>	<u>(662,503)</u>
Net financing assets	<u>235,142</u>	<u>289,537</u>

(i) Gross financing assets analysed by concepts are as follows:

	2008 RM	2007 RM
Al-Bai' Bithaman Ajil	<u>889,269</u>	<u>956,958</u>

(ii) The maturity structure of gross financing assets is as follows:

	2008 RM	2007 RM
Over five years	<u>889,269</u>	<u>956,958</u>

(iii) Gross financing assets analysed by their economic purposes are as follows:

	2008 RM	2007 RM
Housing	236,629	273,340
Others	<u>652,640</u>	<u>683,618</u>
	<u>889,269</u>	<u>956,958</u>