Advanced Packaging Technology (M) Bhd

(Co. No. 82982-K)
(Incorporated in Malaysia)
And Its Subsidiary

Reports And Financial Statements For The Financial Year Ended 31 December 2010
(In Ringgit Malaysia)

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Chee Sam Fatt (Chairman) Tjin Kiat @ Tan Cheng Keat (Managing Director) Yeo Tek Ling (Finance Director) Dato' Haji Ghazali B. Mat Ariff Dato' Law Sah Lim Datuk Ismail bin Haji Ahmad Mah Siew Seng Eu Hock Seng Ng Choo Tim
SECRETARY	See Siew Cheng (MAICSA 7011225) Leong Shiak Wan (MAICSA 7012855)
AUDITORS	PKF AF 0911 Chartered Accountants
AUDIT COMMITTEE	Dato' Haji Ghazali Bin Mat Ariff (Chairman) - Independent Non-Executive Director Datuk Ismail Bin Haji Ahmad - Independent Non-Executive Director Mah Siew Seng - Independent Non-Executive Director
REGISTERED OFFICE	Level 8, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: 03-7841 8000 Fax: 03-7841 8199
REGISTRAR & SHARE TRANSFER OFFICE	Symphony Share Registrars Sdn. Bhd. Level 6, Symphony House Block D13, Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: 03-7841 8000 Fax: 03-7841 8008
PRINCIPAL BANKER	CIMB Bank Berhad
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
(Incorporated in Malaysia)
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials.

The principal activities of the subsidiary and jointly controlled entity are disclosed in Note 11 and Note 12 to the financial statements respectively.

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

Results

	Group RM	Company RM
Total comprehensive income attributable to:		
Owners of the parent	2,419,099	2,944,675

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 7% less tax of 25% totaling RM2,065,796 in respect of the financial year ended 31 December 2009, on 15 July 2010.

In respect of the financial year ended 31 December 2010, the Directors declared an interim dividend of 4% less tax of 25% totaling RM585,517 and paid on 21 February 2011.

The Directors recommend a final dividend of 10% less tax of 25% totaling RM1,463,792 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Directors

The Directors who have held office since the date of the last report are:-

Chee Sam Fatt
Tjin Kiat @ Tan Cheng Keat
Yeo Tek Ling
Dato' Haji Ghazali B. Mat Ariff
Dato' Law Sah Lim
Datuk Ismail bin Haji Ahmad
Mah Siew Seng
Eu Hock Seng
Ng Choo Tim

Directors' interest in shares

The shareholdings and deemed shareholdings in the Ordinary Shares of the Company and its related corporations (other than the wholly-owned subsidiary) of those who were Directors at the end of the financial year, as recorded in Register of Director's Shareholding kept under Section 134 of the Companies Act, 1965, are as follows:

	Number of Ordinary Shares of RM1.00 each			
	At 1.1.2010	**Bought**	**Sold/ Capital reduction**	**At 31.12.2010**
Direct interest in the Company:				
Chee Sam Fatt	20,250	-	(10,125)	10,125
Tjin Kiat @ Tan Cheng Keat	3,100,178	-	(1,550,089)	1,550,089
Yeo Tek Ling	24,338	-	(12,169)	12,169
Dato' Law Sah Lim	10,029	-	(5,015)	5,014
Eu Hock Seng	22,421	-	(11,211)	11,210
Ng Choo Tim	1,296,594	-	(648,297)	648,297
Deemed interest				
Chee Sam Fatt	6,355,510	-	(3,177,755)	3,177,755
Dato' Law Sah Lim	5,214,771	-	(2,651,937)	2,562,834
Eu Hock Seng	870,449	-	(435,225)	435,224

During the financial year, the Company completed a capital reduction exercise pursuant to Section 64 of the Companies Act, 1965 to reduce the Company's issued and paid-up capital. The number of ordinary shares sold by each of the Director represents the effect of the abovementioned exercise as disclosed in the Capital reduction exercise below.

The other Directors holding office at 31 December 2010 had no any interest in the Ordinary Shares of the Company and its related corporations during the financial year.

* The 2,562,834 Ordinary Shares of RM1.00 each held by Dato' Law Sah Lim as at 31 December 2010 is after the disposal of 89,100 shares by his sons and the reduction of share capital.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in aggregate amount of emoluments received or due and receivable by Directors or the fixed salaries of full time employees of the Company as disclosed in Note 3 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 28 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year except for the Capital reduction exercise as disclosed below.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Capital reduction exercise

During the financial year, the Company completed a capital reduction exercise pursuant to Section 64 of the Companies Act, 1965 to reduce the Company's issued and paid-up capital from 41,008,500 Ordinary Shares of RM1.00 each as of 25 November 2010 to 20,504,250 Ordinary Shares of RM1.00 each by way of:

i) Capital repayment of RM0.50 for every one (1) Ordinary Share of RM1.00 held by the entitled shareholders; and

ii) Consolidation of the entire issued and paid-up share capital of 41,008,500 Ordinary Shares of RM0.50 each via the consolidation of two (2) Ordinary Shares of RM0.50 each into one (1) Ordinary Share of RM1.00 each.

At the end of the financial year, the issued and paid-up share capital of the Company was RM20,504,250 comprising 20,504,250 Ordinary Shares of RM1.00 each.

Share buy-back

During the financial year, the Company repurchased 262,016 of its issued Ordinary Shares from the open market at an average price of RM1.30 per share. The total consideration paid for the repurchase including transaction costs was RM339,671.

As at 31 December 2010, the Company held 987,016 of its own shares ('APT Shares') as treasury shares out of its total issued and paid-up share capital of 20,504,250 ordinary shares. The treasury shares are held at a carrying amount of RM530,585 and further details are disclosed in Note 21 to the financial statements.

The APT Shares bought back are held as treasury shares in accordance with Section 67A subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial year other than as part of the capital reduction exercise.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate in the financial statements of the Group and of the Company to any substantial extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in the Note 30 to the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report other than the possible impairment in investment of the jointly controlled entity as disclosed in Note 12 to the financial statements.

Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Selangor

26 April 2011

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the their financial performance and cash flows for the financial year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Selangor

26 April 2011

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

We, TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING, being the Directors primarily responsible for the financial management of ADVANCED PACKAGING TECHNOLOGY (M) BHD, do solemnly and sincerely declare that to the best of our knowledge and belief, the accompanying financial statements are correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING at Bandar Baru Bangi in Selangor on 26 April 2011)

TJIN KIAT @ TAN CHENG KEAT

YEO TEK LING

PESURUHJAYA SUMPAH
No. B 330
ZAHARIAH
BT. MAHYUDDIN
MALAYSIA

Before me,

31-1-1b, Tingkat 1, Jalan Medan Pusat, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

COMMISSIONER FOR OATHS

Accountants &
business advisers

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of ADVANCED PACKAGING TECHNOLOGY (M) BHD, which comprise the Statements of Financial Position as at 31 December 2010 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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The PKF International Association is an association of legally independent firms.

Accountants &
business advisers

Opinion

In our opinion, the financial statements are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and their cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 12 to the financial statements. The Auditors' Report on the financial statements of the jointly controlled entity for the financial year ended 31 December 2010 has been qualified on the basis that the current project plan for the production and sales of clinker and cement does not fulfill the requirements of the new Industrial Policy in the People's Republic of China that was implemented in the current financial year. The fulfillment of the new Industrial Policy would require further fund injections and amendments to the construction plans. The management have not provided an appropriate plan for the continuation of the project to the auditors and as such, the auditors were not able to perform any further audit procedures and obtain sufficient and appropriate audit evidence to ascertain the continuity of the project.

As at the date of the consolidated statement of financial position, the carrying value of the investment in the jointly controlled entity has been impaired to its estimated recoverable amount, which is represented by the carrying amount of the land held by the jointly controlled entity, amounting to RM165,611. The Directors are of the opinion that the amount is recoverable in full and the financial statements do not include any adjustments should the recoverable amount of the investment in the jointly controlled entity be lower than the its carrying amount.

In view of the above, the financial statements do not include any adjustments in the event the recoverable amount is lower than the carrying amount of the said investment.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiary for which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements which are included in the consolidated financial statements.

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Accountants &
business advisers

(c) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiary were not subject to any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 11 to the financial statements.

The supplementary information set out in Note 22 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

PKF
AF 0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
2525/03/12 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur

26 April 2011

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Continuing operations:			
Revenue	2	25,066,100	24,252,523
Other income		444,158	420,122
Changes in inventories of finished goods and work-in-progress		173,646	(62,659)
Raw materials used		(14,567,961)	(14,080,226)
Employee benefits expense	3	(3,151,206)	(2,865,906)
Impairment loss on investment in jointly controlled entity		(152,009)	-
Reversal of impairment loss on investment in jointly controlled entity		-	2,340,445
Share of loss in jointly controlled entity		(352,525)	(5,697,889)
Gain on winding up of a subsidiary		-	5,709
Depreciation		(1,519,159)	(1,573,349)
Other expenses		(3,355,409)	(2,467,190)
Operating profits	4	2,585,635	271,580
Interest income		598,769	647,182
Profit before tax		3,184,404	918,762
Tax expense	5	(765,305)	(446,987)
Profit for the financial year from continuing operations		2,419,099	471,775
Discontinued operation:			
Loss for the financial year from discontinued operation	6	-	(12,192)
Total comprehensive income for the financial year		2,419,099	459,583
Basic average earnings attributable to owners of the parent per ordinary share (sen)	7	6.70	1.17
Total comprehensive income attributable to:			
Owners of the parent		2,419,099	459,583

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM	Restated as at 1.1.2009 RM
Non-current assets				
Property, plant and equipment	9	12,841,417	14,188,636	15,163,984
Investment in jointly controlled entity	12	165,611	670,145	4,027,589
Other investment	13	5,000,000	5,000,000	5,000,000
Amount due from a jointly controlled entity	15	-	137,318	137,318
		18,007,028	19,996,099	24,328,891
Current assets				
Inventories	16	5,111,464	4,498,743	5,102,825
Trade receivables	17	5,197,183	5,540,465	5,484,243
Non-trade receivables, deposits and prepayments	18	275,686	548,728	608,930
Cash and cash equivalents	19	7,946,866	24,642,135	21,047,901
Assets of disposal group classified as discontinued operation	6	-	-	90,852
		18,531,199	35,230,071	32,334,751
TOTAL ASSETS		36,538,227	55,226,170	56,663,642
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	20	20,504,250	41,008,500	41,008,500
Treasury shares	21	(530,585)	(1,120,914)	(1,112,112)
Reserves	22	9,448,027	9,680,241	10,997,400
Total equity		29,421,692	49,567,827	50,893,788
Non-current liabilities				
Deferred tax liabilities	23	1,566,707	1,505,592	1,467,349
Provision for staff gratuity	24	1,384,297	1,265,436	1,273,829
		2,951,004	2,771,028	2,741,178
Current liabilities				
Trade payables	25	2,307,063	1,740,809	1,029,507
Amount due to Directors	26	162,000	108,000	108,000
Non-trade payables and accruals	27	1,067,653	1,038,506	1,891,169
Dividend payable		585,517	-	-
Tax payable		43,298	-	-
		4,165,531	2,887,315	3,028,676
TOTAL LIABILITIES		7,116,535	5,658,343	5,769,854
TOTAL EQUITY AND LIABILITIES		36,538,227	55,226,170	56,663,642

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

			← *Non-distributable*	→	*Distributable*	
	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Retained profits RM	Total RM
Group						
At 1 January 2009		41,008,500	(1,112,112)	5,578	10,991,822	50,893,788
Currency translation differences representing income and expense recognised directly in equity		-	-	131	-	131
Total comprehensive income		-	-	-	459,583	459,583
Purchase of treasury shares		-	(8,802)		-	(8,802)
Realisation of translation reserve				(5,709)		(5,709)
Dividends	8	-	-	-	(1,771,164)	(1,771,164)
At 31 December 2009		41,008,500	(1,120,914)	-	9,680,241	49,567,827
Total comprehensive income		-	-	-	2,419,099	2,419,099
Purchase of treasury shares		-	(339,671)	-	-	(339,671)
Dividends	8	-	-	-	(2,651,313)	(2,651,313)
Capital reduction		(20,504,250)	930,000	-	-	(19,574,250)
At 31 December 2010		20,504,250	(530,585)	-	9,448,027	29,421,692

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Cash flows from operating activities			
Profit before tax from:			
- continuing operation		3,184,404	918,762
- discontinued operations		-	(12,192)
Adjustments for:			
Depreciation		1,519,159	1,573,349
Impairment loss on investment in jointly controlled entity		152,009	-
Impairment loss on financial assets			
- trade receivables		9,500	26,392
- amount due from jointly controlled entity		137,318	-
Reversal of impairment loss on financial assets no longer required			
- trade receivables		(121,968)	(90,473)
Reversal of impairment loss on investment in jointly controlled entity		-	(2,340,445)
Share of loss in jointly controlled entity		352,525	5,697,889
(Gain)/Loss on unrealised foreign exchange		(5,240)	3,027
Investment income		(132,147)	(124,863)
Loss/(Gain) on disposal of property, plant and equipment		192	(4,752)
Interest income		(598,769)	(647,182)
(Gain)/Loss on winding up of a subsidiary		-	(5,709)
Property, plant and equipment written off		11,209	6,691
Provision for staff gratuity		145,945	52,032
Inventory written off		11,380	44,482
Operating profit before working capital changes		4,665,517	5,097,008
(Increase)/Decrease in inventories		(624,101)	559,600
Decrease in receivables		655,474	42,777
Increase/(Decrease) in payables		644,757	(179,815)
Cash generated from operations		5,341,647	5,519,570
Income tax paid		(577,690)	(383,522)
Staff gratuity paid		(27,084)	(60,425)
Net cash from operating activities		4,736,873	5,075,623

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Cash flows from investing activities			
Interest income received		598,769	647,182
Investment income received		132,147	124,863
Proceeds from disposal of property, plant and equipment		50	7,040
Acquisition of property, plant and equipment	(i)	(183,391)	(571,360)
Net cash from investing activities		547,575	207,725
Cash flows from financing activities			
Dividend paid		(2,065,796)	(1,771,164)
Capital repayment		(19,574,250)	-
Purchase of treasury shares		(339,671)	(8,802)
Net cash used in financing activities		(21,979,717)	(1,779,966)
Net (decrease)/increase in cash and cash equivalents		(16,695,269)	3,503,382
Cash and cash equivalents at 1 January		24,642,135	21,138,753
Cash and cash equivalents at 31 December	(ii)	7,946,866	24,642,135

Notes:

(i) ***Acquisition of property, plant and equipment***

In the prior year, the Group acquired property, plant and equipment with an aggregate cost of RM606,980 of which RM35,620 was retained as a retention sum as disclosed in Note 27 to the financial statements.

(ii) ***Cash and cash equivalents***

Cash and cash equivalents, included in the statement of cash flows comprise the following amounts:

	2010 RM	2009 RM
Cash and bank balances	446,866	2,642,135
Deposits with licensed banks	7,500,000	22,000,000
	7,946,866	24,642,135

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Revenue	2	25,066,100	24,252,523
Other income		444,099	419,136
Changes in inventories of finished goods and work-in-progress		173,646	(62,659)
Raw materials used		(14,567,961)	(14,080,226)
Employee benefits expense	3	(3,151,206)	(2,865,906)
Loss on winding up of a subsidiary		-	(29,128)
Depreciation		(1,519,159)	(1,573,349)
Other expenses		(3,334,308)	(9,767,538)
Operating profits/(loss)	4	3,111,211	(3,707,147)
Interest income		598,769	647,182
Profit/(Loss) before tax		3,709,980	(3,059,965)
Tax expense	5	(765,305)	(446,987)
Total comprehensive income/(loss) for the financial year		2,944,675	(3,506,952)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		2,944,675	(3,506,952)

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM	Restated as at 1.1.2009 RM
Non-current assets				
Property, plant and equipment	9	12,841,417	14,188,636	15,163,984
Investment in subsidiary	11	4,921	4,921	4,921
Other investment	13	5,000,000	5,000,000	5,000,000
Amount due from a subsidiary	14	21,821	-	7,374,296
Amount due from a jointly controlled entity	15	-	137,318	137,318
		17,868,159	19,330,875	27,680,519
Current assets				
Inventories	16	5,111,464	4,498,743	5,102,825
Trade receivables	17	5,197,183	5,540,465	5,484,243
Non-trade receivables, deposits and prepayments	18	275,686	548,728	608,930
Cash and cash equivalents	19	7,946,866	24,642,135	21,047,901
Assets of disposal group classified as discontinued operation	6	-	-	36,280
		18,531,199	35,230,071	32,280,179
TOTAL ASSETS		36,399,358	54,560,946	59,960,698
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	20	20,504,250	41,008,500	41,008,500
Treasury shares	21	(530,585)	(1,120,914)	(1,112,112)
Reserves	22	9,314,722	9,021,360	14,299,476
Total equity		29,288,387	48,908,946	54,195,864
Non-current liabilities				
Deferred tax liabilities	23	1,566,707	1,505,592	1,467,349
Provision for staff gratuity	24	1,384,297	1,265,436	1,273,829
		2,951,004	2,771,028	2,741,178
Current liabilities				
Trade payables	25	2,307,063	1,740,809	1,029,507
Amount due to Directors	26	162,000	108,000	108,000
Non-trade payables and accruals	27	1,062,089	1,032,163	1,886,149
Dividend payable		585,517	-	-
Tax payable		43,298	-	-
		4,159,967	2,880,972	3,023,656
TOTAL LIABILITIES		7,110,971	5,652,000	5,764,834
TOTAL EQUITY AND LIABILITIES		36,399,358	54,560,946	59,960,698

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

			Non-distributable	***Distributable***	
	Note	**Share Capital RM**	**Treasury shares RM**	**Retained Profits RM**	**Total RM**
Company					
At 1 January 2009		41,008,500	(1,112,112)	14,299,476	54,195,864
Purchase of treasury shares		-	(8,802)	-	(8,802)
Total comprehensive loss		-	-	(3,506,952)	(3,506,952)
Dividends	8	-	-	(1,771,164)	(1,771,164)
At 31 December 2009		41,008,500	(1,120,914)	9,021,360	48,908,946
Purchase of treasury shares		-	(339,671)	-	(339,671)
Total comprehensive income		-	-	2,944,675	2,944,675
Dividends	8	-	-	(2,651,313)	(2,651,313)
Capital reduction		(20,504,250)	930,000	-	(19,574,250)
At 31 December 2010		20,504,250	(530,585)	9,314,722	29,288,387

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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Cash flows from operating activities			
Profit/(Loss) before tax		3,709,980	(3,059,965)
Adjustments for:			
Depreciation		1,519,159	1,573,349
Impairment loss on financial assets			
- Amount due from subsidiary		-	7,327,673
- Trade receivables		9,500	26,392
- Amount due from jointly controlled entity		137,318	-
Reversal of impairment loss on financial assets no longer required			
- Trade receivables		(121,968)	(90,473)
(Gain)/Loss on unrealised foreign exchange		(5,240)	3,027
Investment income		(132,147)	(124,863)
Loss/(Gain) on disposal of property, plant and equipment		192	(4,752)
Interest income		(598,769)	(647,182)
Loss on winding up of a subsidiary		-	29,128
Property, plant and equipment written off		11,209	6,691
Provision for staff gratuity		145,945	52,032
Inventory written off		11,380	44,482
Operating profit before working capital changes		4,686,559	5,135,539
(Increase)/Decrease in inventories		(624,101)	559,600
Decrease in receivables		655,474	42,646
Increase/(Decrease) in payables		645,536	(181,138)
Cash generated from operations		5,363,468	5,556,647
Income tax paid		(577,690)	(383,522)
Staff gratuity paid		(27,084)	(60,425)
Net cash from operating activities		4,758,694	5,112,700

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	Restated 2009 RM
Cash flows from investing activities			
(Advances to)/Repayment from subsidiary		(21,821)	46,622
Interest income received		598,769	647,182
Investment income received		132,147	124,863
Return on capital investment in subsidiary		-	7,153
Proceeds from disposal of property, plant and equipment		50	7,040
Acquisition of property, plant and equipment	(i)	(183,391)	(571,360)
Net cash from investing activities		525,754	261,500
Cash flows from financing activities			
Dividend paid		(2,065,796)	(1,771,164)
Capital repayment		(19,574,250)	-
Purchase of treasury shares		(339,671)	(8,802)
Net cash used in financing activities		(21,979,717)	(1,779,966)
Net (decrease)/increase in cash and cash equivalents		(16,695,269)	3,594,234
Cash and cash equivalents at 1 January		24,642,135	21,047,901
Cash and cash equivalents at 31 December	(ii)	7,946,866	24,642,135

Notes:

(i) ***Acquisition of property, plant and equipment***

In the prior financial year, the Company acquired property, plant and equipment with an aggregate cost of RM606,980 of which RM35,620 was retained as a retention sum as disclosed in Note 27 to the financial statements.

(ii) ***Cash and cash equivalents***

Cash and cash equivalents, included in the statement of cash flows comprise the following amounts:

	2010 RM	2009 RM
Cash and bank balances	446,866	2,642,135
Deposits with licensed banks	7,500,000	22,000,000
	7,946,866	24,642,135

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described below.

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

(a) Changes in accounting policies

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

FRS 4 *Insurance Contracts* and TR i-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

<u>FRS 7 *Financial Instruments: Disclosures*</u>

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*.

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

<u>FRS 8 *Operating Segments*</u>

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 29 to the financial statements.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

FRS 101 *Presentation of Financial Statements (Revised)*

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line.

The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital as disclosed in Note 34 to the financial statements.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated.

The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

<u>FRS 139 *Financial Instruments: Recognition and Measurement (continued)*</u>

(i) Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses.

Upon the adoption of FRS 139, the investment in subsidiary by the Company and investment in jointly controlled entity via its subsidiary respectively at 1 January 2010 continued to be carried at cost less impairment losses as allowed by FRS 127 and FRS 131.

(ii) Available-for-sale financial assets

Prior to 1 January 2010, other investments were stated at cost less impairment. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as available-for-sale financial assets.

The fair values of available-for-sale financial assets as at 1 January 2010 amounted to RM5,000,000.

As at 1 January 2010, the Group has assessed and determined that there was no material difference between the fair value and the carrying value of available-for-sale financial assets and as such, there are no adjustments to the opening balance of retained earnings as at that date.

(iii) Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

As at 1 January 2010, the Group has assessed and determined that there was no material difference between the existing and revised basis of measurement and as such, there are no adjustments to the opening balance of retained earnings as at that date.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

FRS 139 *Financial Instruments: Recognition and Measurement (continued)*

(iv) Staff loans

During the current and prior years, the Group and the Company granted loans with interest bearing at 4% (2009: 4%) to its employees. Prior to 1 January 2010, these loans were recorded at cost in the financial statements of the Group and the Company.

Upon the adoption of FRS 139, the interest bearing loans are recorded initially at a fair value that may be lower than cost.

Subsequent to initial recognition, the loans are measured at amortised cost. As at 1 January 2010, the Company has remeasured such loan and determined that there was no material difference between the fair value and cost of loan and as such, there are no adjustments to the opening balance of retained earnings as at that date.

(v) Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to third party. The guarantees were accounted for under FRS 4 *Insurance Contracts* and were disclosed as contingent liabilities.

The Company has elected to maintain its policy and will continue to account for financial guarantee contracts under FRS 4 *Insurance Contracts*.

(vi) Inter-company loans and advances

During the current and prior years, the Company granted interest-free advances to its subsidiary and jointly controlled entity. Prior to 1 January 2010, these advances were recorded at cost less impairment in the Company's financial statements.

Upon the adoption of FRS 139, the interest-free advances are recorded initially at a fair value that may be lower than cost.

As at 1 January 2010, the Company has remeasured such advances and determined that there was no material difference between the fair value and cost of advances and as such, there are no adjustments to the opening balance of retained earnings as at that date.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Improvements to FRSs issued in 2009

The Improvements to FRS issued in 2009 comprise amendments to the following FRS that are effective for annual periods beginning on or after 1 January 2010:

FRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
FRS 7	*Financial Instruments: Disclosures*
FRS 8	*Operating Segments*
FRS 107	*Statement of Cash Flows*
FRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 110	*Events after the Reporting Period*
FRS 116	*Property, Plant and Equipment*
FRS 117	*Leases*
FRS 118	*Revenue*
FRS 119	*Employee Benefits*
FRS 120	*Accounting for Government Grants and Disclosures of Government Assistance*
FRS 123	*Borrowing Costs*
FRS 127	*Consolidated and Separate Financial Statements*
FRS 128	*Interests in Joint Ventures*
FRS 129	*Financial Reporting in Hyperinflationary Economies*
FRS 131	*Interests in Joint Ventures*
FRS 134	*Interim Financial Reporting*
FRS 136	*Impairment of Assets*
FRS 138	*Intangible Assets*
FRS 140	*Investment Property*

Adoption of the above improvements to FRSs issued in 2009 did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

(i) FRS 117

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

(i) FRS 117(continued)

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy in accordance with the transitional provisions of the Amendments to FRS 117.

At 1 January 2010, the Company has reassessed and determined that the leasehold land of the Company which is in substance a finance lease and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provision of the amendment.

The reclassification does not affect the basic earning per ordinary share of the Company.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

Group and the Company Statements of financial position	**As restated RM**	**As audited report stated RM**
31 December 2009		
Property, plant and equipment	14,188,636	13,632,601
Prepaid lease	-	556,035
Statement of comprehensive income		
Depreciation	1,573,349	1,565,959
Amortisation	-	7,390

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(b) Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
FRS 1 *First-time Adoption of Financial Reporting Standards*	1 July 2010
FRS 3 *Business Combinations (Revised)*	1 July 2010
Amendments to FRS 2 *Share-based Payment*	1 July 2010
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 127 *Consolidated and Separate Financial Statements*	1 July 2010
Amendments to FRS 138 *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 July 2010
IC Interpretation 12 *Service Concession Arrangements*	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(b) Standards issued but not yet effective (continued)

<u>Revised FRS 3: Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements</u>

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for the business combinations occurring after 1 July 2010.

These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112: *Income Taxes*, FRS 121: *The Effects of Changes in Foreign Exchange Rates*, FRS 128: *Investments in Associates* and FRS 131 *Interest in Joint Ventures*.

The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

(c) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(i) *Depreciation of Property, Plant and Equipment* (continued)

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) *Impairment of Non-financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(v) *Impairment of Trade and Non-trade Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vi) *Impairment of Available-for-sale Financial Assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vii) *Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(viii) *Fair Value Estimates for Certain Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statement of comprehensive income on the date of acquisition.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(e) Foreign currency

(i) *Functional and presentation currency*

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

(ii) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(e) Foreign currency (continued)

(ii) *Foreign currency transactions* (continued)

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

(f) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	1%
Building	2% - 10%
Plant, machinery and tools	7½% - 10%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(g) Impairment

(a) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(g) Impairment (continued)

(a) Impairment of financial assets (continued)

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(g) Impairment (continued)

(b) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(h) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(i) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group recognises its interest in jointly controlled entity using the equity method. Under the equity method, the investment in the jointly controlled entity is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity.

The financial statements of the jointly controlled entity are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies to be in line with those of the Group.

In the Company's separate financial statements, its investment in jointly controlled entity is stated at cost less any impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(j) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(j) Financial assets(continued)

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(j) Financial assets(continued)

(iv) Available-for-sale financial assets (continued)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(l) Inventories

Inventories, comprising raw materials, work-in-progress, finished goods and consumables, are stated at the lower of cost and net realisable value.

Cost is determined using first-in-first-out basis. Cost of raw materials and consumables, includes all cost incurred in bringing them to their present location and condition.

Cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the fixed and variable production overheads.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

A financial guarantee contract is considered a contingent liability in accordance with FRS 4 *Insurance Contracts*.

(o) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(o) Financial liabilities (continued)

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(p) Employee benefits

(i) *Short-term Benefits*

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

(ii) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Companies in the Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(q) Revenue and income recognition

(i) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) ***Interest income***

Interest income is recognised using the effective interest method.

(r) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(r) Income taxes (continued)

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are 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 the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(r) Income taxes (continued)

(iii) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

(t) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the financial statements at 31 December 2010

1. Summary of significant accounting policies (continued)

(u) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2. Revenue

Revenue represents the invoiced value of goods sold less discounts and returns.

3. Employee benefits expense

(a) Staff costs

	Group and Company	
	2010	**2009**
	RM	**RM**
Salaries, wages, allowances, bonus and overtime	1,870,985	1,804,563
Contributions to defined contribution plan	198,418	191,905
Social security contributions	21,223	20,904
Other benefits	302,595	190,112
	2,393,221	2,207,484

Notes to the financial statements at 31 December 2010

3. Employee benefits expense (continued)

(b) Directors' remuneration

	Group and Company	
	2010	**2009**
	RM	**RM**
Directors of the Company:*		
Executive:		
Salaries and other emoluments	473,250	435,902
Contribution to defined contribution plan	104,115	95,900
Social security contributions	620	620
Fees	36,000	24,000
Other benefits - leave passage	18,000	18,000
Estimated money value of benefits-in-kind	18,625	18,625
	650,610	593,047
Non-executive		
Fees	126,000	84,000
Total Directors' remuneration	776,610	677,047
Total excluding benefits-in-kind	757,985	658,422
Total staff costs	3,151,206	2,865,906

* The number of Directors of the Company whose total remuneration during the year fall within the following bands are as follows:

	Numbers of Directors	
	2010	**2009**
	RM	**RM**
Executive Directors:		
Below RM50,000	-	-
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
Above RM150,000 to RM600,000	2	2
	2	2
Non-executive Directors:		
Below RM50,000	7	7
RM50,001 to RM100,000	-	-
	7	7

The total number of employees, inclusive of executive Directors, of the Group and of the Company as at the end of the financial year is 90 (2009: 87).

Notes to the financial statements at 31 December 2010

4. Operating profits/(loss)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Operating profits/(loss) is arrived at after charging/(crediting):				
Auditors' remuneration				
- Statutory audit	33,565	32,790	28,000	26,000
- Non-statutory audit	6,000	6,000	6,000	6,000
Impairment loss on financial assets				
- Amount due from subsidiary	-	-	-	7,327,673
- Trade receivables	9,500	26,392	9,500	26,392
- Amount due from jointly controlled entity	137,318	-	137,318	-
Reversal of impairment loss on financial assets no longer required				
- Trade receivables	(121,968)	(90,473)	(121,968)	(90,473)
Inventories written off	11,380	44,482	11,380	44,482
(Gain)/Loss on foreign exchange				
- realised	(29,943)	(17,487)	(29,943)	(17,487)
- unrealised	(5,240)	3,027	(5,240)	3,027
Property, plant and equipment written off	11,209	6,691	11,209	6,691
Provision for staff gratuity	145,945	52,032	145,945	52,032
Impairment loss on investment in jointly controlled entity	152,009	-	-	-
Reversal of impairment loss on investment in jointly controlled entity	-	(2,340,445)	-	-
Loss/(Gain) on disposal of property, plant and equipment	192	(4,752)	192	(4,752)
Interest income	(598,769)	(647,182)	(598,769)	(647,182)
Investment income	(132,147)	(124,863)	(132,147)	(124,863)

Notes to the financial statements at 31 December 2010

5. Tax expense

	Group and Company	
	2010	**2009**
	RM	**RM**
Current tax expense		
- current year	708,299	412,497
- (over)/under provision in prior years	(4,109)	(3,753)
	704,190	408,744
Deferred tax expense (Note 23)		
- current year	78,720	110,377
- over provision in prior years	(17,605)	(16,326)
- changes in tax rates	-	(55,808)
	61,115	38,243
	765,305	446,987

Reconciliation of effective tax expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before tax	3,184,404	918,762	3,709,980	(3,059,965)
Tax at Malaysian tax rates of 25%	796,100	229,691	927,495	(764,991)
Non deductible expenses	387,100	1,463,047	153,281	1,872,438
Non taxable income	(135,461)	(585,291)	(33,037)	-
Changes in tax rates	-	(55,808)	-	(55,808)
Double deduction	(260,720)	(584,573)	(260,720)	(584,573)
	787,019	467,066	787,019	467,066
Deferred tax over recognised	(17,605)	(16,326)	(17,605)	(16,326)
Over provision in prior years	(4,109)	(3,753)	(4,109)	(3,753)
	765,305	446,987	765,305	446,987

Notes to the financial statements at 31 December 2010

6. Disposal group classified as discontinued operation

On 5 January 2009, the Board of Directors had resolved to wind-up Xiamen Jinjie Trading Co. Ltd. (“XJTC”). The Company further announced that approval has been obtained from Xiamen City Industrial and Commercial Department on 31 May 2009 for winding up XJTC. On the same date, an announcement was made on Bursa Malaysia Securities Berhad. Accordingly, XJTC is classified as discontinued operation.

(a) The Company has received capital refund of RM7,153 from XJTC on November 2009 and has incurred a loss on investment of RM29,128.

(b) The effects of the discontinued operation of XJTC on the financial position and its fair value of net assets for the Group are summarised as follows:

	2009 RM
Net assets of discontinued operation	
Cash and cash equivalents	7,153
Translation reserve	(5,709)
Attributable net assets of discontinued operation	1,444
Gain on winding up of a subsidiary	5,709
Total consideration received from discontinued operation	7,153
Add: Cash and cash equivalents on discontinued operation	(7,153)
Net cash from discontinued subsidiary	-

(i) The revenue and results of XJTC (after eliminating inter company transactions) are as follows:

	Group	
	2010 RM	**2009 RM**
Pre-operating expenses written off	-	(12,192)
Loss before tax	-	(12,192)
Tax expense	-	-
Loss for the financial year	-	(12,192)

(ii) Loss before tax of XJTC is arrived at after charging:

	Group	
	2010 RM	**2009 RM**
Pre-operating expenses written off	-	12,192

Notes to the financial statements at 31 December 2010

7. Basic average earnings per ordinary share

Basic average earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year, after taking into consideration of the treasury shares held by the Company calculated as follows:

	2010	**2009**
Total comprehensive income attributable to owners of the parent (RM)	2,419,099	459,583
Weighted average number of ordinary shares in issue, net of treasury shares	36,083,206	39,358,500
Basic earning per share (sen)	6.70	1.17

Diluted earnings per ordinary share is not presented as there is no dilutive potential ordinary shares outstanding during the financial year.

8. Dividends per ordinary share

Dividends recognised by the Company are:

	Gross dividend per share Sen	**Amount of dividend net of tax RM**	**Date of payment**
In respect of financial year ended 31 December 2009:			
Final dividend	7.00	2,065,796	15 July 2010
In respect of financial year ended 31 December 2010:			
Interim dividend	4.00	585,517	21 February 2011

The Directors recommend a final dividend of 10% less tax of 25% totaling RM1,463,792, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company. These financial statements do not reflect this final dividend which will only be accrued as a liability when approved by shareholders.

Notes to the financial statements at 31 December 2010

9. Property, plant and equipment

2010 Group and Company	**Land RM**	**Building RM**	**Plant, machinery and tools RM**	**Furniture, fittings and equipment RM**	**Motor vehicles RM**	**Total RM**
Cost						
At 1 January	739,000	5,062,882	27,148,187	539,629	1,119,959	34,609,657
Additions	-	151,299	17,147	14,945	-	183,391
Disposals	-	-	-	(1,530)	-	(1,530)
Written off	-	-	(56,149)	(22,740)	-	(78,889)
At 31 December	739,000	5,214,181	27,109,185	530,304	1,119,959	34,712,629
Accumulated depreciation						
At 1 January	182,965	1,877,045	16,935,008	461,741	964,262	20,421,021
Charge for the financial year	7,390	113,643	1,300,089	20,290	77,747	1,519,159
Disposals	-	-	-	(1,288)	-	(1,288)
Written off	-	-	(45,984)	(21,696)	-	(67,680)
At 31 December	190,355	1,990,688	18,189,113	459,047	1,042,009	21,871,212
Net book value						
At 31 December	548,645	3,223,493	8,920,072	71,257	77,950	12,841,417

Notes to the financial statements at 31 December 2010

9. Property, plant and equipment (continued)

2009 Group and Company	**Land RM**	**Building RM**	**Plant, machinery and tools RM**	**Furniture, fittings and equipment RM**	**Motor vehicles RM**	**Total RM**
Cost						
At 1 January	-	5,053,682	26,639,685	565,849	1,159,068	33,418,284
Effect of adopting the amendments to FRS 117 (Note 10)	739,000	-	-	-	-	739,000
Additions	-	9,200	591,032	6,748	-	606,980
Disposals	-	-	-	(2,988)	(39,109)	(42,097)
Written off	-	-	(82,530)	(29,980)	-	(112,510)
At 31 December	739,000	5,062,882	27,148,187	539,629	1,119,959	34,609,657
Accumulated depreciation						
At 1 January	-	1,766,273	15,739,891	468,008	843,553	18,817,725
Effect of adopting the amendments to FRS 117 (Note 10)	175,575	-	-	-	-	175,575
Charge for the financial year	7,390	110,772	1,273,308	22,062	159,817	1,573,349
Disposals	-	-	-	(701)	(39,108)	(39,809)
Written off	-	-	(78,191)	(27,628)	-	(105,819)
At 31 December	182,965	1,877,045	16,935,008	461,741	964,262	20,421,021
Net book value						
At 31 December	556,035	3,185,837	10,213,179	77,888	155,697	14,188,636

Notes to the financial statements at 31 December 2010

9. Property, plant and equipment (continued)

Included in property, plant and equipment of the Group and of the Company are the following fully depreciated property, plant and equipment which are still in use as follows:

	2010 RM	2009 RM
At cost:		
Plant, machinery and tools	11,232,030	11,218,494
Furniture, fittings and equipment	380,111	375,801
Motor vehicles	806,341	604,823
Building	11,863	4,674
	12,430,345	12,203,792

10. Prepaid lease payments

2009 **Group/Company**	**Leasehold land unexpired period more than 50 years RM**
Cost	
At 1 January	739,000
Effect of adopting the amendments to FRS 117	(739,000)
At 31 December	-
Amortisation	
At 1 January	175,575
Effect of adopting the amendments to FRS 117	(175,575)
At 31 December	-
Carrying amounts	
At 31 December	-

The leasehold land is held for own use. The leasehold land has a remaining tenure of 76 years (2009: 77 years). The reclassification of the land has been made retrospectively in accordance with the transitional provision of the amendments to FRS 117 Leases.

Notes to the financial statements at 31 December 2010

11. Investment in subsidiary

	Company 2010 RM	Company 2009 RM
Unquoted shares at cost	4,921	4,921

The details of the subsidiary are as follows:

Name of company	Place of incorporation	Percentage of equity held 2010	Percentage of equity held 2009	Principal activities
Advanced Packaging Investments (H.K.) Limited*	Hong Kong	100%	100%	Investment holding company.

* The Auditors' Report on the financial statements of this subsidiary for the financial year ended 31 December 2010 have been modified by way of emphasis of matter on the uncertainties over the ability of the subsidiary to continue as a going concern.

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

12. Investment in jointly controlled entity

	Group 2010 RM	Group 2009 RM
Share of net assets of jointly controlled entity	165,611	670,145
Unquoted shares, at cost	6,531,363	6,531,363
Share of loss	(6,050,414)	(5,697,889)
	480,949	833,474
Less: Impairment losses	(315,338)	(163,329)
	165,611	670,145

Notes to the financial statements at 31 December 2010

12. Investment in jointly controlled entity (continued)

The Group's interest in the assets of the jointly controlled entity is as follows:

	Group	
	2010	**2009**
	RM	**RM**
Long term assets	211,722	869,312
Net current liability	(46,111)	(46,401)
	165,611	822,911

The Group's interest in revenue and expenses of the jointly controlled entity is as follows:

	Group	
	2010	**2009**
	RM	**RM**
Revenue	-	-
Expenses	(352,525)	(5,697,889)
Operating loss	(352,525)	(5,697,889)

The subsidiary, Advanced Packaging Investments (H.K) Limited entered into a joint venture contract with Wafangdian Laohu Cement Company Ltd. to form a jointly controlled entity in 2002 to build a new cement clinker plant. Since the financial year 2005, there is no significant progress on the construction of the plant.

Details of the jointly controlled entity are as follows:

Name	**Principal activities**	**Proportion of ownership interest equity held**	
		2010	**2009**
Dalian Advanced Cement Co. Ltd. #	The Company has not commenced operations. The intended principal activities are that of production and sales of clinker and cement	25%	25%

\# Held by Advanced Packaging Investments (H.K.) Limited.

The Auditors' Report on the financial statements of the jointly controlled entity for the financial year ended 31 December 2010 has been qualified on the basis that the current project plan for the production and sales of clinker and cement does not fulfill the requirements of the new Industrial Policy in the People's Republic of China that was implemented in the current financial year. The fulfillment of the new Industrial Policy would require further fund injections and amendments to the construction plans. The management have not provided an appropriate plan for the continuation of the project to the auditors and as such, the auditors were not able to perform any further audit procedures and obtain sufficient and appropriate audit evidence to ascertain the continuity of the project.

Notes to the financial statements at 31 December 2010

12. Investment in jointly controlled entity (continued)

As at the date of the consolidated statement of financial position, the carrying value of the investment in the jointly controlled entity has been impaired to its estimated recoverable amount, which is represented by the carrying amount of the land held by the jointly controlled entity, amounting to RM165,611. The Directors are of the opinion that the amount is recoverable in full and the financial statements do not include any adjustments should the recoverable amount of the investment in the jointly controlled entity be lower than the its carrying amount.

Audited by a firm other than member firm of PKF International.

13. Other investment

Other investment represents investments in Fixed Income Fund Account with Aminvestment Services Berhad and is classified as available-for-sale financial assets.

Fair value of other investment is based on manager's price as at the reporting date.

As at the reporting date, the manager's price is equivalent to its carrying value.

14. Amount due from a subsidiary

	Company	
	2010	**2009**
	RM	**RM**
Amount due from subsidiary	7,349,494	7,327,673
Less: allowance for impairment	(7,327,673)	(7,327,673)
	21,821	-

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

15. Amount due from a jointly controlled entity

	Group and Company	
	2010	**2009**
	RM	**RM**
Amount due from a jointly controlled entity	137,318	137,318
Less: allowance for impairment	(137,318)	-
	-	137,318

Amount due from a jointly controlled entity is unsecured, interest-free advances and repayable on demand.

Notes to the financial statements at 31 December 2010

16. Inventories

	Group and Company	
	2010	**2009**
At cost:	**RM**	**RM**
Raw materials	3,463,257	3,473,796
Work-in-progress	431,298	379,047
Finished goods	552,841	431,445
Consumables	188,139	214,455
Goods in-transit	475,929	-
	5,111,464	4,498,743

17. Trade receivables

	Group and Company	
	2010	**2009**
	RM	**RM**
Trade receivables	5,780,205	6,235,955
Allowance for impairment		
- Individual impaired	133,022	245,490
- Collectively impaired	450,000	450,000
	(583,022)	(695,490)
	5,197,183	5,540,465

(i) The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The trade receivables are non-interest bearing and recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group and Company	
	2010	**2009**
	RM	**RM**
Neither past due nor impaired	4,484,385	5,540,465
1 to 30 days past due not impaired	712,798	-
	5,197,183	5,540,465
Impaired	583,022	695,490
	5,780,205	6,235,955

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Notes to the financial statements at 31 December 2010

17. Trade receivables (continued)

(ii) Ageing analysis of trade receivables (continued)

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Receivables that are impaired

The movement of the allowance accounts used to record the impairment are as follows:

	Group and Company	
	2010	**2009**
	RM	**RM**
Allowance for impairment:		
As 1 January	695,490	787,022
Additions	9,500	26,392
Reversal of impairment loss	(121,255)	(90,473)
Written off	(713)	(27,451)
As 31 December	583,022	695,490

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

18. Non-trade receivables, deposits and prepayments

Included under non-trade receivables, deposits and prepayments of the Group and Company are staff loan of RM14,762 (2009 RM24,490) which bear interest of 4% (2009 4%) per annum and prepayment of tax amounting to RMNil (2009 RM83,201).

Notes to the financial statements at 31 December 2010

19. Cash and cash equivalents

	Group and Company 2010 RM	Group and Company 2009 RM
Deposits placed with licensed banks	7,500,000	22,000,000
Cash and bank balances	446,866	2,642,135
	7,946,866	24,642,135

Deposits placed with licensed banks have maturity range from 2 days to 360 days (2009: 30 days to 360 days).

The interest rate of deposits as at 31 December 2010 range from 2.00% to 2.95% (2009: 2.11% to 3.50%) per annum.

20. Share capital

	Group and Company			
	2010	2009	2010	2009
	Number of Ordinary Shares		RM	RM
Ordinary Shares of RM1.00 each:				
Authorised:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January	41,008,500	41,008,500	41,008,500	41,008,500
Capital reduction	(20,504,250)	-	(20,504,250)	-
At 31 December	20,504,250	41,008,500	20,504,250	41,008,500

During the financial year, the Company completed a capital reduction exercise pursuant to Section 64 of the Companies Act, 1965 to reduce the Company's issued and paid-up capital from 41,008,500 Ordinary Shares of RM1.00 each as of 25 November 2010 to 20,504,250 Ordinary Shares of RM1.00 each by way of:

(i) Capital repayment of RM0.50 for every one (1) Ordinary Share of RM1.00 held by the entitled shareholders and;

(ii) Consolidation of the entire issued and paid-up share capital of 41,008,500 Ordinary Shares of RM0.50 each via the consolidation of two (2) Ordinary Shares of RM0.50 each into one (1) Ordinary Share of RM1.00 each.

At the end of the financial year, the issued and paid-up share capital of the Company were RM20,504,250 comprising 20,504,250 Ordinary Shares of RM1.00 each.

Notes to the financial statements at 31 December 2010

21. Treasury shares

	Group and Company			
	2010	2009	2010	2009
	Number of Ordinary Shares		RM	RM
At 1 January	1,655,000	1,642,100	1,120,914	1,112,112
Share purchased during the financial year	262,016*	12,900	339,671	8,802
Capital reduction	(930,000)	-	(930,000)	-
At 31 December	987,016	1,655,000	530,585	1,120,914

(i) As at 31 December 2010, the number of outstanding ordinary shares in issue after deducting the treasury shares is 19,517,234 (2009: 39,353,500).

(ii) During the financial year, the Company repurchased a total of 262,000 ordinary shares (2009: 12,900) of which 205,000 and 57,000 ordinary shares were repurchased before and after the capital reduction exercise respectively of its issued ordinary shares from the open market on Bursa Malaysia for RM254,911 and RM84,760 respectively (2009: RM8,802). The average price paid for the shares repurchased was approximately RM1.24 and RM1.49 respectively (2009: RM0.68) per share.

*The fractional shares of 16 Ordinary Shares of RM1.00 each arising from the consolidation of two Ordinary Shares of RM0.50 each into one Ordinary Shares of RM1.00 each in the share capital of the Company was credited into the Company's Share Buy-Back Account on 8 November 2010.

The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. Other than disclosed below, none of the treasury shares repurchased has been sold or cancelled as at 31 December 2010 other than as part of the capital reduction exercise.

(iii) During the financial year, the Company completed the capital reduction exercise pursuant to Section 64 of the Companies Act, 1965 to reduce the Company's issued and paid-up capital from 41,008,500 Ordinary Shares of RM1.00 each as of 25 November 2010 to 20,504,250 Ordinary Shares of RM1.00 each.

Due to the abovementioned exercise, the treasury shares of the Company have been reduced by 930,000 ordinary shares.

Notes to the financial statements at 31 December 2010

22. Reserves

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Distributable:				
Retained profits	9,448,027	9,680,241	9,314,722	9,021,360

Prior to the year of assessment 2008, Malaysian companies adopted the full tax imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (i.e. "the single tier system"). However, there is a transitional period of six (6) years, expiring on 31 December 2013, that allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 account balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 account balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard its Section 108 account balance. Accordingly, during the transitional period, the Company may utilise its credits available in its Section 108 account as at 31 December 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2010, the Company has tax exempt profits available for distribution, sufficient credit in its Section 108 account and tax exempt income account to frank dividends out of its entire retained profits.

The retained earnings as at reporting date may be analysed as follows:

	Group 2010 RM	Company 2010 RM
Realised	9,503,902	9,370,597
Unrealised	(55,875)	(55,875)
	9,448,027	9,314,722

23. Deferred tax liabilities

	Group and Company	
	2010 RM	2009 RM
At 1 January	1,505,592	1,467,349
Transferred from statements of comprehensive income (Note 5)	61,115	38,243
At 31 December	1,566,707	1,505,592

Notes to the financial statements at 31 December 2010

23. Deferred tax liabilities (continued)

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

	Property, plant and equipment RM
Deferred tax liabilities of the Group and of the Company:	
At 1 January 2010	1,954,271
Recognised in income statement	80,497
At 31 December 2010	2,034,768

	Property, plant and equipment RM	Provision for staff gratuity RM	Total RM
Deferred tax liabilities of the Group and of the Company:			
At 1 January 2009	1,907,744	7,800	1,915,544
Recognised in income statement	46,527	(7,800)	38,727
At 31 December 2009	1,954,271	-	1,954,271

	Provision RM
Deferred tax assets of the Group and the Company:	
At 1 January 2010	448,679
Recognised in income statement	19,382
At 31 December 2010	468,061
At 1 January 2009	448,195
Recognised in income statement	484
At 31 December 2009	448,679

Notes to the financial statements at 31 December 2010

24. Provision for staff gratuity

	Group and Company	
	2010	**2009**
	RM	**RM**
At 1 January	1,265,436	1,273,829
Current year's provision	145,945	52,032
	1,411,381	1,325,861
Amount paid during the year	(27,084)	(60,425)
At 31 December	1,384,297	1,265,436

25. Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days.

26. Amounts due to Directors

This represents unsecured Directors' fees, which is interest-free and normally settled within one (1) year.

27. Non-trade payables and accruals

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Non-trade payables	322,158	240,848	316,594	240,847
Retention sum	-	35,620	-	35,620
Accruals	745,495	762,038	745,495	755,696
	1,067,653	1,038,506	1,062,089	1,032,163

Notes to the financial statements at 31 December 2010

28. Significant related party transaction

Name of company	Type of transaction	Transaction value 2010 RM	Transaction value 2009 RM	Balance outstanding as at 31 December 2010 RM	Balance outstanding as at 31 December 2009 RM
With subsidiary:					
Advanced Packaging Investments (H.K.) Limited	Advances	21,821	(42,455)	21,821	-
Xiamen Jinjie Trading Co. Ltd.	Advances	-	(4,167)	-	-
With jointly controlled entity:					
Dalian Advanced Cement Co. Ltd	Advances	-	-	-	137,318

Notes to the financial statements at 31 December 2010

29. Segmental information

(a) ***Business segments***

Business segmental information has not been prepared as the Group's revenue, operating profit, assets and liabilities, depreciation, capital and non-cash expenditure are mainly confined to one (1) industry segment carried out in Malaysia, namely, the manufacturing and distribution of flexible packaging materials.

(b) ***Geographical segments***

The activities of the Group are mainly carried out in Malaysia. The Group operates in other countries as follows:

(i) Hong Kong - investment holding
(ii) The People's Republic of China - investment in joint venture which has yet to commence operations

Accordingly, the segmental information by geographical location is presented as below:

	Malaysia		Outside Malaysia		Consolidated	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Segmental assets by location of assets	36,372,616	54,556,025	165,611	670,145	36,538,227	55,226,170

(c) ***Major Customers***

Revenues from two customers amount to RM9,179,765 (2009: RM7,911,007), arising from sales by the flexible packaging materials.

Notes to the financial statements at 31 December 2010

30. Contingent liability

	Group and Company	
	2010	**2009**
	RM	**RM**
Bank guarantee given by financial institution to third party	125,400	107,700

31. Capital commitment

Capital expenditure not provided for in the financial statements are as follows:

	Group and Company	
	2010	**2009**
	RM	**RM**
Authorised and contracted for	275,433	-

32. Financial instruments

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk and foreign currency risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Notes to the financial statements at 31 December 2010

32. Financial instruments (continued)

Credit risk (continued)

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by *2* major customers which constituted approximately 39.65% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	Group and Company	
	2010	**2009**
	RM	**RM**
Mauritius	-	202,115
Malaysia	5,197,183	5,338,350
	5,197,183	5,540,465

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

Interest rate risk

At the reporting date, the Group and the Company has no borrowings. As such, the exposure of Company to interest rate risk is minimal.

Notes to the financial statements at 31 December 2010

32. Financial instruments (continued)

Market risk

The Group's principal exposure to market risk arises mainly from the economic performance of Malaysia.

Foreign exchange risk

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to these risks are US Dollars, Brunei Dollar and Singapore Dollar. The exposure of foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group also has subsidiary incorporated in foreign countries, of which at the moment are dormant. The main currency exposures are Hong Kong Dollar and Renminbi.

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

	United States Dollar RM	Renminbi RM	Singapore Dollar RM	Total RM
2010				
Financial assets				
Investment in jointly controlled entity	-	165,611	-	165,611
Trade receivables	-	-	-	-
	-	165,611	-	165,611
Financial liabilities				
Trade payables	859,676	-	1,946	861,622
Net currency exposure	(859,676)	165,611	(1,946)	(696,011)
2009				
Financial assets				
Investment in jointly controlled entity	-	670,145	-	670,145
Trade receivables	202,115	-	-	202,115
	202,115	670,145	-	872,260
Financial liabilities				
Trade payables	258,210	-	2,351	260,561
Net currency exposure	(56,095)	670,145	(2,351)	611,699

32. Financial instruments (continued)

Foreign exchange risk (continued)

<u>Foreign currency risk sensitivity analysis</u>

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

			Group	
	2010	**2009**	**2010**	**2009**
	%	%	**RM**	**RM**
			Increase/ (Decrease)	**Increase/ (Decrease)**
Effect on profit after tax				
USD / RM				
Strengthened by	9.22	1.14	(79,291)	(639)
Weakened by	9.22	1.14	79,291	639
SGD / RM	1.70	2.43	(33)	(57)
Strengthened by	1.70	2.43	33	57
Weakened by				
RMB / RM				
Strengthened by	6.13	1.20	10,145	8,047
Weakened by	6.13	1.20	(10,145)	(8,047)

Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

33. Fair values

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of other investments is estimated based on managers' price as at the end of the reporting period.

Notes to the financial statements at 31 December 2010

33. **Fair values** (continued)

The aggregate fair values and the carrying amounts of the financial asset carried on the balance sheet as at 31 December are as below:

	← 2010	→	← 2009	→
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Financial assets:-				
Other investment	5,000,000	5,000,000	5,000,000	5,000,000

34. **Capital Management**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

Net debt is calculated based on trade and other payables. Total capital is calculated as equity plus net debt.

The debt-to-equity ratio of the Company as at the end of the reporting period was as follows:

	2010 RM	**2009 RM**
Trade payables	2,307,063	1,740,809
Amount due to Directors	162,000	108,000
Non-trade payables and accruals	1,067,653	1,038,506
Dividend payable	585,517	-
Tax payable	43,298	-
Net debt	4,165,531	2,887,315
Total equity	29,421,692	49,567,827
Total capital	33,587,223	52,455,142
Gearing ratio	0.12	0.06

Notes to the financial statements at 31 December 2010

35. General information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, is listed on the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 2, Jalan P/2A, Kawasan MIEL, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials. The principal activities of the subsidiary and jointly controlled entity are disclosed in Note 11 and Note 12 to the financial statements respectively.

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

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2011.