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 2011
(In Ringgit Malaysia)

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

Contents | **Pages**

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

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)
AND ITS SUBSIDIARY

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 2011.

Principal activities

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

There have been no significant changes in the nature of these activities during the financial year except for the disposal of the subsidiary and jointly controlled entity as disclosed in Note 9 and Note 10 to the financial statements respectively.

Results

	Group RM	Company RM
Profit/(Loss) for the financial year		
- continuing operation	2,417,792	2,528,093
- discontinued operations	(23,004)	-
Total comprehensive income for the financial year	2,394,788	2,528,093
Total comprehensive income attributable to:		
Owners of the Company	2,394,788	

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 10% less tax of 25% totaling RM1,450,818 in respect of the financial year ended 31 December 2010, on 19 July 2011.

In respect of the financial year ended 31 December 2011, the Directors declared an interim dividend of 4% less tax of 25% totaling RM577,543 and paid on 16 January 2012.

The Directors recommend a final dividend of 10% less tax of 25% totaling RM1,443,858 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

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

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 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
In the Company:				
Direct interest:				
Chee Sam Fatt	10,125	-	-	10,125
Tjin Kiat @ Tan Cheng Keat	1,550,089	-	-	1,550,089
Yeo Tek Ling	12,169	-	-	12,169
Dato' Law Sah Lim	5,014	-	-	5,014
Eu Hock Seng	11,210	-	-	11,210
Ng Choo Tim	648,297	-	-	648,297
Deemed interest				
Chee Sam Fatt	3,177,755	-	-	3,177,755
Dato' Law Sah Lim	2,562,834	-	-	2,562,834
Eu Hock Seng	435,224	-	-	435,224

None of the other Directors in office at 31 December 2011 had any interest in the Ordinary Shares of the Company and its related corporations during the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965.

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 and 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.

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.

Share buy-back

During the financial year, the Company repurchased 265,800 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 RM345,405.

As at 31 December 2011, the Company held 1,252,816 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 RM875,990 and further details are disclosed in Note 19 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 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 all known bad debts have been written off 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.

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, except as otherwise stated in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2011 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.

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

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 2012

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

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 positions of the Group and of the Company as at 31 December 2011 and of their financial performances and their 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 2012

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 2012)

TJIN KIAT @ TAN CHENG KEAT

YEO TEK LING

Before me,

PESURUHJAYA SUMPAH
No. B 330
ZAHARIAH
BT. MAHYUDDIN
MALAYSIA

COMMISSIONER FOR OATHS
31-1-1B, Tingkat 1, Jalan Medan PB 2B,
Seksyen 9, 43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
H/P: 016-371 8212

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY

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 2011 of the Group and of the Company, 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, as set out on pages 11 to 70.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view of the financial positions and of the financial performances of the Group and of the Company in accordance with applicable approved Financial Reporting Standards and the Companies Act, 1965, and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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 misstatements.

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design the 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.

Tel +603-2032 3828 | Fax +603-2032 1868
Email general@pkfmalaysia.com | www.pkf.com
9th Floor MCB Plaza | No. 6, Changkat Raja Chulan | 50200 Kuala Lumpur | Malaysia.

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Companies Act, 1965 so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2011 and of their financial performances and their cash flows for the financial year then ended.

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 9 to the financial statements, being financial statements which are included in the consolidated financial statements.

(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 9 to the financial statements.

The supplementary information set out in Note 20 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.

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

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
2525/03/14 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur

26 April 2012

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM Restated	Company 2011 RM	Company 2010 RM
Continuing operation:					
Revenue	2	23,041,369	25,066,100	23,041,369	25,066,100
Other income		458,506	444,158	458,481	444,099
Changes in inventories of finished goods and work-in-progress		(219,704)	173,646	(219,704)	173,646
Raw materials used		(13,403,192)	(14,567,961)	(13,403,192)	(14,567,961)
Employee benefits expense	3	(2,997,744)	(3,151,206)	(2,997,744)	(3,151,206)
Impairment loss on investment in jointly controlled entity		-	(152,009)	-	-
Share of loss in jointly controlled entity		-	(352,525)	-	-
Gain on disposal of a subsidiary		123,514	-	284,204	-
Depreciation		(1,539,605)	(1,519,159)	(1,539,605)	(1,519,159)
Other expenses		(2,436,375)	(3,334,366)	(2,486,739)	(3,334,308)
Operating profits	4	3,026,769	2,606,678	3,137,070	3,111,211
Interest income		200,272	598,769	200,272	598,769
Profit before tax		3,227,041	3,205,447	3,337,342	3,709,980
Tax expense	5	(809,249)	(765,305)	(809,249)	(765,305)
Profit for the financial year from continuing operation		2,417,792	2,440,142	2,528,093	2,944,675
Discontinued operations:					
Loss for the financial year from discontinued operations	6	(23,004)	(21,043)	-	-
Total comprehensive income for the financial year		2,394,788	2,419,099	2,528,093	2,944,675
Total comprehensive income attributable to:					
Owners of the Company		2,394,788	2,419,099	2,528,093	2,944,675
Basic average earnings attributable to owners of the parent per ordinary share (sen)	7	12.37	6.70		

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Non-current assets					
Property, plant and equipment	8	11,806,156	12,841,417	11,806,156	12,841,417
Investment in subsidiary	9	-	-	-	4,921
Investment in jointly controlled entity	10	-	165,611	-	-
Other investment	11	5,000,000	5,000,000	5,000,000	5,000,000
Amount due from a subsidiary	12	-	-	-	21,821
Amount due from a jointly controlled entity	13	-	-	-	-
		16,806,156	18,007,028	16,806,156	17,868,159
Current assets					
Inventories	14	4,336,366	5,111,464	4,336,366	5,111,464
Trade receivables	15	4,752,413	5,197,183	4,752,413	5,197,183
Non-trade receivables, deposits and prepayments	16	83,834	275,686	83,834	275,686
Cash and cash equivalents	17	9,938,494	7,946,866	9,938,494	7,946,866
		19,111,107	18,531,199	19,111,107	18,531,199
TOTAL ASSETS		35,917,263	36,538,227	35,917,263	36,399,358
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	20,504,250	20,504,250	20,504,250	20,504,250
Treasury shares	19	(875,990)	(530,585)	(875,990)	(530,585)
Reserves	20	9,815,594	9,448,027	9,815,594	9,314,722
Total equity		29,443,854	29,421,692	29,443,854	29,288,387
Non-current liabilities					
Deferred tax liabilities	21	1,666,627	1,566,707	1,666,627	1,566,707
Provision for staff gratuity	22	1,466,558	1,384,297	1,466,558	1,384,297
		3,133,185	2,951,004	3,133,185	2,951,004
Current liabilities					
Trade payables	23	1,403,341	2,307,063	1,403,341	2,307,063
Amount due to Directors	24	162,000	162,000	162,000	162,000
Non-trade payables and accruals	25	973,889	1,067,653	973,889	1,062,089
Bills payable	26	194,828	-	194,828	-
Dividend payable		577,543	585,517	577,543	585,517
Tax payable		28,623	43,298	28,623	43,298
		3,340,224	4,165,531	3,340,224	4,159,967
TOTAL LIABILITIES		6,473,409	7,116,535	6,473,409	7,110,971
TOTAL EQUITY AND LIABILITIES		35,917,263	36,538,227	35,917,263	36,399,358

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Share capital RM	Non-distributable Treasury shares RM	Distributable Retained profits RM	Total RM
Group					
At 1 January 2010		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	27	-	-	(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
Total comprehensive income		-	-	2,394,788	2,394,788
Purchase of treasury shares		-	(345,405)	-	(345,405)
Dividends	27	-	-	(2,027,221)	(2,027,221)
At 31 December 2011		20,504,250	(875,990)	9,815,594	29,443,854
Company					
At 1 January 2010		41,008,500	(1,120,914)	9,021,360	48,908,946
Total comprehensive income		-	-	2,944,675	2,944,675
Purchase of treasury shares		-	(339,671)	-	(339,671)
Dividends	27	-	-	(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
Total comprehensive income		-	-	2,528,093	2,528,093
Purchase of treasury shares		-	(345,405)	-	(345,405)
Dividends	27	-	-	(2,027,221)	(2,027,221)
At 31 December 2011		20,504,250	(875,990)	9,815,594	29,443,854

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from operating activities					
Profit/(Loss) before tax					
- continuing operation		3,227,041	3,205,447	3,337,342	3,709,980
- discontinued operations		(23,004)	(21,043)	-	
Adjustments for:					
Bad debts written off					
- trade receivables		960	-	960	-
- amount due from subsidiary		-	-	50,390	-
Depreciation		1,539,605	1,519,159	1,539,605	1,519,159
Gain on disposal of a subsidiary	6	(123,514)	-	(284,204)	-
Gain on insurance claim		(1,675)	-	(1,675)	-
Impairment loss on financial assets					
- trade receivables		7,648	9,500	7,648	9,500
- amount due from jointly controlled entity		-	137,318	-	137,318
- investment in jointly controlled entity		-	152,009	-	-
Interest income		(200,272)	(598,769)	(200,272)	(598,769)
Inventory written off		19,035	11,380	19,035	11,380
Investment income		(139,855)	(132,147)	(139,855)	(132,147)
Loss on disposal of property, plant and equipment		-	192	-	192
Loss/(Gain) on unrealised foreign exchange		3,937	(5,240)	3,937	(5,240)
Property, plant and equipment written off		4,161	11,209	4,161	11,209
Provision for staff gratuity		87,436	145,945	87,436	145,945
Reversal of impairment loss on trade receivables no longer required		(125,231)	(121,968)	(125,231)	(121,968)
Share of loss in jointly controlled entity		-	352,525	-	-
Operating profit before working capital changes		4,276,272	4,665,517	4,299,277	4,686,559
Decrease/(Increase) in inventories		756,063	(624,101)	756,063	(624,101)
Decrease in receivables		753,182	655,474	753,182	655,474
(Decrease)/Increase in payables		(806,532)	644,757	(800,968)	645,536

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

STATEMENT OF CASH FLOWS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RM**	**RM**	**RM**	**RM**
Cash generated from operations		4,978,985	5,341,647	5,007,554	5,363,468
Insurance compensation received		3,088	-	3,088	-
Income tax paid		(724,004)	(577,690)	(724,004)	(577,690)
Staff gratuity paid		(5,175)	(27,084)	(5,175)	(27,084)
Net cash from operating activities		4,252,894	4,736,873	4,281,463	4,758,694
Cash flows from investing activities					
Advances to subsidiary		-	-	(28,569)	(21,821)
Interest income received		139,855	598,769	139,855	598,769
Investment income received		200,272	132,147	200,272	132,147
Proceeds from disposal of subsidiary	6	289,125	-	289,125	-
Proceeds from disposal of property, plant and equipment		-	50	-	50
Acquisition of property, plant and equipment		(509,918)	(183,391)	(509,918)	(183,391)
Net cash from investing activities		119,334	547,575	90,765	525,754
Cash flows from financing activities					
Dividend paid		(2,035,195)	(2,065,796)	(2,035,195)	(2,065,796)
Capital repayment		-	(19,574,250)	-	(19,574,250)
Purchase of treasury shares		(345,405)	(339,671)	(345,405)	(339,671)
Net cash used in financing activities		(2,380,600)	(21,979,717)	(2,380,600)	(21,979,717)
Net increase/(decrease) in cash and cash equivalents		1,991,628	(16,695,269)	1,991,628	(16,695,269)
Cash and cash equivalents at 1 January		7,946,866	24,642,135	7,946,866	24,642,135
Cash and cash equivalents at 31 December	(i)	9,938,494	7,946,866	9,938,494	7,946,866

STATEMENT OF CASH FLOWS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Notes:

(i) ***Cash and cash equivalents***

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

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Cash and bank balances	2,438,494	446,866	2,438,494	446,866
Deposits with licensed banks	7,500,000	7,500,000	7,500,000	7,500,000
	9,938,494	7,946,866	9,938,494	7,946,866

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the notes to financial statements and in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standard Board.

(a) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the following new and amended FRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
• FRS 1, First-time Adoption of Financial Reporting Standards (Compiled Jan 2011)	1 July 2010
• FRS 3, Business Combinations (Compiled Apr 2011)	1 July 2010
• FRS 127, Consolidated and Separate Financial Statements (Compiled Jan 2011)	1 July 2010
• Amendment to FRSs (Improvements to FRSs 2010):	
- FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
- FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 & Disclosures for First-time Adopter	1 January 2011
- FRS 1, First-time Adoption of Financial Reporting Standards – Additional Exemptions for First-time Adopter	1 January 2011
- FRS 2, Share-based Payment	1 July 2010
- FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2011
- FRS 3, Business Combinations	1 January 2011

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

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
• Amendment to FRSs (Improvements to FRSs 2010) (continued):	
- FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
- FRS 7, Financial Instruments: Disclosures	1 January 2011
- FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2011
- FRS 101, Presentation of Financial Statements	1 January 2011
- FRS 121, The Effects of Changes in Foreign Exchange Rates	1 January 2011
- FRS 128, Investments in Associates	1 January 2011
- FRS 131, Interests in Joint Ventures	1 January 2011
- FRS 132, Financial Instruments : Presentation	1 January 2011
- FRS 134, Interim Financial Reporting	1 January 2011
- Amendment to FRS 138, Intangible Assets (Revised)	1 July 2010
- FRS 139, Financial Instruments: Recognition and Measurement	1 January 2011
• IC Interpretation 4, Determining Whether an Arrangement contains a Lease	1 January 2011
• 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
• IC Interpretation 18, Transfer of Assets from Customers	1 January 2011
• Amendment to IC Interpretations:	
- IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
- IC Interpretation 13, Customer Loyalty Programmes	1 January 2011
- IC Interpretation 15, Agreements for the Construction of Real Estate	30 August 2010
• TR i-4, Shariah Compliant Sales Contracts	1 January 2011

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Except for the changes in accounting polices arising from the adoption of the revised FRS 3 and Revised FRS 127, as well as the new disclosures required under the amendments to FRS 7, the adoption of the other standards and interpretations above did not have any effect on the financial performance or position of the Group and of the Company.

The effects of changes in accounting policy are described below:

<u>Amendment to FRS 7, Financial Instruments: Disclosures</u>

Amendments to the FRS 7, introduces additional disclosures to improve the information about fair value measurements and liquidity risk.

(a) Fair value hierarchy

The Group and the Company shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the Group and the Company shall disclose that change and the reasons for making it.

In addition, the Group and the Company shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(b) Liquidity risk

The Group and the Company shall disclose:

(i) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Amendment to FRS 7, Financial Instruments: Disclosures (continued)

(b) Liquidity risk (continued)

The Group and the Company shall disclose:

(ii) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

(iii) A description of how it manages the liquidity risk inherent in (i) and (ii) above.

The additional disclosures are included in the note to the financial statements for the year ended 31 December 2011. Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements

The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 January 2011.

The FRS requires the acquirer, having recognised the identifiable assets, the liabilities and any non-controlling interests, to identify any difference between:

(i) The aggregate of the fair value of consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

(ii) The net identifiable assets acquired.

The difference will, generally, be recognised as goodwill. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Revised FRS 3, Business Combinations and Revised FRS 127, Consolidated and Separate Financial Statements (continued)

Revised FRS 127 requires 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 gain or loss. Furthermore, the 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, Statements 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, Interests in Joint Ventures.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

(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 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
• FRS 10, Consolidated Financial Statements	1 January 2013
• FRS 11, Joint Arrangements	1 January 2013
• FRS 12, Disclosure of Interests in Other Entities	1 January 2013
• FRS 13, Fair Value Measurement	1 January 2013
• FRS 119, Employee Benefits	1 January 2013
• FRS 124, Related Party Disclosures	1 January 2012
• FRS 127, Separate Financial Statements	1 January 2013
• FRS 128, Investments in Associates and Joint Ventures	1 January 2013

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

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

Description	Effective for annual periods beginning on or after
• Amendment to FRSs (Improvements to FRSs 2010):	
- FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
- FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012
- FRS 101, , Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
- FRS 112, Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012
• IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012
• IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
• Amendments to IC Interpretations	
- IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011

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.

Following the issuance of Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations by Malaysian Accounting Standard Board on 19 November 2011, the Group's and the Company's next set of financial statements will be prepared in accordance with International Financial Reporting Standards Framework. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(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) *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.

(ii) *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.

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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(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.

(v) *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.

(vi) *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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

(vii) *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.

(viii) *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.

(ix) *Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the statements of financial position date. While management’s estimates on the realisation and settlement of temporary differences are based on the available information at the statements of financial position date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statements of comprehensive income in the period in which actual realisation and settlement occurs.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation

(i) 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 subsidiary are accounted for at cost less any impairment losses.

The accounting policies of subsidiary are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

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.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied Revised FRS 3, Business Combinations, in accounting for business combinations.

<u>Acquisitions on or after 1 January 2011</u>

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- ✓ The fair value of the consideration transferred; plus
- ✓ The recognised amount of any non-controlling interests in the acquiree; plus
- ✓ If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- ✓ The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011 (continued)

When excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

Acquisitions between 1 January 2006 to 1 January 2011

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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

<u>Acquisitions between 1 January 2006 to 1 January 2011 (continued)</u>

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.

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.

<u>Acquisitions prior to 1 January 2006</u>

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) 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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(iii) Jointly-controlled entity (continued)

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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currencies

(i) *Functional and presentation currency*

The individual financial statements of the Group and the Company 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 Group and Company's functional currency.

(ii) *Foreign currency transactions*

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

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(e) Foreign currencies (continued)

(ii) *Foreign currency transactions (continued)*

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 and Company'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.

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.

(iii) *Foreign operation*

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

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rate at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(e) Foreign currencies (continued)

(iii) *Foreign operation (continued)*

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates for every unit of foreign currency ruling at statement of financial position date used are as follows:

	2011 RM	**2010 RM**
1 Singapore Dollar	2.435	2.384
1 United States Dollar	3.167	3.083
1 Brunei Dollar	2.439	2.388
1 Remminbi	0.503	0.467

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) *Sale of goods*

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the considerations.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(f) Revenue (continued)

(ii) *Interest income*

Interest income is recognised on an accrual basis, based on effective yield on the investment.

(g) Employee benefits

(i) *Short-term Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) *Defined contribution plans*

The Group's and the Company's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further liability in respect of the defined contribution plans.

(h) Borrowing costs

Borrowings are stated at cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(i) Tax expense

(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.

(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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(i) Tax expense (continued)

(ii) *Deferred tax* (continued)

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.

(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.

(j) Impairment

(i) *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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(j) Impairment (continued)

(i) *Impairment of financial assets* (continued)

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 statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(j) Impairment (continued)

(ii) *Impairment of non-financial assets*

The Group and the Company 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 and the Company 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 statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(k) 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 Company 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 and the Company 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.

(l) 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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(l) Financial assets (continued)

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.

(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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(l) Financial assets (continued)

(ii) Loans and receivables (continued)

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.

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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(l) Financial assets (continued)

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

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.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, short-term and 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 statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(o) Non-current assets (or Disposal Group) classified as held for sale/discontinued operation

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

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRS. Then, on initial classification as held for sale, non-current assets or disposal group (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical operations or is a subsidiary acquired exclusively with a view to resale.

The Group re-presents the comparative figures in the Statement of Comprehensive Income and Statement of Cash Flows so that the disclosures relate to all operations that have been discontinued as at the reporting date as disclosed in Note 6 to the financial statements.

(p) Financial liabilities

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

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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(p) Financial liabilities (continued)

(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 non-trade payables.

Trade and non-trade 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 statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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*.

(s) 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. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

(t) 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.

Notes to the financial statement as at 31 December 2011

1. Summary of significant accounting policies (continued)

(u) 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.

(v) Equity instrument

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.

2. Revenue

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

3. Employee benefits expense

(a) Staff costs

	Group and Company	
	2011	**2010**
	RM	**RM**
Salaries, wages, allowances, bonus and overtime	1,773,909	1,870,985
Contributions to defined contribution plan	196,019	198,418
Social security contributions	20,869	21,223
Other benefits	276,285	302,595
	2,267,082	2,393,221

(b) Directors' remuneration

Directors of the Company:*

Executive:

Salaries and other emoluments	450,854	473,250
Contribution to defined contribution plan	99,188	104,115
Social security contributions	620	620
Fees	36,000	36,000
Other benefits - leave passage	18,000	18,000
Estimated money value of benefits-in-kind	18,625	18,625
	623,287	650,610

Notes to the financial statement as at 31 December 2011

3. **Employee benefits expense** (continued)

(b) Directors' remuneration (continued)

	Group and Company	
	2011	**2010**
	RM	**RM**
Non-executive		
Fees	126,000	126,000
Total Directors' remuneration	749,287	776,610
Total excluding benefits-in-kind	730,662	757,985
Total staff costs	2,997,744	3,151,206

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

	Numbers of Directors	
	2011	**2010**
	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 85 (2010: 90).

Notes to the financial statement as at 31 December 2011

4. Operating profits

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Operating profits is arrived at after charging/(crediting):				
Auditors' remuneration				
- Statutory audit	34,488	33,565	28,000	28,000
- Non-statutory audit	6,000	6,000	6,000	6,000
Bad debts written off				
- Trade receivables	960	-	960	-
- Amount due from subsidiary	-	-	50,390	-
Depreciation	1,539,605	1,519,159	1,539,605	1,519,159
Gain on disposal of a subsidiary	(123,514)	-	(284,204)	-
Gain on insurance claim	(1,675)	-	(1,675)	-
(Gain)/Loss on foreign exchange				
- realised	(30,964)	(29,943)	(30,964)	(29,943)
- unrealised	3,937	(5,240)	3,937	(5,240)
Impairment loss on financial assets				
- Trade receivables	7,648	9,500	7,648	9,500
- Amount due from jointly controlled entity	-	137,318	-	137,318
- Investment in jointly controlled entity	-	152,009	-	-
Interest income	(200,272)	(598,769)	(200,272)	(598,769)
Inventories written off	19,035	11,380	19,035	11,380
Investment income	(139,855)	(132,147)	(139,855)	(132,147)
Loss on disposal of property, plant and equipment	-	192	-	192
Property, plant and equipment written off	4,161	11,209	4,161	11,209
Provision for staff gratuity	87,436	145,945	87,436	145,945
Reversal of impairment loss on trade receivables no longer required	(125,231)	(121,968)	(125,231)	(121,968)

Notes to the financial statement as at 31 December 2011

5. Tax expense

	Group and Company	
	2011	**2010**
	RM	**RM**
Current tax expense		
- current year	694,455	708,299
- under/(over) provision in prior years	14,874	(4,109)
	709,329	704,190
Deferred tax expense (Note 21)		
- current year	104,300	78,720
- over provision in prior years	(4,380)	(17,605)
	99,920	61,115
	809,249	765,305

Reconciliation of effective tax expense

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Profit /(Loss) before tax				
- continuing operation	3,227,041	3,205,447	3,337,342	3,709,980
- discontinued operations	(23,004)	(21,043)	-	-
	3,204,037	3,184,404	3,337,342	3,709,980
Tax at Malaysian tax rates of 25%	801,009	796,100	834,336	927,495
Non-deductible expenses	77,726	387,100	77,726	153,281
Non-taxable income	(72,689)	(135,461)	(106,016)	(33,037)
Double deduction	(7,291)	(260,720)	(7,291)	(260,720)
	798,755	787,019	798,755	787,019
Overprovision of deferred tax in prior year	(4,380)	(17,605)	(4,380)	(17,605)
Under/(Over) provision of current tax in prior year	14,874	(4,109)	14,874	(4,109)
	809,249	765,305	809,249	765,305

Notes to the financial statement as at 31 December 2011

6. Disposal group classified as discontinued operation

On 20 December 2011, the Company disposed 10,000 Ordinary Shares of Advanced Packaging Investments (H.K.) Limited ("APIHK") to China New Fuel Co. Limited. The comparative Consolidated Statement of Comprehensive Income has been presented to show the discontinued operations separately from continuing operation:

(a) The summary of the effects of the disposal of APIHK on the financial position of the Group is as follows:

	Group 2011 RM	Company 2011 RM
Net assets of discontinued operations:		
Investment is subsidiary	-	4,921
Investment in a jointly controlled entity	165,611	-
Attributable net assets of discontinued operations	165,611	4,921
Gain on disposal of a subsidiary	123,514	284,204
Proceeds from disposal of subsidiary	289,125	289,125

(b) An analysis of the financial performance of discontinued operations are as follows (after eliminating inter-company transactions):

	2011 RM	2010 RM
Other income	25	59
Administrative expenses	(23,029)	(21,102)
Loss before tax	(23,004)	(21,043)
Tax expense	-	-
Loss for the financial year	(23,004)	(21,043)

(c) The following amounts have been included in arriving at loss before tax of discontinued operations:

	2011 RM	2010 RM
Auditor's remuneration	6,488	5,565
Realised exchange gain on foreign exchange	(25)	(59)

(d) The cash flows attributable to the disposal group classified as held for sale and discontinued operations is as follows:

	2011 RM	2010 RM
Net cash from operating activities	-	-
Net cash from investing activities	-	-
Net cash from financing activities	-	21,043
Net cash from discontinued activities	-	21,043

Notes to the financial statement as at 31 December 2011

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:

	2011	2010
Total comprehensive income attributable to owners of the Company (RM)	2,394,788	2,419,099
Weighted average number of ordinary shares in issue, net of treasury shares	19,359,859	36,083,206
Basic earning per share (sen)	12.37	6.70

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

Notes to the financial statement as at 31 December 2011

8. Property, plant and equipment

2011 Group and Company	Leasehold 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	5,214,181	27,109,185	530,304	1,119,959	34,712,629
Additions	-	-	502,464	7,454	-	509,918
Disposals	-	-	-	(5,650)	-	(5,650)
Written off	-	-	(90,647)	(23,906)	-	(114,553)
At 31 December	739,000	5,214,181	27,521,002	508,202	1,119,959	35,102,344
Accumulated depreciation						
At 1 January	190,355	1,990,688	18,189,113	459,047	1,042,009	21,871,212
Charge for the financial year	7,390	125,428	1,333,995	18,825	53,967	1,539,605
Disposals	-	-	-	(4,237)	-	(4,237)
Written off	-	-	(86,789)	(23,603)	-	(110,392)
At 31 December	197,745	2,116,116	19,436,319	450,032	1,095,976	23,296,188
Net book value						
At 31 December	541,255	3,098,065	8,084,683	58,170	23,983	11,806,156

Notes to the financial statement as at 31 December 2011

8. Property, plant and equipment (continued)

2010 Group and Company	**Leasehold 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 statement as at 31 December 2011

8. 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:

Group and Company	2011 RM	2010 RM
At cost:		
Plant, machinery and tools	11,250,588	11,232,030
Furniture, fittings and equipment	372,883	380,111
Motor vehicles	981,395	806,341
Building	11,863	11,863
	12,616,729	12,430,345

9. Investment in subsidiary

	Company 2011 RM	Company 2010 RM
Unquoted shares at cost	-	4,921

The details of the subsidiary are as follows:

Name of company	Place of incorporation	Percentage of equity held 2011	Percentage of equity held 2010	Principal activities
Advanced Packaging Investments (H.K.) Limited*	Hong Kong	0%	100%	Investment holding company

* The Auditors' Report on the financial statements of this subsidiary is audited by other member firms of PKF International, for the financial year ended 31 December 2011 is unqualified.

On 20 December, 2011, Advanced Packaging Technology (M) Bhd had entered into a Sale and Purchase of Shares Agreement ("the Agreement") with China New Fuel Co. Limited to dispose off its 10,000 ordinary shares of HK$1 each held in the Company. The sales consideration was subsequently received in the same year.

As such, at the end of the financial year, the Company has derecognised the assets and liabilities of Advanced Packaging Investments (H.K.) Limited.

Notes to the financial statement as at 31 December 2011

10. Investment in jointly controlled entity

	Group 2011 RM	Group 2010 RM
Share of net assets of jointly controlled entity	-	165,611
Unquoted shares, at cost	-	6,531,363
Share of loss	-	(6,050,414)
	-	480,949
Less: Impairment losses	-	(315,338)
	-	165,611

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

	Group 2011 RM	Group 2010 RM
Long term assets	-	211,722
Net current liability	-	(46,111)
	-	165,611

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

	Group 2011 RM	Group 2010 RM
Revenue	-	-
Expenses	-	(352,525)
Operating loss	-	(352,525)

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.

On 20 December 2011, the Company derecognised the assets and liabilities in its wholly-owned subsidiary to China New Fuel Co. Limited. As such, at the end of the financial year, Dalian Advanced Cement Co. Ltd. ("DACC") is no longer a jointly controlled entity of the Company.

Details of the jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest equity held 2011	Proportion of ownership interest equity held 2010
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	0%	25%

Notes to the financial statement as at 31 December 2011

10. Investment in jointly controlled entity (continued)

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 2011 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 during the financial year ended 2010. 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.

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

11. Other investment

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

The other investments as at 31 December 2011 have an interest rate ranging from 2.75% to 2.95% (2010: 2.70% to 2.95%) per annum.

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.

12. Amount due from a subsidiary

	Company	
	2011	**2010**
	RM	**RM**
Amount due from a subsidiary	-	7,349,494
Less: allowance for impairment	-	(7,327,673)
	-	21,821

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

Bad debts amounting to RM7,327,673 (2010: RM Nil) of the Company were written off against allowance for impairment during the financial year.

Notes to the financial statement as at 31 December 2011

13. Amount due from a jointly controlled entity

	Group and Company 2011 RM	2010 RM
Amount due from a jointly controlled entity		
At 1 January	137,318	137,318
Transferred to non-trade receivables (Note 16)	(137,318)	-
At 31 December	-	137,318
Less: Allowance for impairment		
At 1 January	137,318	137,318
Transferred to non-trade receivables (Note 16)	(137,318)	-
At 31 December	-	(137,318)
	-	-

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

14. Inventories

At cost:	Group and Company 2011 RM	2010 RM
Raw materials	3,033,153	3,463,257
Work-in-progress	417,466	431,298
Finished goods	346,969	552,841
Consumables	189,691	188,139
Goods in-transit	349,087	475,929
	4,336,366	5,111,464

15. Trade receivables

	Group and Company 2011 RM	2010 RM
Trade receivables	5,217,852	5,780,205
Allowance for impairment		
- Individual impaired	15,439	133,022
- Collectively impaired	450,000	450,000
	(465,439)	(583,022)
	4,752,413	5,197,183

Notes to the financial statement as at 31 December 2011

15. **Trade receivables** (continued)

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

	Group and Company	
	2011	**2010**
	RM	**RM**
Allowance for impairment:		
As 1 January	583,022	695,490
Additions	7,648	9,500
Written off	-	(713)
Reversal of impairment loss	(125,231)	(121,255)
As 31 December	465,439	583,022

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.

16. Non-trade receivables, deposits and prepayments

	Group and Company	
	2011	**2010**
	RM	**RM**
Non-trade receivables	145,443	15,100
Deposits	18,640	19,408
Prepayments	16,254	201,617
Others	40,815	39,561
	221,152	275,686
Less: allowance for impairment (Note 10)	(137,318)	-
	83,834	275,686

Included under non-trade receivables of the Group and of the Company are:

(i) staff loan of RM8,125 (2010: RM14,762) which bear interest of 4% (2010: 4%) per annum.

(ii) outstanding amount transferred from amount due from jointly controlled entity of RM137,318 upon disposal the of Advance Packaging Investments (H.K.) Limited ("the subsidiary") of the Company as disclosed in Note 10.

Notes to the financial statement as at 31 December 2011

17. Cash and cash equivalents

	Group and Company 2011 RM	Group and Company 2010 RM
Deposits placed with licensed banks	7,500,000	7,500,000
Cash and bank balances	2,438,494	446,866
	9,938,494	7,946,866

Deposits placed with licensed banks have maturity range from 30 days to 360 days (2010: 2 days to 360 days).

The deposits as at 31 December 2011 have an interest rate ranging from 2.85% to 3.20% (2010: 2.00% to 2.95%) per annum.

18. Share capital

	Group and Company			
	2011	2010	2011	2010
	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	20,504,250	41,008,500	20,504,250	41,008,500
Capital reduction	-	(20,504,250)	-	(20,504,250)
At 31 December	20,504,250	20,504,250	20,504,250	20,504,250

In the previous 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 previous 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 statement as at 31 December 2011

19. Treasury shares

	Group and Company			
	2011	2010	2011	2010
	Number of Ordinary Shares		RM	RM
At 1 January	987,016	1,655,000	530,585	1,120,914
Share purchased during the financial year	265,800	262,016*	345,405	339,671
Capital reduction	-	(930,000)	-	(930,000)
At 31 December	1,252,816	987,016	875,990	530,585

(i) As at 31 December 2011, the number of outstanding Ordinary Shares in issue after deducting the treasury shares is 19,251,434 (2010: 19,517,234).

(ii) During the financial year, the Company repurchased a total of 265,800 Ordinary Shares (2010: 205,000 before and 57,000 after capital reduction exercise) of its issued Ordinary Shares from the open market on Bursa Malaysia for RM345,405 (2010: RM254,911 and RM84,760 respectively). The average price paid for the shares repurchased was approximately RM1.30 (2010: RM1.24 and RM1.49 respectively) 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 2011 other than as part of the capital reduction exercise in the previous financial year.

(iii) During the previous 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 statement as at 31 December 2011

20. Reserves

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Distributable:				
Retained profits	9,815,594	9,448,027	9,815,594	9,314,722

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 2011 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2011, 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		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Realised	9,919,451	9,503,902	9,919,451	9,370,597
Unrealised	(103,857)	(55,875)	(103,857)	(55,875)
	9,815,594	9,448,027	9,815,594	9,314,722

21. Deferred tax liabilities

	Group and Company	
	2011 RM	**2010 RM**
At 1 January	1,566,707	1,505,592
Transferred from Statements of Comprehensive Income (Note 5)	99,920	61,115
At 31 December	1,666,627	1,566,707

Notes to the financial statement as at 31 December 2011

21. **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 2011	2,034,768
Recognised in Statement of Comprehensive Income	123,489
At 31 December 2011	2,158,257
At 1 January 2010	1,954,271
Recognised in Statement of Comprehensive Income	80,497
At 31 December 2010	2,034,768

	Provision RM
Deferred tax assets of the Group and the Company:	
At 1 January 2011	468,061
Recognised in Statement of Comprehensive Income	23,569
At 31 December 2011	491,630
At 1 January 2010	448,679
Recognised in Statement of Comprehensive Income	19,382
At 31 December 2010	468,061

Notes to the financial statement as at 31 December 2011

22. Provision for staff gratuity

	Group and Company	
	2011	**2010**
	RM	**RM**
At 1 January	1,384,297	1,265,436
Current year's provision	87,436	145,945
	1,471,733	1,411,381
Amount paid during the financial year	(5,175)	(27,084)
At 31 December	1,466,558	1,384,297

23. Trade payables

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

24. Amounts due to Directors

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

25. Non-trade payables and accruals

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Non-trade payables	321,927	322,158	321,927	316,594
Accruals	651,962	745,495	651,962	745,495
	973,889	1,067,653	973,889	1,062,089

26. Bills payable

	Group and Company	
	2011	**2010**
	RM	**RM**
Bills payable - secured	194,828	-

The bills payable are secured by a negative pledge covering the Group's and the Company's unencumbered assets.

Notes to the financial statement as at 31 December 2011

27. Dividends

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 2010:			
Final dividend for the financial year ended 31 December 2009	7.00	2,065,796	15 July 2010
Interim dividend for the financial year ended 31 December 2010	4.00	585,517	21 February 2011
		2,651,313	
In respect of financial year ended 31 December 2011:			
Final dividend for the financial year ended 31 December 2010	10.00	1,450,818	19 July 2011
Interim dividend for the financial year ended 31 December 2011	4.00	577,543	16 January 2012
		2,028,361	
Adjustment for prior year paid dividend		(1,140)	
		2,027,221	

The Directors recommend a final dividend of 10% less tax of 25% totaling RM1,443,858 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.

28. Significant related party transaction

Name of company	Type of transaction	Transaction value 2011 RM	Transaction value 2010 RM	Balance outstanding as at 31 December 2011 RM	Balance outstanding as at 31 December 2010 RM
With subsidiary:					
Advanced Packaging Investments (H.K.) Limited	Advances	28,569	21,821	-	21,821
	Write off	50,390			

Information regarding the outstanding balance arising from the subsidiary is disclosed in Note 9. The Directors are of the opinion that the terms and conditions and prices of the above transactions are not materially different from that obtainable in transactions with unrelated parties.

Notes to the financial statement as at 31 December 2011

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**	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**	**2011 RM**	**2010 RM**
Segmental assets by location of assets						
- continued operation	35,917,263	36,372,616	-	-	35,917,263	36,372,616
- discontinued operations	-	-	-	165,611	-	165,611
	35,917,263	36,372,616	-	165,611	35,917,263	36,538,227

(c) ***Major Customers***

Revenues from two customers amounting to RM9,010,539 (2010: RM9,179,765), arising from sales of the flexible packaging materials.

Notes to the financial statement as at 31 December 2011

30. Contingent liability

	Group and Company	
	2011	**2010**
	RM	**RM**
Bank guarantee given by financial institution to third party	141,800	125,400
Documentary credit	514,780	-

31. Capital commitment

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

	Group and Company	
	2011	**2010**
	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 and the Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group and the Company 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 and the Company 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 statement as at 31 December 2011

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 6 major customers which constituted approximately 69% 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	
	2011	**2010**
	RM	**RM**
Malaysia	4,752,413	5,197,183

Ageing analysis

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

Group and Company	**Gross Amount RM**	**Individual Impairment RM**	**Collective Impairment RM**	**Carrying Value RM**
2011				
Not past due :	1,777,268	-	-	1,777,268
Past due:				
- less than 3 months	3,376,906	-	(401,761)	2,975,145
- more than 3 months	63,678	(15,439)	(48,239)	-
	5,217,852	(15,439)	(450,000)	4,752,413

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 statement as at 31 December 2011

32. Financial instruments (continued)

Credit risk (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 companies which have substantially good collection track record and no recent history of default.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and Company's exposure to interest rate risk arises mainly from interest-earning financial assets and liabilities. The Group's and Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group and the Company will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's and Company's exposure to the interest rate risk of the financial liabilities is disclosed in their respective notes to the financial statements.

Interest rate risk sensitivity analysis

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

	Group and Company	
	2011	**2010**
	Increase / (Decrease) RM	**Increase / (Decrease) RM**
Effects on profit after taxation		
Increase of 10 basis point ("bp")	7,500	7,500
Decrease of 10 basis point ("bp")	(7,500)	(7,500)

Notes to the financial statement as at 31 December 2011

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 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 country, of which has been disposed during the year. 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
2011			
Financial liabilities			
Trade payables	479,553	-	-
Net currency exposure	(479,553)	-	-
2010			
Financial assets			
Investment in jointly controlled entity	-	165,611	-
	-	165,611	-
Financial liabilities			
Trade payables	859,676	-	1,946
Net currency exposure	(859,676)	165,611	(1,946)

Notes to the financial statement as at 31 December 2011

32. Financial instruments (continued)

Foreign exchange risk (continued)

Foreign currency risk sensitivity analysis

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 and Company	
	2011	2010	2011	2010
	%	%	RM	RM
			Increase/ (Decrease)	Increase/ (Decrease)
Effect on profit after tax				
USD / RM				
Strengthened by	2.72	9.22	(13,044)	(79,291)
Weakened by	2.72	9.22	13,044	79,291
SGD / RM				
Strengthened by	2.14	1.70	-	(33)
Weakened by	2.14	1.70	-	33
RMB / RM				
Strengthened by	7.71	6.13	-	10,145
Weakened by	7.71	6.13	-	(10,145)

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 twelve (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 statement as at 31 December 2011

33. Fair values (continued)

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

	2011		2010	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Financial asset:				
Other investment	5,000,000	5,000,000	5,000,000	5,000,000

Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

- ✓ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ✓ Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ✓ Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Group and Company				
2011				
Financial asset				
Other investment	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 and the Company manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

Notes to the financial statement as at 31 December 2011

34. Capital Management (continued)

Net debt is calculated based on trade and non-trade payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade payables	1,403,341	2,307,063	1,403,341	2,307,063
Amount due to Directors	162,000	162,000	162,000	162,000
Non-trade payables and Accruals	973,889	1,067,653	973,889	1,062,089
Dividend payable	577,543	585,517	577,543	585,517
Bills payable	194,828	-	194,828	-
	3,311,601	4,122,233	3,311,601	4,116,669
Less: Cash and cash equivalents	(9,938,494)	(7,946,866)	(9,938,494)	(7,946,866)
Net debt	(6,626,893)	(3,824,633)	(6,626,893)	(3,830,197)
Total equity	29,443,854	29,421,692	29,443,854	29,288,387
Total capital	22,816,961	25,597,059	22,816,961	25,458,190
Gearing ratio	(0.29)	(0.15)	(0.29)	(0.15)

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.

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 2012.