# 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 2012
(In Ringgit Malaysia)

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

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## CORPORATE INFORMATION

| | |
|---|---|
| BOARD OF DIRECTORS | Chee Sam Fatt (Chairman)<br>Tjin Kiat @ Tan Cheng Keat (Managing Director)<br>Yeo Tek Ling (Finance Director)<br>Dato' Haji Ghazali B. Mat Ariff<br>Dato' Law Sah Lim<br>Datuk Ismail bin Haji Ahmad<br>Mah Siew Seng<br>Eu Hock Seng<br>Ng Choo Tim |
| SECRETARY | See Siew Cheng<br>(MAICSA 7011225)<br>Leong Shiak Wan<br>(MAICSA 7012855) |
| AUDITORS | PKF<br>AF 0911<br>Chartered Accountants |
| AUDIT COMMITTEE | Dato' Haji Ghazali Bin Mat Ariff (Chairman)<br>- Independent Non-Executive Director<br>Datuk Ismail Bin Haji Ahmad<br>- Independent Non-Executive Director<br>Mah Siew Seng<br>- Independent Non-Executive Director |
| REGISTERED OFFICE | Level 8, Symphony House<br>Block D13, Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-7841 8000<br>Fax: 03-7841 8199 |
| REGISTRAR & SHARE TRANSFER OFFICE | Symphony Share Registrars Sdn. Bhd.<br>Level 6, Symphony House<br>Block D13, Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-7841 8000<br>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 Company for the financial year ended 31 December 2012.

## 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.

## Results

| | RM |
|---|---|
| Profit for the financial year | 2,642,911 |

## Reserves and provisions

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

## Dividends

In respect of the financial year ended 31 December 2011, the Company paid a final dividend of 10% less tax of 25% totalling RM1,440,693, on 24 July 2012.

In respect of the financial year ended 31 December 2012, the Directors declared an interim dividend of 4% less tax of 25% totalling RM575,257 and was paid on 22 January 2013.

The Directors recommend a final dividend of 10% less tax of 25% totalling RM1,438,142 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**
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**Directors**

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

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

**Directors' interest in shares**

The shareholdings and deemed shareholdings in the Ordinary Shares of the Company at the end of the financial year, as recorded in Register of Director's Shareholding kept under Section 134 of the Companies Act, 1965, in Malaysia are as follows:

| | **Number of Ordinary Shares of RM1.00 each** | | | |
|---|---|---|---|---|
| | **At 1.1.2012** | **Bought** | **Sold** | **At 31.12.2012** |
| 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 2012 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 in Malaysia.

### 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 4 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.

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 76,200 of its issued Ordinary Shares from the open market at an average price of RM1.40 per share. The total consideration paid for the repurchase including transaction costs was RM106,259.

As at 31 December 2012, the Company held 1,329,016 of its own shares ('APT Shares') as treasury shares out of its total issued and paid-up share capital of 20,504,250 ordinary shares. The treasury shares are held at a carrying amount of RM982,249 and further details are disclosed in Note 16 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 in Malaysia. None of the treasury shares held were resold or cancelled during the financial year.

**Other statutory information**

Before the financial statements 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 no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

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

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

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities 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 Company misleading.

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

(i) any charge on the assets 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 Company that has arisen since the end of the financial year.

No contingent liability or other liability 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 Company to meet their obligations as and when they fall due except as disclosed in the Note 27 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 Company for the financial year ended 31 December 2012 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.

**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

2 5 APR 2013

**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 MALAYSIA

In the opinion of the Directors, the accompanying financial statements as set out on pages 11 to 67 are drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and its cash flows for the financial year ended on that date.

The supplementary information as set out in Note 17 to the financial statements 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.

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

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Selangor

25 APR 2013

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

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 as set out on pages 11 to 67 are in my opinion 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 25 APR 2013 )

TJIN KIAT @ TAN CHENG KEAT

Before me,

YEO TEK LING

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. B 330
ZAHARIAH
BT. MAHYUDDIN
MALAYSIA

31-1-1b, Tingkat 1, Jalan Medan PB 2B
Seksyen 9, 43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
HP: 016-371 8212

PKF

Accountants &
business advisers

**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 Statement of Financial Position as at 31 December 2012 of the Company, the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows 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 67.

### *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 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, 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 entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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PKF
Accountants & business advisers

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and its 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 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information as set out in Note 17 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

1. As stated in Note 1 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.

PKF
Accountants & business advisers

**OTHER MATTERS (continued)**

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

PKF
AF 0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
2525/03/14 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur

25 April 2013

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | | Group | Company | |
|---|---|---|---|---|
| | | 2011 | 2012 | 2011 |
| | Note | RM | RM | RM |
| **Continuing operation:** | | | | |
| Revenue | 3 | 23,041,369 | 23,420,070 | 23,041,369 |
| Other income | | 458,506 | 305,377 | 458,481 |
| Changes in inventories of finished goods and work-in-progress | | (219,704) | 230,198 | (219,704) |
| Raw materials used | | (13,403,192) | (13,552,868) | (13,403,192) |
| Employee benefits expense | 4 | (2,997,744) | (3,109,746) | (2,997,744) |
| Gain on disposal of a subsidiary | | 123,514 | - | 284,204 |
| Depreciation | | (1,539,605) | (1,530,407) | (1,539,605) |
| Other expenses | | (2,436,375) | (2,497,911) | (2,486,739) |
| **Profit from operations** | 5 | 3,026,769 | 3,264,713 | 3,137,070 |
| Interest income | | 200,272 | 299,143 | 200,272 |
| **Profit before tax** | | 3,227,041 | 3,563,856 | 3,337,342 |
| Tax expense | 6 | (809,249) | (920,945) | (809,249) |
| **Profit for the financial year from continuing operation** | | 2,417,792 | 2,642,911 | 2,528,093 |
| **Discontinued operations:** | | | | |
| **Loss for the financial year from discontinued operations** | 7 | (23,004) | - | - |
| **Profit and other comprehensive income for the financial year** | | 2,394,788 | 2,642,911 | 2,528,093 |
| **Profit and other comprehensive income for the financial year attributable to:** | | | | |
| Owners of the Company | | 2,394,788 | 2,642,911 | 2,528,093 |
| **Earnings attributable to owners of the Company per ordinary share (sen)** | 8 | 12.37 | 13.72 | |

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

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 10,567,106 | 11,806,156 |
| Other investment | 10 | 5,000,000 | 5,000,000 |
| | | 15,567,106 | 16,806,156 |
| **Current assets** | | | |
| Inventories | 11 | 4,007,427 | 4,336,366 |
| Trade receivables | 12 | 3,453,389 | 4,752,413 |
| Non-trade receivables, deposits and prepayments | 13 | 107,732 | 83,834 |
| Cash and cash equivalents | 14 | 12,709,547 | 9,938,494 |
| | | 20,278,095 | 19,111,107 |
| **TOTAL ASSETS** | | 35,845,201 | 35,917,263 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 15 | 20,504,250 | 20,504,250 |
| Treasury shares | 16 | (982,249) | (875,990) |
| Reserves | 17 | 10,442,555 | 9,815,594 |
| **Total equity** | | 29,964,556 | 29,443,854 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18 | 1,400,820 | 1,666,627 |
| Provision for staff gratuity | 19 | 1,550,773 | 1,466,558 |
| | | 2,951,593 | 3,133,185 |
| **Current liabilities** | | | |
| Trade payables | 20 | 1,061,547 | 1,403,341 |
| Non-trade payables and accruals | 21 | 996,740 | 973,889 |
| Amount due to Directors | 22 | 162,000 | 162,000 |
| Bills payable | 23 | - | 194,828 |
| Dividend payable | 24 | 575,257 | 577,543 |
| Tax payable | | 133,508 | 28,623 |
| | | 2,929,052 | 3,340,224 |
| **Total liabilities** | | 5,880,645 | 6,473,409 |
| **TOTAL EQUITY AND LIABILITIES** | | 35,845,201 | 35,917,263 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**
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## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | Note | Share Capital RM | Non-distributable Treasury shares RM | Distributable Retained profits RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2011 | | 20,504,250 | (530,585) | 9,314,722 | 29,288,387 |
| Profit and other comprehensive income for the financial year | | - | - | 2,528,093 | 2,528,093 |
| Purchase of treasury shares | | - | (345,405) | - | (345,405) |
| Dividends | 24 | - | - | (2,027,221) | (2,027,221) |
| At 31 December 2011 | | 20,504,250 | (875,990) | 9,815,594 | 29,443,854 |
| Profit and other comprehensive income | | - | - | 2,642,911 | 2,642,911 |
| Purchase of treasury shares | | - | (106,259) | - | (106,259) |
| Dividends | 24 | - | - | (2,015,950) | (2,015,950) |
| At 31 December 2012 | | 20,504,250 | (982,249) | 10,442,555 | 29,964,556 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**
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## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

| | | Group | Company | |
|---|---|---|---|---|
| | | 2011 | 2012 | 2011 |
| | Note | RM | RM | RM |
| **Cash flows from operating activities** | | | | |
| Profit/(Loss) before tax | | | | |
| - continuing operation | | 3,227,041 | 3,563,856 | 3,337,342 |
| - discontinued operations | | (23,004) | - | - |
| Adjustments for: | | | | |
| Bad debts written off | | | | |
| - trade receivables | | 960 | - | 960 |
| - amount due from subsidiary | | - | - | 50,390 |
| Depreciation | | 1,539,605 | 1,530,407 | 1,539,605 |
| Gain on disposal of a subsidiary | 7 | (123,514) | - | (284,204) |
| Gain on insurance claim | | (1,675) | - | (1,675) |
| Impairment loss on financial assets | | | | |
| - trade receivables | | 7,648 | - | 7,648 |
| Interest income | | (200,272) | (299,143) | (200,272) |
| Inventories written off | | 19,035 | 15,577 | 19,035 |
| Investment income | | (139,855) | (140,185) | (139,855) |
| Loss on disposal of property, plant and equipment | | - | 1,594 | - |
| Loss/(Gain) on unrealised foreign exchange | | 3,937 | (85) | 3,937 |
| Property, plant and equipment written off | | 4,161 | 1,237 | 4,161 |
| Provision for staff gratuity | | 87,436 | 84,215 | 87,436 |
| Reversal of impairment loss on trade receivables no longer required | | (125,231) | (15,439) | (125,231) |
| **Operating profit before working capital changes** | | 4,276,272 | 4,742,034 | 4,299,277 |
| Decrease in inventories | | 756,063 | 313,362 | 756,063 |
| Decrease in receivables | | 753,182 | 1,290,650 | 753,182 |
| Decrease in payables | | (1,001,360) | (318,943) | (995,796) |
| **Cash generated from operations** | | 4,784,157 | 6,027,103 | 4,812,726 |
| Insurance compensation received | | 3,088 | - | 3,088 |
| Income tax paid | | (724,004) | (1,081,867) | (724,004) |
| Staff gratuity paid | | (5,175) | - | (5,175) |
| **Net cash from operating activities** | | 4,058,066 | 4,945,236 | 4,086,635 |

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**
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**STATEMENTS OF CASH FLOWS (continued)**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

| | | Group | Company | |
|---|---|---|---|---|
| | | 2011 | 2012 | 2011 |
| | Note | RM | RM | RM |
| **Cash flows from investing activities** | | | | |
| Advances to subsidiary | | - | - | (28,569) |
| Investment income received | | 139,855 | 140,185 | 139,855 |
| Interest income received | | 200,272 | 299,143 | 200,272 |
| Proceeds from disposal of subsidiary | 7 | 289,125 | - | 289,125 |
| Proceeds from disposal of property, plant and equipment | | - | 6,050 | - |
| Acquisition of property, plant and equipment | | (509,918) | (300,238) | (509,918) |
| **Net cash from investing activities** | | 119,334 | 145,140 | 90,765 |
| **Cash flows from financing activities** | | | | |
| Dividend paid | | (2,035,195) | (2,018,236) | (2,035,195) |
| Draw down/(Repayment) of bill payables | | 194,828 | (194,828) | 194,828 |
| Purchase of treasury shares | | (345,405) | (106,259) | (345,405) |
| **Net cash used in financing activities** | | (2,185,772) | (2,319,323) | (2,185,772) |
| **Net increase in cash and cash equivalents** | | 1,991,628 | 2,771,053 | 1,991,628 |
| **Cash and cash equivalents at 1 January** | | 7,946,866 | 9,938,494 | 7,946,866 |
| **Cash and cash equivalents at 31 December** | (i) | 9,938,494 | 12,709,547 | 9,938,494 |

**Notes:**

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

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

| | Group | Company | |
|---|---|---|---|
| | 2011 | 2012 | 2011 |
| | RM | RM | RM |
| Cash and bank balances | 2,438,494 | 2,709,547 | 2,438,494 |
| Deposits with licensed banks | 7,500,000 | 10,000,000 | 7,500,000 |
| | 9,938,494 | 12,709,547 | 9,938,494 |

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

### 1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The accounting policies set out in Note 2 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Company's date of transition to MFRSs).

The transitions to MFRSs do not have financial impact to the financial statements of the Group and of the Company.

The Company has early adopted the amendments to MFRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The accompanying financial statements have been prepared assuming that the Company will continue as going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

#### (a) Standards issued and effective

On 1 January 2012, the following new and amended MFRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 January 2012.

| Description | Effective for annual periods beginning on or after |
|---|---|
| • MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2012 |
| • MFRS 2, Share-based Payment | 1 January 2012 |
| • MFRS 3, Business Combinations | 1 January 2012 |
| • MFRS 4, Insurance Contracts | 1 January 2012 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 1. Basis of preparation (continued)

### (a) Standards issued and effective (continued)

| Description | Effective for annual periods beginning on or after |
|---|---|
| • MFRS 5, Non-current Assets Held for Sale and Discontinued Operations | 1 January 2012 |
| • MFRS 6, Exploration for and Evaluation of Mineral Resources | 1 January 2012 |
| • MFRS 7, Financial Instruments: Disclosures | 1 January 2012 |
| • MFRS 8, Operating Segments | 1 January 2012 |
| • MFRS 101, Presentation of Financial Statements | 1 January 2012 |
| • MFRS 102, Inventories | 1 January 2012 |
| • MFRS 107, Statement of Cash Flows | 1 January 2012 |
| • MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2012 |
| • MFRS 110, Events After the Reporting Period | 1 January 2012 |
| • MFRS 111, Construction Contracts | 1 January 2012 |
| • MFRS 112, Income Taxes | 1 January 2012 |
| • MFRS 116, Property, Plant and Equipment | 1 January 2012 |
| • MFRS 117, Leases | 1 January 2012 |
| • MFRS 118, Revenue | 1 January 2012 |
| • MFRS 119, Employee Benefits | 1 January 2012 |
| • MFRS 120, Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2012 |
| • MFRS 121, The Effects of Changes in Foreign Exchange Rates | 1 January 2012 |
| • MFRS 123, Borrowing Costs | 1 January 2012 |
| • MFRS 124, Related Party Disclosures | 1 January 2012 |
| • MFRS 126, Accounting and Reporting by Retirement Benefit Plans | 1 January 2012 |
| • MFRS 127, Consolidated and Separate Financial Statements | 1 January 2012 |
| • MFRS 128, Investment in Associates | 1 January 2012 |
| • MFRS 129, Financial Reporting in Hyperinflationary Economies | 1 January 2012 |
| • MFRS 131, Interest in Joint Ventures | 1 January 2012 |
| • MFRS 132, Financial Instruments: Presentation | 1 January 2012 |
| • MFRS 133, Earnings Per Share | 1 January 2012 |
| • MFRS 134, Interim Financial Reporting | 1 January 2012 |
| • MFRS 136, Impairment of Assets | 1 January 2012 |
| • MFRS 137, Provisions, Contingent Liabilities and Contingent Assets | 1 January 2012 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 1. Basis of preparation (continued)

### (a) Standards issued and effective (continued)

| Description | Effective for annual periods beginning on or after |
|---|---|
| • MFRS 138, Intangible Assets | 1 January 2012 |
| • MFRS 139, Financial Instruments: Recognition and Measurement | 1 January 2012 |
| • MFRS 140, Investment Property | 1 January 2012 |
| • MFRS 141, Agriculture | 1 January 2012 |
| • Amendment to MFRSs: | |
| - MFRS 7, *Mandatory Effective Date of MFRS 9 and Transition Disclosures* | Effective immediately on 1 March 2012 |
| - MFRS 9, *Mandatory Effective Date of MFRS 9 and Transition Disclosures* | Effective immediately on 1 March 2012 |
| - MFRS 101, Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| • IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 January 2012 |
| • IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments | 1 January 2012 |
| • IC Interpretation 4, Determining Whether an Arrangement contains a Lease | 1 January 2012 |
| • IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 January 2012 |
| • IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | 1 January 2012 |
| • IC Interpretation 7, Applying the Restatement Approach under MFRS 129 *Financial Reporting in Hyperinflationary Economies* | 1 January 2012 |
| • IC Interpretation 9, Reassessment of Embedded Derivatives | 1 January 2012 |
| • IC Interpretation 10, Interim Financial Reporting and Impairment | 1 January 2012 |
| • IC Interpretation 12, Service Concession Arrangements | 1 January 2012 |
| • IC Interpretation 13, Customer Loyalty Programmes | 1 January 2012 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 1. Basis of preparation (continued)

### (a) Standards issued and effective (continued)

| Description | Effective for annual periods beginning on or after |
|---|---|
| • IC Interpretation 14, MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2012 |
| • IC Interpretation 15, Agreements for the Construction of Real Estate | 1 January 2012 |
| • IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation | 1 January 2012 |
| • IC Interpretation 17, Distributions of Non-cash Assets to Owners | 1 January 2012 |
| • IC Interpretation 18, Transfers of Assets from Customers | 1 January 2012 |
| • IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments | 1 January 2012 |
| • IC Interpretation 107, Introduction of the Euro | 1 January 2012 |
| • IC Interpretation 110, Government Assistance – No Specific Relation to Operating Activities | 1 January 2012 |
| • IC Interpretation 112, Consolidation – Special Purpose Entities | 1 January 2012 |
| • IC Interpretation 113, Jointly Controlled Entities – Non-Monetary Contributions by Venturers | 1 January 2012 |
| • IC Interpretation 115, Operating Leases - Incentives | 1 January 2012 |
| • IC Interpretation 125, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders | 1 January 2012 |
| • IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease | 1 January 2012 |
| • IC Interpretation 129, Service Concession Arrangements: Disclosures | 1 January 2012 |
| • IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services | 1 January 2012 |
| • IC Interpretation 132, Intangible Assets – Web Site Costs | 1 January 2012 |

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

### 1. Basis of preparation (continued)

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

The Company 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 |
|---|---|
| • MFRS 3, Business Combinations (IFRS 3 *Business Combinations* issued by IASB in March 2004) | 1 January 2013 |
| • MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009) | 1 January 2015 |
| • MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010) | 1 January 2015 |
| • MFRS 10, Consolidated Financial Statements | 1 January 2013 |
| • MFRS 11, Joint Arrangements | 1 January 2013 |
| • MFRS 12, Disclosure of Interests in Other Entities | 1 January 2013 |
| • MFRS 13, Fair Value Measurement | 1 January 2013 |
| • MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011) | 1 January 2013 |
| • MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004) | 1 January 2013 |
| • MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011) | 1 January 2013 |
| • MFRS 128, Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) | 1 January 2013 |
| • Amendment to MFRSs: | |
| - MFRS 1, Government Loans | 1 January 2013 |
| - MFRS 1, Annual Improvements 2009 – 2011 Cycle | 1 January 2013 |
| - MFRS 7, Disclosures - *Offsetting Financial Assets and Financial Liabilities* | 1 January 2013 |
| - MFRS 10, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| - MFRS 11, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

**1. Basis of preparation (continued)**

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • Amendment to MFRSs: | |
| - MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| - MFRS 101, Annual Improvements 2009 – 2011 Cycle | 1 January 2013 |
| - MFRS 116, Annual Improvements 2009 – 2011 Cycle | 1 January 2013 |
| - MFRS 132, Annual Improvements 2009 – 2011 Cycle | 1 January 2013 |
| - MFRS 132, Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| - MFRS 134, Annual Improvements 2009 – 2011 Cycle | 1 January 2013 |
| • IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| • Amendment to IC Interpretations: | |
| - IC Interpretation 2, Annual Improvements 2009 - 2011 Cycle | 1 January 2013 |

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 1. Basis of preparation (continued)

### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

### (d) 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 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 Company 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 Company 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.

**1. Basis of preparation (continued)**

**(d) 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 Company 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 Company 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.

## 1. Basis of preparation (continued)

### (d) Critical accounting estimates and judgements (continued)

*(vii) Classification of Leasehold Land*

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

*(viii) 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 reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting 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 profit or loss in the period in which actual realisation and settlement occurs.

## 2. Summary of significant accounting policies

### (a) 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 measured in the Company's statement of financial position at cost less any impairment losses.

The accounting policies of subsidiary is 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 Company 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.

<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.

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

## 2. Summary of significant accounting policies (continued)

### (a) Basis of consolidation (continued)

*(ii) Accounting for business combinations (continued)*

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.

<u>Acquisitions before 1 January 2011</u>

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

✓ <u>Acquisitions between 1 January 2006 to 1 January 2011</u>

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.

## 2. Summary of significant accounting policies (continued)

### (a) Basis of consolidation (continued)

*(ii) Accounting for business combinations (continued)*

✓ Acquisitions between 1 January 2006 to 1 January 2011 (continued)

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

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

*(iii) Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

**2. Summary of significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

*(iv) 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.

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.

*(v) 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.

## 2. Summary of significant accounting policies (continued)

### (b) Foreign currencies

*(i) Functional and presentation currency*

The individual financial statements of 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 Company's functional currency.

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

*(ii) Foreign currency transactions*

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 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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 2. Summary of significant accounting policies (continued)

### (b) Foreign currencies (continued)

*(iii) Foreign operation*

The results and financial position of foreign operations that have a functional currency that are 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 profit or loss. 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.

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 used at reporting date are as follows:

| | **2012 RM** | **2011 RM** |
|---|---|---|
| 1 Singapore Dollar | 2.503 | 2.435 |
| 1 United States Dollar | 3.058 | 3.167 |
| 1 Brunei Dollar | 2.503 | 2.439 |
| 1 Renminbi | 0.491 | 0.503 |

## 2. Summary of significant accounting policies (continued)

### (c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to 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.

*(ii) Interest income*

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

### (d) Employee benefits expense

(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 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.

## 2. Summary of significant accounting policies (continued)

### (d) Employee benefits expense (continued)

(ii) *Defined contribution plans*

The Company's contribution to defined contribution plans is charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

### (e) Borrowing costs

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

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

### (f) 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 at 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.

## 2. Summary of significant accounting policies (continued)

### (f) Tax expense (continued)

*(ii) Deferred tax*

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

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

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

## 2. Summary of significant accounting policies (continued)

### (f) Tax expense (continued)

*(iii) Sales tax*

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

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

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

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

### (g) Impairment

(i) *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

*Trade and non-trade 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 Company considers 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 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.

## 2. Summary of significant accounting policies (continued)

### (g) Impairment (continued)

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

*Trade and non-trade receivables and other financial assets carried at amortised cost (continued)*

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.

*(ii) Impairment of non-financial assets*

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 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")).

## 2. Summary of significant accounting policies (continued)

### (g) Impairment (continued)

*(ii) Impairment of non-financial assets (continued)*

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.

### (h) 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 Company and the cost of the item can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 2. Summary of significant accounting policies (continued)

### (h) Property, plant and equipment (continued)

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 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 values 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.

### (i) Financial assets

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

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

The Company determines 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.

**2. Summary of significant accounting policies (continued)**

**(i) Financial assets (continued)**

(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 are 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.

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.

## 2. Summary of significant accounting policies (continued)

### (i) Financial assets (continued)

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company 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 Company's right to receive payment is established.

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

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

## 2. Summary of significant accounting policies (continued)

### (i) Financial assets (continued)

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 Company commits to purchase or sell the asset.

### (j) 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 include the cost of raw materials, direct labour and an appropriate proportion of the fixed and variable production overheads.

### (k) 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 Company’s cash management.

## 2. Summary of significant accounting policies (continued)

### (l) 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 MFRS. 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 MFRS 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 Company 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 Company re-presents the comparative figures in the statements of profit or loss and other comprehensive income and statements of cash flows so that the disclosures relate to all operations that have been discontinued as at the reporting date as disclosed in Note 7 to the financial statements.

### (m) 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.

**2. Summary of significant accounting policies (continued)**

**(n) 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 are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

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

Financial liabilities held for trading include derivatives entered into by the 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 Company has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

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 STATEMENTS AS AT 31 DECEMBER 2012

### 2. Summary of significant accounting policies (continued)

#### (o) 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 MFRS 4 *Insurance Contracts*.

#### (p) Provisions

Provisions are recognised when the Company 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.

#### (q) 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 Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Company.

#### (r) Segment reporting

For management purposes, the Company 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 26 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 2. Summary of significant accounting policies (continued)

### (s) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of 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.

## 3. Revenue

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

## 4. Employee benefits expense

| (a) Staff costs | Group | Company | |
|---|---|---|---|
| | 2011 RM | 2012 RM | 2011 RM |
| Salaries, wages, allowances, bonus and overtime | 1,773,909 | 1,885,052 | 1,773,909 |
| Contributions to defined contribution plan | 196,019 | 216,112 | 196,019 |
| Social security contributions | 20,869 | 22,141 | 20,869 |
| Other benefits | 276,285 | 249,533 | 276,285 |
| | 2,267,082 | 2,372,838 | 2,267,082 |

(b) Directors' remuneration

Directors of the Company:*

Executive:

| | | | |
|---|---|---|---|
| Salaries and other emoluments | 450,854 | 456,483 | 450,854 |
| Contribution to defined contribution plan | 99,188 | 99,805 | 99,188 |
| Social security contributions | 620 | 620 | 620 |
| Fees | 36,000 | 36,000 | 36,000 |
| Other benefits - leave passage | 18,000 | 18,000 | 18,000 |
| Estimated money value of benefits-in-kind | 18,625 | 18,625 | 18,625 |
| | 623,287 | 629,533 | 623,287 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 4. Employee benefits expense (continued)

(b) Directors' remuneration (continued)

| | Group | Company | |
|---|---|---|---|
| | 2011 | 2012 | 2011 |
| | RM | RM | RM |
| Non-executive | | | |
| Fees | 126,000 | 126,000 | 126,000 |
| Total Directors' remuneration | 749,287 | 755,533 | 749,287 |
| Total excluding benefits-in-kind | 730,662 | 736,908 | 730,662 |
| Total staff costs | 2,997,744 | 3,109,746 | 2,997,744 |

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

| | Number of Directors | |
|---|---|---|
| | 2012 | 2011 |
| | 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 89 (2011: 85).

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 5. Profit from operations

| | Group | Company | |
|---|---|---|---|
| | 2011 | 2012 | 2011 |
| | RM | RM | RM |
| Profit from operation is arrived at after charging/(crediting): | | | |
| Auditors' remuneration | | | |
| - Statutory audit | 34,488 | 28,000 | 28,000 |
| - Non-statutory audit | 6,000 | 6,000 | 6,000 |
| Bad debts written off | | | |
| - Trade receivables | 960 | - | 960 |
| - Amount due from a subsidiary | - | - | 50,390 |
| Depreciation | 1,539,605 | 1,530,407 | 1,539,605 |
| 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) | 11,134 | (30,964) |
| - unrealised | 3,937 | (85) | 3,937 |
| Impairment loss on financial assets | | | |
| - Trade receivables | 7,648 | - | 7,648 |
| Interest income | (200,272) | (299,143) | (200,272) |
| Inventories written off | 19,035 | 15,577 | 19,035 |
| Investment income | (139,855) | (140,185) | (139,855) |
| Loss on disposal of property, plant and equipment | - | 1,594 | - |
| Property, plant and equipment written off | 4,161 | 1,237 | 4,161 |
| Provision for staff gratuity | 87,436 | 84,215 | 87,436 |
| Reversal of impairment loss on trade receivables no longer required | (125,231) | (15,439) | (125,231) |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 6. Tax expense

| | Group | Company | |
|---|---|---|---|
| | 2011 | 2012 | 2011 |
| | RM | RM | RM |
| Current tax expense | | | |
| - current year | 694,455 | 1,186,633 | 694,455 |
| - under provision in prior years | 14,874 | 119 | 14,874 |
| | 709,329 | 1,186,752 | 709,329 |
| Deferred tax expense (Note 18) | | | |
| - current year | 104,300 | (260,888) | 104,300 |
| - over provision in prior years | (4,380) | (4,919) | (4,380) |
| | 99,920 | (265,807) | 99,920 |
| | 809,249 | 920,945 | 809,249 |

***Reconciliation of effective tax expense***

| | Group | Company | |
|---|---|---|---|
| | 2011 | 2012 | 2011 |
| | RM | RM | RM |
| **Profit/(Loss) before tax** | | | |
| - continuing operation | 3,227,041 | 3,563,856 | 3,337,342 |
| - discontinued operations | (23,004) | - | - |
| | 3,204,037 | 3,563,856 | 3,337,342 |
| Taxation at Malaysian tax rate of 25% | 801,009 | 890,964 | 834,336 |
| Non-deductible expenses | 77,726 | 70,712 | 77,726 |
| Non-taxable income | (72,689) | (35,546) | (106,016) |
| Double deduction | (7,291) | (385) | (7,291) |
| | 798,755 | 925,745 | 798,755 |
| Over provision of deferred tax in prior year | (4,380) | (4,919) | (4,380) |
| Under provision of current tax in prior year | 14,874 | 119 | 14,874 |
| | 809,249 | 920,945 | 809,249 |

## 7. Disposal group classified as discontinued operation

On 20 December 2011, the Company disposed its entire equity investment comprising 10,000 Ordinary Shares in Advanced Packaging Investments (H.K.) Limited ("APIHK") to China New Fuel Co. Limited. The comparative statements of profit or loss and other 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):

| | **2012 RM** | **2011 RM** |
|---|---|---|
| Other income | - | 25 |
| Administrative expenses | - | (23,029) |
| Loss before tax | - | (23,004) |
| Tax expense | - | - |
| Loss for the financial year | - | (23,004) |

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

| | **2012 RM** | **2011 RM** |
|---|---|---|
| Auditor's remuneration | - | 6,488 |
| Realised exchange gain on foreign exchange | - | (25) |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 8. Earnings per ordinary share

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:

| | **2012** | **2011** |
|---|---:|---:|
| Total comprehensive income attributable to owners of the Company (RM) | 2,642,911 | 2,394,788 |
| Weighted average number of ordinary shares in issue, net of treasury shares | 19,261,317 | 19,359,859 |
| Earnings per share (sen) | 13.72 | 12.37 |

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 STATEMENTS AS AT 31 DECEMBER 2012**

**9. Property, plant and equipment**

| 2012 | 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 | 27,521,002 | 508,202 | 1,119,959 | 35,102,344 |
| Additions | - | 94,812 | 42,493 | 162,933 | - | 300,238 |
| Disposals | - | - | - | (104,029) | - | (104,029) |
| Written off | - | - | (1,500) | (35,823) | - | (37,323) |
| At 31 December | 739,000 | 5,308,993 | 27,561,995 | 531,283 | 1,119,959 | 35,261,230 |
| **Accumulated depreciation** | | | | | | |
| At 1 January | 197,745 | 2,116,116 | 19,436,319 | 450,032 | 1,095,976 | 23,296,188 |
| Charge for the financial year | 7,390 | 126,768 | 1,335,132 | 37,146 | 23,971 | 1,530,407 |
| Disposals | - | - | - | (96,385) | - | (96,385) |
| Written off | - | - | (850) | (35,236) | - | (36,086) |
| At 31 December | 205,135 | 2,242,884 | 20,770,601 | 355,557 | 1,119,947 | 24,694,124 |
| **Carrying value** | | | | | | |
| At 31 December | 533,865 | 3,066,109 | 6,791,394 | 175,726 | 12 | 10,567,106 |

**9. Property, plant and equipment (continued)**

| 2011 | 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 |
| **Carrying value** | | | | | | |
| At 31 December | 541,255 | 3,098,065 | 8,084,683 | 58,170 | 23,983 | 11,806,156 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 9. Property, plant and equipment (continued)

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

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| At cost: | | |
| Plant, machinery and tools | 11,325,168 | 11,250,588 |
| Furniture, fittings and equipment | 279,756 | 372,883 |
| Motor vehicles | 1,119,960 | 981,395 |
| Building | 58,633 | 11,863 |
| | 12,783,517 | 12,616,729 |

## 10. 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 2012 have an interest rate ranging from 2.70% to 2.95% (2011: 2.75% to 2.95%) per annum.

As at the reporting date, the fair value is equivalent to its carrying value.

## 11. Inventories

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| **At cost:** | | |
| Raw materials | 2,873,316 | 3,033,153 |
| Work in-progress | 432,044 | 417,466 |
| Finished goods | 564,777 | 346,969 |
| Consumables | 187,053 | 189,691 |
| Goods in-transit | 898 | 349,087 |
| | 4,058,088 | 4,336,366 |
| **Less: Impairment** | | |
| Raw materials | 48,474 | - |
| Work-in-progress | 2,187 | - |
| | 50,661 | - |
| | 4,007,427 | 4,336,366 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 12. Trade receivables

| | 2012 RM | 2011 RM |
|---|---|---|
| Trade receivables | 3,903,389 | 5,217,852 |
| Impairment | | |
| - Individually impaired | - | 15,439 |
| - Collectively impaired | 450,000 | 450,000 |
| | (450,000) | (465,439) |
| | 3,453,389 | 4,752,413 |

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

| | 2012 RM | 2011 RM |
|---|---|---|
| Impairment: | | |
| As 1 January | 465,439 | 583,022 |
| Additions | - | 7,648 |
| Reversal of impairment loss | (15,439) | (125,231) |
| As 31 December | 450,000 | 465,439 |

The Company'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.

## 13. Non-trade receivables, deposits and prepayments

| | 2012 RM | 2011 RM |
|---|---|---|
| Non-trade receivables | 149,692 | 145,443 |
| Deposits | 18,640 | 18,640 |
| Prepayments | 15,295 | 16,254 |
| Others | 61,423 | 40,815 |
| | 245,050 | 221,152 |
| Less: Impairment | (137,318) | (137,318) |
| | 107,732 | 83,834 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

**13. Non-trade receivables, deposits and prepayments (continued)**

Included in non-trade receivables of the Company are:

(i) staff loans of RM12,374 (2011: RM8,125) which bear interest at 4% (2011: 4%) per annum.
(ii) outstanding amount transferred from amount due from jointly controlled entity of RM137,318 upon disposal of Advanced Packaging Investments (H.K.) Limited ("the subsidiary") by the Company.

**14. Cash and cash equivalents**

| | 2012 RM | 2011 RM |
|---|---|---|
| Deposits placed with licensed banks | 10,000,000 | 7,500,000 |
| Cash and bank balances | 2,709,547 | 2,438,494 |
| | 12,709,547 | 9,938,494 |

Deposits placed with licensed banks have maturity periods ranging from 30 days to 360 days (2011: 30 days to 360 days).

The deposits as at 31 December 2012 bore interest at rates ranging from 2.75% to 3.20% (2011: 2.85% to 3.20%) per annum.

**15. Share capital**

| | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| | 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/31 December | 20,504,250 | 20,504,250 | 20,504,250 | 20,504,250 |

## 16. Treasury shares

| | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| | Number of Ordinary Shares | | RM | RM |
| At 1 January | 1,252,816 | 987,016 | 875,990 | 530,585 |
| Share purchased during the financial year | 76,200 | 265,800 | 106,259 | 345,405 |
| At 31 December | 1,329,016 | 1,252,816 | 982,249 | 875,990 |

(i) As at 31 December 2012, the number of outstanding Ordinary Shares in issue after deducting the treasury shares is 19,175,234 (2011: 19,251,434).

(ii) During the financial year, the Company repurchased a total of 76,200 Ordinary Shares (2011: 265,800) of its issued Ordinary Shares from the open market on Bursa Malaysia for RM106,259 (2011: RM345,405). The average price paid for the shares repurchased was approximately RM1.40 (2011: RM1.30) per share.

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 in Malaysia. 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. None of the treasury shares repurchased has been sold or cancelled as at 31 December 2012.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

### 17. Reserves

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| ***Distributable:*** | | |
| Retained profits | 10,442,555 | 9,815,594 |

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 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012, 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:

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Realised | 9,041,650 | 8,152,904 |
| Unrealised | 1,400,905 | 1,662,690 |
| | 10,442,555 | 9,815,594 |

## 18. Deferred tax liabilities

| | 2012 RM | 2011 RM |
|---|---|---|
| At 1 January | 1,666,627 | 1,566,707 |
| Transferred (to)/from profit or loss (Note 6) | (265,807) | 99,920 |
| At 31 December | 1,400,820 | 1,666,627 |

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 Company:** | |
| At 1 January 2012 | 2,158,257 |
| Recognised in statements of profit or loss | (243,352) |
| At 31 December 2012 | 1,914,905 |
| | |
| At 1 January 2011 | 2,034,768 |
| Recognised in statements of profit or loss | 123,489 |
| At 31 December 2011 | 2,158,257 |

| | Provision RM |
|---|---|
| **Deferred tax assets of the Company:** | |
| At 1 January 2012 | 491,630 |
| Recognised in statements of profit or loss | 22,455 |
| At 31 December 2012 | 514,085 |
| | |
| At 1 January 2011 | 468,061 |
| Recognised in statements of profit or loss | 23,569 |
| At 31 December 2011 | 491,630 |

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 19. Provision for staff gratuity

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| At 1 January | 1,466,558 | 1,384,297 |
| Current year's provision | 84,215 | 87,436 |
| | 1,550,773 | 1,471,733 |
| Amount paid during the financial year | - | (5,175) |
| At 31 December | 1,550,773 | 1,466,558 |

## 20. Trade payables

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

## 21. Non-trade payables and accruals

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Non-trade payables | 350,068 | 321,927 |
| Accruals | 646,672 | 651,962 |
| | 996,740 | 973,889 |

## 22. Amounts due to Directors

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

## 23. Bills payable

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Bills payable - secured | - | 194,828 |

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

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 24. 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 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 dividend paid | | (1,140) | |
| | | 2,027,221 | |
| In respect of financial year ended 31 December 2012: | | | |
| Final dividend for the financial year ended 31 December 2011 | 10.00 | 1,440,693 | 24 July 2012 |
| Interim dividend for the financial year ended 31 December 2012 | 4.00 | 575,257 | 22 January 2013 |
| | | 2,015,950 | |

The Directors recommend a final dividend of 10% less tax of 25% totalling RM1,438,142 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.

## 25. Significant related party transactions

| | | Transaction value | | Balance outstanding as at 31 December | |
|---|---|---|---|---|---|
| **Name of company** | **Type of transaction** | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| With subsidiary: | | | | | |
| Advanced Packaging Investments (H.K.) Limited | Advances | - | 28,569 | - | - |
| | Write off | - | 50,390 | | |

Information regarding the disposal of the subsidiary is disclosed in Note 7 to the financial statements. 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.

## 26. 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 - The Company has disposed off the investment in subsidiary on December 2011 and related information has been disclosed in Note 7 to the financial statements.
(ii) The People's Republic of China - The Company has disposed off the investment in joint venture upon the disposal of the investment in subsidiary as disclosed in Note 26 (b) (i) to the financial statements. The joint venture company has not commenced business at the time of disposal.

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

| | Malaysia | | Outside Malaysia | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| Segmental assets by location of assets | 35,845,201 | 35,917,263 | - | - | 35,845,201 | 35,917,263 |

(c) ***Major customers***

Revenues from major customers amounting to RM10,157,202 (2011: RM9,010,539), arising from sales of the flexible packaging materials.

## 27. Contingent liability

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Bank guarantee given by financial institution to third party | 137,786 | 141,800 |
| Documentary credit | 286,016 | 514,780 |

## 28. Financial instruments

### Financial risk management objectives and policies

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

The following sections provide details regarding 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 Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. 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 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 might have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

The Company's major concentration of credit risk relates to the amounts owing by 8 major customers which constituted approximately 76% of its trade receivables as at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 28. Financial instruments (continued)

**Credit risk** (continued)

Exposure to credit risk

As the Company 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:

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Malaysia | 3,453,389 | 4,752,413 |

Ageing analysis

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

| | Gross Amount<br>RM | Individual Impairment<br>RM | Collective Impairment<br>RM | Carrying Value<br>RM |
|---|---|---|---|---|
| **2012** | | | | |
| Not past due : | 3,078,949 | - | - | 3,078,949 |
| Past due: | | | | |
| - less than 3 months | 721,000 | - | (445,406) | 275,594 |
| - more than 3 months | 103,440 | - | (4,594) | 98,846 |
| | 3,903,389 | - | (450,000) | 3,453,389 |

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

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 Company. The Company 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.

## 28. Financial instruments (continued)

**Credit risk** (continued)

Trade receivables that are past due but not impaired

The Company 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 Company's exposure to interest rate risk arises mainly from interest-earning financial assets and liabilities. The Company's policy is to obtain the most favourable interest rates available.  Any surplus funds of the Company will be placed with licensed financial institutions to generate interest income.

Information relating to the 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:

| | 2012<br>Increase /<br>(Decrease)<br>RM | 2011<br>Increase /<br>(Decrease)<br>RM |
|---|---|---|
| **Effects on profit after taxation** | | |
| Increase of 10 basis point ("bp") | 10,000 | 7,500 |
| Decrease of 10 basis point ("bp") | (10,000) | (7,500) |

## 28. Financial instruments (continued)

### Market risk

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

### Foreign currency risk

The Company incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is US 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 net unhedged financial assets and financial liabilities of the Company that are not denominated in their functional currencies are as follows:

| | United States Dollar | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| **Financial liabilities** | | |
| Trade payables | - | 479,553 |
| Net currency exposure | - | (479,553) |

## 28. Financial instruments (continued)

**Foreign currency 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:

| | **2012** % | **2011** % | **2012 RM Increase/ (Decrease)** | **2011 RM Increase/ (Decrease)** |
|---|---|---|---|---|
| **Effect on profit after tax** | | | | |
| USD / RM | | | | |
| Strengthened by | 5.00 | 5.00 | - | (76,177) |
| Weakened by | 5.00 | 5.00 | - | 76,177 |
| SGD / RM | | | | |
| Strengthened by | 5.00 | 5.00 | - | - |
| Weakened by | 5.00 | 5.00 | - | - |
| RMB / RM | | | | |
| Strengthened by | 5.00 | 5.00 | - | - |
| Weakened by | 5.00 | 5.00 | - | - |

**Liquidity risk**

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

## 29. 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 equivalent to the carrying value as at the end of the reporting period.

## 29. 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:

| | ← 2012 | → | ← 2011 | → |
|---|---|---|---|---|
| | **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** |
|---|---|---|---|---|
| **2012** | | | | |
| **Financial asset** | | | | |
| Other investment | 5,000,000 | - | - | 5,000,000 |

## 30. Capital management

The Company manages its capital to ensure that the Company will be able to maintain an optimal capital structure so as to support its business and maximise shareholder(s) value. To achieve this objective, the Company 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 Company manages its capital based on debt-to-equity ratio. The Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## 30. Capital management (continued)

Net debt is calculated based on trade and non-trade payables plus amount due to Directors, and dividend payables, less cash and cash equivalents. Total capital is calculated as equity plus net debt.

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

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| Trade payables | 1,061,547 | 1,403,341 |
| Amount due to Directors | 162,000 | 162,000 |
| Non-trade payables and accruals | 996,740 | 973,889 |
| Dividend payable | 575,257 | 577,543 |
| Bills payable | - | 194,828 |
| | 2,795,544 | 3,311,601 |
| Less: Cash and cash equivalents | (12,709,547) | (9,938,494) |
| Net debt | (9,914,003) | (6,626,893) |
| Total equity | 29,964,556 | 29,443,854 |
| Total capital | 20,050,553 | 22,816,961 |
| Gearing ratio (times) | (0.49) | (0.29) |

## 31. 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 25 April 2013.