HWA TAI INDUSTRIES BERHAD

2009 | ANNUAL REPORT

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notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting of the Company will be held at The Hwa Tai Grand Conference Room, Ground Floor, No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia on Saturday, 26 June 2010 at 11.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Directors' and Auditors' Reports thereon.

2. To approve the increase in Directors' fee for the financial year ended 31 December 2009.

3. To re-appointment the Director, YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, who retires in accordance with Section 129(6) of the Companies Act, 1965.

4. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-

   Mr. Soo Thien Ming @ Soo Thien See
   En. Mohamed Razif Bin Tan Sri Abdul Aziz
   Mr. Soo Wei Chian

5. To appoint Auditors and authorise the Directors to fix their remuneration.

6. To transact any other business appropriate to an Annual General Meeting, for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 1965.

7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:-

ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from the Securities Commission and Bursa Malaysia Securities Berhad and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That, in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following proposed amendments to the Articles of Association of the Company, be and are hereby approved."

ARTICLE NO.	EXISTING ARTICLE	AMENDED ARTICLE
Article 114 Dividend payable by post.	Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders to that one (1) of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. No unpaid dividend or interest shall bear interest as against the Company. All dividend unclaimed shall be dealt with by the Company in accordance with the Unclaimed Moneys Act 1965.	Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders to that one (1) of them first named in the register in respect of the joint holding **or by way of telegraphic transfer, electronic transfer or remittance to such account as designated by the person entitled to or such holder of such dividend.** Every such cheque, **warrant, telegraphic transfer, electronic transfer or remittance** shall be made payable to the order of the person to whom it is sent, **transferred or remitted.** No unpaid dividend or interest shall bear interest as against the Company. All dividend unclaimed shall be dealt with by the Company in accordance with the Unclaimed Moneys Act 1965.

By Order of the Board

JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
3 June 2010

NOTES:

PROXY

A member entitled to attend and vote at the Meeting is entitled to appoint at least 1 proxy to attend and vote instead of him. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

DIRECTORS' FEE

The details of the proposed Directors' Fee for the financial year ended 31 December 2009 are set out in Note 22(a) of the Audited Financial Statements for the financial year ended 31 December 2009.

ORDINARY RESOLUTION

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company with full power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would enable the Directors to take swift action in case of a need for any possible fund raising corporate exercise or in the event of business opportunities arise which involve the issuance of new shares, thus avoiding any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This renewed mandate, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares of the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 20 June 2009, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

SPECIAL RESOLUTION

The proposed Special Resolution, if passed, will render the Articles of Association of the Company to be consistent with the new requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

statement accompanying notice of annual general meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

No individual other than the retiring Directors is seeking appointment / election as a Director at the forthcoming Thirty-Fifth Annual General Meeting of the Company. The details of the retiring Directors standing for re-appointment / re-election are set out in the Directors' Profile appearing on pages 5 to 6 of this Annual Report.

corporate information

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (Chairman)

Soo Chung Yee (Group Chief Executive Director)

Col. (Rtd.) Dato' Ir. Cheng Wah

Mohamed Razif Bin Tan Sri Abdul Aziz

Soo Wei Chian

COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

No. 12 Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Malaysia
Tel. No.: 607-4151688
Fax No.: 607-4151135

CORPORATE OFFICE

No. 8 Jalan 1/1
Taman Industri Selesa Jaya
43300 Balakong
Selangor Darul Eshan
Malaysia
Tel. No.: 603-89610900
Fax No.: 603-89611501

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
(formerly PFA Registration Services Sdn Bhd)
Level 17, The Garden North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: 603-2264 3883
Fax No.: 603-2282 1886

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
Monteiro & Heng Chambers
No. 22, Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Bank Muamalat Malaysia Berhad
AmBank (M) Berhad
Bangkok Bank Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad

LISTING

Bursa Malaysia Securities Berhad,
Main Market
– Listed since 1992

MR. SOO THIEN MING @ SOO THIEN SEE

– Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, aged 62, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 35 years. He is also a Notary Public and Commissioner for Oaths. He holds several directorships in private companies in Malaysia and abroad.

He is the Chairman of the Nomination Committee and Remuneration Committee.

Mr. Soo has a direct shareholding of 12,372,627 ordinary shares of RM1/- each in the Company as at 30 April 2010. He is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company.

He is the father of Mr. Soo Chung Yee, the Group Chief Executive Director of the Company.

Mr. Soo does not have any conflict of interest with the Company nor any conviction for any offence.

MR. SOO CHUNG YEE

– Non-Independent Executive Director

Mr. Soo Chung Yee, Malaysian, aged 31, is the Group Chief Executive Director. He was appointed to the Board on 16 August 2004. Mr. Soo holds a Bachelor of Arts from the University of Derby, United Kingdom. He was awarded the Asia Pacific Entrepreneurship Award (Emerging Entrepreneur – Malaysia) in 2007 and the JCI Creative Young Entrepreneur Award (Junior Chamber International – Malaysia) in 2008. He also holds several directorships in private companies in Malaysia and abroad.

He is a member of the Remuneration Committee.

He is the son of Mr. Soo Thien Ming, the Chairman of the Company.

Mr. Soo does not have any interest in the securities of the Company or its subsidiaries. He also does not have any conflict of interest with the Company nor any conviction for any offence.

YBHG. COL. (RTD.) DATO' IR. CHENG WAH

– Independent Non-Executive Director

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, Malaysian, aged 71, was appointed to the Board on 1 August 2005. He graduated from the University of Malaya with a Bachelor of Engineering (Civil). He is a Professional Engineer with the Board of Engineers, Malaysia. He is also a graduate of the Royal Military Academy Sandhurst, United Kingdom and the Command and General Staff College, Fort Leavenworth, United States of America. He had served about 26 years i.e. from the period of December 1957 to September 1983 in the Malaysian Armed Forces. He had held various positions in the Malaysian Armed Forces including the positions of Director of Armed Forces Works, Logistic Division, Ministry of Defence in 1978 and Director of Logistic, Ministry of Defence in 1980 before retiring in September 1983. Upon retirement in 1983, he joined Resorts World Berhad as Senior Vice President (Property Development) till June 2004. He had also served as a Director in Koperasi Angkatan Tentera Malaysia Bhd (1978-1983), Chocolate Products (Malaysia) Berhad (1986-1989), Pacific Bank Berhad (1983-2000) and PacificMas Berhad (2001-2007). Currently, he sits on the Board of another listed company, Tamadam Bonded Warehouse Berhad. He is also a director in several other non-listed companies.

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah is the Chairman of the Audit Committee.

He has a direct shareholding of 20,000 ordinary shares of RM1/- each in the Company as at 30 April 2009. He does not have any interest in the securities of its subsidiaries.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any conviction for any offence.

ENCIK MOHAMED RAZIF BIN TAN SRI ABDUL AZIZ

– Independent Non-Executive Director

Encik Mohamed Razif Bin Tan Sri Abdul Aziz, Malaysian, aged 49, was appointed to the Board on 20 March 2006. He is a Barrister-at-law from Lincoln's Inn, United Kingdom. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1985. He specialises in corporate, financial services and conveyancing matters and has handled numerous housing projects for major developers and a variety of corporate as well as off-shore loan documentations. He is also specialised in Syariah Corporate Law and Syariah Conveyancing/Security documentation. He is an advisor for internal disciplinary inquiry committees of various organisations. He is also involved in Commercialisation of Biotechnology Products and Services and familiar with the Malaysian Intellectual Property laws. He is a committee member of the Kuala Lumpur Malay Chamber of Commerce and is the Chairman of the Professional Committee of the said Chamber. He is the Deputy President of Southampton University United Kingdom Alumni and a committee member of both the Malay College Old Boys Association (MCOBA) and Lincoln's Inn Alumni. He holds non-executive directorships in various companies.

Encik Mohamed Razif sits on the Audit Committee and Nomination Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence.

MR. SOO WEI CHIAN

– Independent Non-Executive Director

Mr. Soo Wei Chian, Malaysian, aged 41, was appointed to the Board on 1 August 2005. He holds a Masters of Business Administration, University of Strathclyde, United Kingdom. He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He held financial positions in public listed companies for the period between 1991 and 1995. He joined NV Multi Corporation Berhad ("NV Multi") as the Finance Manager in 1995 and he now holds the position of Executive Director in NV Multi.

Mr. Soo sits on the Audit Committee, Nomination Committee and Remuneration Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

During the financial year ended 31 December 2009, a total of five (5) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	5 of 5
Soo Chung Yee	5 of 5
Col. (Rtd.) Dato' Ir. Cheng Wah	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz	5 of 5
Soo Wei Chian	5 of 5

1. COMPOSITION OF AUDIT COMMITTEE

Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	Independent Non-Executive Director
Mohamed Razif Bin Tan Sri Abdul Aziz	Independent Non-Executive Director
Soo Wei Chian (MIA)	Independent Non-Executive Director

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. An Audit Committee shall be appointed by the Directors from among their number (except Alternate Directors) pursuant to a resolution of the Board of Directors which fulfils the following requirements:

   (a) The Audit Committee must be composed of no fewer than 3 Members;
   (b) All Members of the Audit Committee must be Non-Executive Directors, with majority of them being Independent Directors; and
   (c) At least one Member of the Audit Committee:
      (i) Must be a member of the Malaysian Institute of Accountants; or
      (ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
         (1) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
         (2) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
      (iii) Fulfils such other requirements as prescribed or approved by Bursa Malaysia.

2. The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

3. If a Member of the Audit Committee resigns, dies or for any other reason ceases to be a Member with the result that the number of Members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new Members as may be required to make up the minimum of 3 Members.

4. The terms of office and performance of the Audit Committee and each of its Members shall be reviewed by the Board of Directors no less than once every 3 years.

MEETINGS

1. Meetings shall be held not less than 4 times a year.
2. Upon the request of the External Auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.
3. The Chairman shall convene a meeting whenever any Member of the Audit Committee requests for a meeting.
4. Written notice of the meeting together with the agenda shall be given to the Members of the Audit Committee and the External Auditor, where applicable.
5. The quorum for a meeting shall be 2 Provided Always that the majority of Members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.
6. The other Board Members, Accounts Manager, the Head of Internal Audit (if any), any employee of the Company and a representative of the External Auditors may be invited to attend meetings. If necessary, the Audit Committee shall meet with the External Auditors without any Executive Board Member present.
7. The Company Secretary shall be the secretary of the Audit Committee.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

a) Investigate any activity within its terms of reference.
b) Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
c) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct access to the External Auditor and person(s) carrying out the internal audit function or activity and be able to convene meetings with the External Auditor, Internal Auditor or both, excluding the attendance of other members of the Board and employees of the Company, whenever necessary.

The Audit Committee shall be empowered to appoint and remove the Internal Auditor. The internal audit function shall report directly to the Audit Committee.

DUTIES

The duties of the Audit Committee shall be:

1. To recommend the nomination of a person or persons as External Auditors.

2. To review the following and report the same to the Board of Directors:-

    a. With the External Auditor, the audit plan;
    b. With the External Auditor, his evaluation of the system of internal controls;
    c. With the External Auditor, his audit report;
    d. The assistance given by the employees of the Company to the External Auditor;
    e. The adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;
    f. The Internal Audit programme, processes, the results of the Internal Audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function;
    g. The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
        i) Changes in or implementation of major accounting policy changes;
        ii) Significant and unusual events; and
        iii) Compliance with accounting standards and other legal requirements;
    h. Any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
    i. Any letter of resignation from the External Auditors of the Company; and
    j. Whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment; and

3. To discuss problems and reservations arising from the interim and final audits, and matters the External Auditor may wish to discuss (in the absence of management where necessary).

4. To keep under review the effectiveness of internal control systems, and in particular review the External Auditor's management letter and management's response.

5. To consider other topics, as agreed to by the Audit Committee and the Board of Directors.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

PROCEDURES

Each Audit Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

3. AUDIT COMMITTEE MEETING

During the financial year ended 31 December 2009, five (5) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz	3 of 5
Soo Wei Chian	5 of 5

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2009, the activities of the Audit Committee included the following:

a. Reviewed and recommended for Board approval the quarterly financial results for public announcement.
b. Reviewed and discussed with the External Auditors the audit planning memorandum before commencement of the year end audit.
c. Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
d. Reviewed and recommended for Board approval the Group's audited financial year end statement.
e. Reviewed the related party transactions that had arisen within the Company and Group.
f. Reviewed the internal audit reports.
g. Convened meetings with the External Auditor without the attendance of the management. Three of such meetings were held during the financial year.

5. INTERNAL AUDIT

The Internal Audit function involves the implementation of independent and systematic reviews of the processes and guidelines of the Group and the reporting of their application and compliance to the Audit Committee and Board of Directors. The Internal Audit function also involves the reporting of the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and the suggestion of any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year ended 31 December 2009, the following Internal Audit activities which were performed in-house, were carried out:-

a. Mapping of the current state of procedures and process.
b. Testing, evaluating and identifying potential areas that lack internal control.
c. Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
d. Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.
e. Performing ad-hoc task as requested by the Audit Committee

statement of corporate governance

BOARD RESPONSIBILITY

The Board of Directors is committed and continues to ensure the compliance with the principles and best practices as set out in the Malaysian Code on Corporate Governance to ensure high standards of corporate governance are practiced in the Group. The Board is pleased to provide the following statement on how the Group has applied the principles and best practices as set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance.

BOARD OF DIRECTORS

A. The Board

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance

The Board comprises 5 members to reflect the interests of the major shareholder, management, and minority shareholders.

The Chairman, who is a Non Independent Non Executive Director, heads the Board with an Executive Director and 3 Independent Non Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources and standards of conduct.

Generally, the Executive Director is responsible for carrying out the day to day operational functions while the Non Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his interest and abstain from participating in the decision making process.

The Board also set up a Management Council to assist the Board in the management of the operations of the Group. The Management Council is responsible to review the performance of the Group operations and any other pertinent issues pertaining to the performance of the Group.

C. Supply of Information

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees and acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

BOARD OF DIRECTORS (cont'd)

D. Appointments to the Board

In compliance with the Malaysian Code of Corporate Governance on the appointment of Directors, the Board had on 27th November 2001 set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

The Nomination Committee comprises Mr. Soo Thien Ming, En. Mohamed Razif Bin Tan Sri Abdul Aziz and Mr. Soo Wei Chian. Mr. Soo Thien Ming is the Chairman of the Nomination Committee.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board.

In addition, the Nomination Committee assesses the contribution of individual Board members, the effectiveness of the Board and the committees of the Board.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

E. Re-election

In accordance to the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office once at least in every 3 years. In addition, a Director who attains the age over 70 retires at every Annual General Meeting pursuant to the Companies Act, 1965. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association. All retiring Directors are eligible for re-election.

DIRECTORS' TRAINING

During the financial year, certain Directors have attended trainings in a various areas to enhance their skills so as to contribute more effectively to the Company. Directors who were unable to attend any formal training during the financial year, are well-informed of the latest developments on the various relevant rules and regulations as all Directors were updated by the Management, by providing them with reading materials on such new developments.

The conferences, seminars and training programmes attended by various Directors during the financial year were as follows:-

- Corporate Governance Revisited
- Corporate Governance – Lessons from Hong Kong
- A Turning Point for Corporate Governance
- Forum on Corporate Governance Guide
- PLCs Forum on Corporate Governance Best Practices
- Beyond the Financial Crisis
- Dialogue session on Indices, Investors and the Role of PLCs
- Simplifying Accounting for Financial Standards
- Financial Instruments : Recognition, Measurement, Disclosure & Presentation
- Introduction to Government Sales Tax

DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee on 27th November 2001 to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations.

The members of the Remuneration Committee comprises Mr. Soo Thien Ming, Mr. Soo Chung Yee and Mr. Soo Wei Chian. Mr. Soo Thien Ming is the Chairman of the Committee.

Fees payable to the Directors are recommended by the Board with the approval from shareholders at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package for the Non Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind for the financial year under review is disclosed in Note 22(a) to the financial statements.

SHAREHOLDERS

Dialogue between the Group and Investors

The Group recognizes the importance of accountability to the shareholders and as such conveys information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars, public announcements and the issuance of press releases.

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcements, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 61 of this Annual Report.

Internal controls

The Board recognizes its responsibilities to maintain a sound system of internal controls to safeguard shareholders' investment and Group's assets.

The review of the system of internal control is set out under the Statement of Internal Control set out on page 13 of this Annual Report. The Statement of Internal Control had been reviewed by the external auditors.

Audit Committee / Relationship with Auditors.

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 7 to 9 of this Annual Report.

BOARD RESPONSIBILITY

The Board of Directors recognises its overall responsibility for maintaining the Group's system of Internal Control and risk management to safeguard shareholders' investment and the Group's assets, as well as for reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board also recognises that risk management should be an integral part of the Group culture and is a continuous on going process of identifying, evaluating, minimising and managing of risk. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to internal controls and risk management are highlighted to the Board. If deemed necessary, assistance from external parties shall be consulted on issues in which the Board needs to seek an opinion.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place include the following:

1. The Group has a well defined organisation structure with clear lines of reporting, responsibilities and level of authority.

2. There are clear definition of authorisation procedure for major operating functions including purchases, capital expenditures, payment, credit control and stock control. Authority of the Directors is required for key treasury matters including loan and trade financing, cheque signatories and opening of bank accounts.

3. There is a budgeting and business planning process each year to establish plans and targets for each operating units. The performance of each operating unit is monitored through monthly reports.

4. The Group's management team meets regularly to review and monitor the business development, discuss and resolve key operational and management issues and review the financial performance against the business plan and budget for each operating units within the Group.

   The management also regularly highlights the significant issues and changes in the business, major policy matters, external environment affecting the Group and financial performance of each operating unit to the Board of Directors and Audit Committee.

5. Adequate financial and operational information systems are in place to capture and present timely and pertinent business information.

6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.

7. The Audit Committee also reviews the internal auditor's reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.

8. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.

9. The Company was accredited ISO 9002 since 1996 and upgraded to MS ISO 9001:2000 quality management systems since year 2002. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.

10. Strong emphasis is given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000 and upgraded to Integrated Quality Management & HACCP System certificate since 2002. Good Manufacturing Practice is documented and practiced to ensure food safety.

11. In ensuring each operating unit is functioning efficiently, much emphasis is placed on personnel employed. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

This Statement of Internal Control had been reviewed by the External Auditors.

directors' responsibility statement and other information

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.26(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2009 as set out herein on pages 20 to 60 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant regulatory bodies during the financial year.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests, either still subsisting at the end of the financial year end or entered into since the end of the previous financial year end.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group by the Auditors, Messrs. Baker Tilly Monteiro Heng, or a firm or corporation affiliated to them totalled approximately RM16,000/- during the financial year.

Utilisation of Proceeds raised from Corporate Proposals

The Company did not implement any fund raising exercise during the financial year.

Share Buy-Backs

The Company did not make any share buy-back arrangement during the financial year.

Options and Warrants

During the financial year 2004, the Company issued 19,845,000 free detachable warrants ("Warrants") at an exercise price of RM1.74. The period of the Warrants is five years from the date of issuance of the Warrants on 3 June 2004. None of the Warrants were exercised during the financial year.

The Warrants expired on 2 June 2009. All unexercised Warrants had lapsed and ceased to be valid for any purpose.

Depository Receipt

The Company did not sponsor any depository receipt programme during the financial year.

Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2009 and the unaudited results previously released for the financial quarter ended 31 December 2009.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Hwa Tai Industries Berhad and its group of companies for the financial year ended 31 December 2009.

BUSINESS ENVIRONMENT IN 2009

The impact of the global financial crisis of 2008 flew into 2009 and the international economic uncertainty played a role in dampening overall consumer demand especially in the international market. Fortunately, the national policy measures implemented by our Malaysian Government in 2009 proved fruitful and helped the domestic economy to improve, thus gradually boosting consumer and business confidence in the domestic market.

Another positive event, it is the stabilising of prices of raw materials generally in 2009 which helped to ensure timely and consistent supply of raw materials of the desired quality and cost.

FINANCIAL REVIEW

With the gradual recovery of the Malaysian economy and on our improved operational productivity, I am proud to report that the Company delivered a sound performance result in 2009.

The Group registered a substantially higher net profit of RM2.05 million as compared to the net profit of RM415,000 in 2008. The improved results were made possible by the Management's efforts in enhancing cost control and production planning. These prudent measures and also the stabilising of the prices of most of the raw materials, resulted in savings which contributed to a higher profit margin.

The Group's revenue experienced a drop to RM72.13 million as compared to the revenue of RM80.25 million in 2008. Weak consumer sentiments in the international market and the discontinuation of the distribution of certain non-performing agency products took a toll on the Group's revenue. However, sales from the domestic market remained strong. The Group's local marketing strategies such as out-reaching to a wider market, aggressive promotional activities and focusing on several selected products to push up product value, had yielded strong consumer demand in the domestic market. Thus, sales from the domestic market helped to keep the Group's overall revenue afloat despite the challenging international market backdrop.

CORPORATE AWARDS AND DEVELOPMENTS

The Company believes in the importance of continuously building the Hwa Tai brand to remain a leader in the food industry. Our efforts in promoting the Hwa Tai brand were rewarded when the Company won the prestigious The BrandLaureate Awards 2009-2010: Best Brands in Product Branding - Best Brands in FMCG – Biscuits's awarded by the The Asia Pacific Brands Foundation.

On the corporate front, the Company's Warrants 2004/2009 issued on 3 June 2004, which had an exercisable period of five years, expired on 2 June 2009. All unexercised Warrants had lapsed and ceased to be valid for any purpose.

CORPORATE SOCIAL RESPONSIBILITY

Children have always held a special place in our hearts. The Company's social responsibility activities in 2009 focused on these future leaders of our Nation, where the Company participated in several product sponsorships in various local schools events. We also took the opportunity in these activities to encourage the young on good eating habits by introducing our healthy range of biscuits.

The Company also views value and safety of our products consumed by our customers as an important responsibility to society. Thus, we continuously invest to upgrade our manufacturing processes, equipment, and skills of our employees to ensure high quality of our products at all times.

Our employees are also constantly guided and encouraged to conserve energy and resources as a contribution towards protecting the environment for the benefit of our future generations.

OUTLOOK AND FUTURE PROSPECTS FOR 2010

There are glimmer signs that the global downturn is gradually stabilising, but the recovery is expected to be sluggish and uneven. Thus, the Group will continue to operate in a challenging environment in 2010.

Despite these challenges, everyone in the Group will instill a positive mindset and strong determination to overcome any adverse condition that the Group may face in the year ahead to achieve better performance and growth.

ACKNOWLEDGEMENT

The Board and I would like to record our appreciation to the Management and staff for their contribution to the Group. To all our shareholders, customers, distributors, business associates, financiers, suppliers and governmental and regulatory authorities, we express our profound gratitude for the unrelenting support extended to us.

SOO THIEN MING @ SOO THIEN SEE
Chairman

3 June 2010

directors' report

The directors hereby submit their report together with the audited financial statements of Hwa Tai Industries Berhad ("the Company") and its subsidiary companies and associated company ("the Group") for the financial year ended 31st December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies and the associated company are disclosed in Note 6 and Note 7 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	2,051,989	2,510,825
Attributable to:-		
Equity holders of the Company	2,051,989	2,510,825
Minority interests	–	–
	2,051,989	2,510,825

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2009.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures during the financial year.

WARRANTS 2004/2009

In the financial year 2004, the Company issued 19,845,000 free detachable warrants. The detachable warrants carry the rights to subscribe for 1 new ordinary share of RM1/- each at the exercise price of RM1.74 within the exercisable period of five (5) years from the date of the issuance of the warrants on 3rd June 2004. None of the warrants were exercised during the financial year.

The said warrants expired on 2nd June 2009. All unexercised warrants had lapsed and ceased to be valid for any purpose.

DIRECTORS

The names of the directors in office since the date of the last report and at the date of this report are:-

Soo Thien Ming @ Soo Thien See
Soo Chung Yee
Col. (Rtd.) Dato' Ir. Cheng Wah
Soo Wei Chian
Mohamed Razif Bin Tan Sri Abdul Aziz
Lim Keng Kee - resigned on 10.7.2009

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares, warrants and options in the Company during the financial year ended 31st December 2009 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Soo Thien Ming @ Soo Thien See				
- direct	12,372,627	–	–	12,372,627
Col. (Rtd) Dato' Ir. Cheng Wah				
- direct	20,000	–	–	20,000

	Number of warrants for shares of RM1/- each, exercisable at RM1.74 per share			
	At 1.1.2009	Offered/ Bought	Exercised/ Sold	At 2.6.2009 Expiry Date
Soo Thien Ming @ Soo Thien See				
- direct	2,977,123	–	–	(Lapsed)

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the shares held by the Company in its related corporations by virtue of his controlling interest in the Company.

Other than as stated above, none of the directors in office at the end of the financial year had any interest in shares or warrants in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed in 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.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE
Director

SOO CHUNG YEE
Director

Kuala Lumpur
26 April 2010

balance sheets
As at 31 December 2009

	Note	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
ASSETS					
Non-currents assets					
Property, plant and equipment	3	**17,543,807**	19,068,970	**16,608,911**	17,992,556
Investment properties	4	**–**	4,133,200	**–**	4,133,200
Prepaid land lease payments	5	**1,405,865**	1,445,006	**719,921**	737,392
Investment in subsidiary companies	6	**–**	–	**2,671,945**	2,671,945
Investment in an associate company	7	**1,848,497**	1,815,109	**1,791,457**	1,791,457
Amount owing by subsidiary companies	8	**–**	–	**407,869**	407,869
		20,798,169	26,462,285	**22,200,103**	27,734,419
Current assets					
Inventories	9	**5,111,614**	6,256,684	**4,562,707**	5,568,268
Trade and sundry receivables	10	**26,864,262**	28,760,806	**21,680,064**	21,521,694
Tax recoverable		**54,698**	122,996	**39,800**	80,475
Amount owing by subsidiary companies	8	**–**	–	**1,082,688**	802,741
Fixed deposit place with licensed bank		**–**	3,750	**–**	–
Cash and bank balances		**4,715,965**	651,092	**3,995,290**	255,686
		36,746,539	35,795,328	**31,360,549**	28,228,864
TOTAL ASSETS		**57,544,708**	62,257,613	**53,560,652**	55,963,283
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	11	**40,042,400**	40,042,400	**40,042,400**	40,042,400
Capital reserve	12	**7,664**	7,664	**7,664**	7,664
Accumulated losses		**(23,095,497)**	(25,147,486)	**(21,320,346)**	(23,831,171)
Shareholders' funds		**16,954,567**	14,902,578	**18,729,718**	16,218,893
Minority interest		**–**	–	**–**	–
Total Equity		**16,954,567**	14,902,578	**18,729,718**	16,218,893

	Note	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
Non-currents liabilities					
Hire purchase liabilities	13	**1,347,142**	1,830,004	**1,347,142**	1,830,004
Term loan	14	**1,577,480**	–	**1,577,480**	–
Deferred taxation	15	**31,030**	38,862	**–**	–
		2,955,652	1,868,866	**2,924,622**	1,830,004
Current liabilities					
Trade and sundry payables	16	**18,944,723**	21,786,632	**12,458,077**	14,022,147
Amount owing to subsidiary companies	17	**–**	–	**935,675**	348,766
Hire purchase liabilities	13	**502,447**	516,244	**502,447**	516,244
Provisions	18	**2,880,055**	1,493,944	**2,880,055**	1,493,944
Short term borrowings	19	**14,000,200**	18,630,300	**14,000,200**	18,630,300
Term loan	14	**340,577**	–	**340,577**	–
Tax payable		**177,206**	156,064	**–**	–
Bank overdrafts	20	**789,281**	2,902,985	**789,281**	2,902,985
		37,634,489	45,486,169	**31,906,312**	37,914,386
Total liabilities		**40,590,141**	47,355,035	**34,830,934**	39,744,390
TOTAL EQUITY AND LIABILITIES		**57,544,708**	62,257,613	**53,560,652**	55,963,283

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

income statements

For the financial year ended 31 December 2009

	Note	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
REVENUE	21	**72,125,922**	80,245,698	**59,341,570**	62,150,391
Cost of sales		**(49,769,251)**	(63,838,577)	**(40,685,300)**	(48,552,481)
GROSS PROFIT		**22,356,671**	16,407,121	**18,656,270**	13,597,910
Other operating income		**908,003**	559,105	**813,170**	377,650
Other operating expenses					
- impairment on investment in subsidiary companies		–	–	–	(3,165,127)
- allowance for doubtful debts					
- subsidiary companies		–	–	–	(15,936,593)
- third parties		**(1,147,820)**	(649,088)	**(178,222)**	(133,270)
Selling and distribution expenses		**(11,936,096)**	(8,232,948)	**(10,809,675)**	(7,166,925)
Administrative expenses		**(6,976,342)**	(6,308,305)	**(5,024,216)**	(4,908,451)
OPERATING PROFIT/(LOSS)	22	**3,204,416**	1,775,885	**3,457,327**	(17,334,806)
Share of results in an associate company		**33,388**	11,430	–	–
Finance costs	23	**(1,016,422)**	(1,330,138)	**(942,308)**	(1,227,008)
PROFIT/(LOSS) BEFORE TAXATION		**2,221,382**	457,177	**2,515,019**	(18,561,814)
Taxation	24	**(169,393)**	(41,999)	**(4,194)**	–
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**2,051,989**	415,178	**2,510,825**	(18,561,814)
Attributable to:					
Equity holders of the Company		**2,051,989**	415,178	**2,510,825**	(18,561,814)
Minority interest		–	–	–	–
		2,051,989	415,178	**2,510,825**	(18,561,814)
Earning per ordinary share (sen)	25				
- basic		**5**	1		
- diluted		**5**	1		

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

statements of changes in equity

For the financial year ended 31 December 2009

GROUP

	Attributable to Equity Holders of the Company				
	Share Capital RM	Non-distributable Capital Reserve RM	Accumulated Losses RM	Minority Interest RM	Total RM
At 1st January 2008	40,042,400	7,664	(25,562,664)	–	14,487,400
Profit for the financial year	–	–	415,178	–	415,178
At 31st December 2008	40,042,400	7,664	(25,147,486)	–	14,902,578
Profit for the financial year	–	–	2,051,989	–	2,051,989
At 31st December 2009	**40,042,400**	**7,664**	**(23,095,497)**	**–**	**16,954,567**

COMPANY

	Share Capital RM	Non-distributable Capital Reserve RM	Accumulated Losses RM	Total RM
At 1st January 2008	40,042,400	7,664	(5,269,357)	34,780,707
Loss for the financial year	–	–	(18,561,814)	(18,561,814)
At 31st December 2008	40,042,400	7,664	(23,831,171)	16,218,893
Profit for the financial year	–	–	2,510,825	2,510,825
At 31st December 2009	**40,042,400**	**7,664**	**(21,320,346)**	**18,729,718**

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

cash flow statements
For the financial year ended 31 December 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation	**2,221,382**	457,177	**2,515,019**	(18,561,814)
Adjustments for:				
Allowance for doubtful debts	**1,147,820**	649,088	**178,222**	16,069,863
Allowance for doubtful debts no longer required	**(36,073)**	(49,158)	**–**	–
Allowance for inventories obsolescence	**462,404**	–	**462,404**	–
Amortisation of prepaid land lease payments	**39,141**	39,031	**17,471**	17,471
Bad debts written off	**30,469**	–	**–**	–
Depreciation				
- property, plant and equipment	**1,980,138**	2,094,794	**1,818,993**	1,919,289
- investment properties	**40,399**	51,103	**40,399**	51,103
(Gain)/loss on disposal of property, plant and equipment	**(45,184)**	28,714	**(45,184)**	8,169
Impairment loss on investment in subsidiary companies	**–**	–	**–**	3,165,127
Gain on disposal of investment properties	**(121,199)**	(106,813)	**(121,199)**	(106,813)
Gain on disposal of non-current assets held for sale	**–**	(104,461)	**–**	–
Interest income	**(16,120)**	(8,804)	**(15,052)**	(7,049)
Interest expenses	**1,016,422**	1,330,138	**942,308**	1,227,008
Property, plant and equipment written off	**7,601**	2,240	**–**	–
Provision for advertising and promotion expenses	**4,381,000**	4,878,880	**4,381,000**	4,878,880
Share of results in an associate company	**(33,388)**	(11,430)	**–**	–
Gain on unrealised foreign exchange	**(19,630)**	(81,450)	**(19,630)**	(81,450)
	11,055,182	9,169,049	**10,154,751**	8,579,784
Changes In Working Capital:				
Inventories	**682,666**	(802,733)	**543,157**	(874,919)
Receivables	**773,958**	218,813	**(316,962)**	1,408,110
Payables	**(2,841,909)**	(5,934,709)	**(1,564,070)**	(4,998,284)
Balances with subsidiary companies	**–**	–	**–**	(1,294,243)
Utilisation of provision for advertising and promotion expenses	**(2,994,889)**	(4,670,783)	**(2,994,889)**	(4,670,783)
	6,675,008	(2,020,363)	**5,821,987**	(1,850,335)
Interest paid	**(813,880)**	(1,282,994)	**(739,766)**	(1,181,101)
Tax paid	**(145,528)**	–	**(21,262)**	–
Tax refund	**57,743**	495,266	**57,743**	471,017
Net Operating Cash Flows	**5,773,343**	(2,808,091)	**5,118,702**	(2,560,419)

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment *	**(472,200)**	(403,378)	**(443,279)**	(201,255)
Proceeds from disposal of non-current assets held for sale	**–**	470,000	**–**	–
Proceeds from disposal of property, plant and equipment	**77,433**	194,542	**75,740**	192,741
Net proceeds from disposal of investment properties	**4,214,000**	895,000	**4,214,000**	895,000
Interest received	**16,120**	8,804	**15,052**	7,049
Net Investing Cash Flows	**3,835,353**	1,164,968	**3,861,513**	893,535
CASH FLOW FROM FINANCING ACTIVITIES:				
Net (repayment)/drawdown of short term borrowings	**(4,630,100)**	1,099,300	**(4,630,100)**	1,099,300
Net advances from subsidiary companies	**–**	–	**306,962**	171,416
Net drawdown/(repayment) of term loans	**1,918,057**	(91,129)	**1,918,057**	–
Net repayment of hire purchase liabilities	**(519,284)**	(247,953)	**(519,284)**	(247,953)
Interest paid	**(202,542)**	(47,144)	**(202,542)**	(45,907)
Net Financing Cash Flows	**(3,433,869)**	713,074	**(3,126,907)**	976,856
NET CHANGE IN CASH AND CASH EQUIVALENTS	**6,174,827**	(930,049)	**5,853,308**	(690,028)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**(2,248,143)**	(1,318,094)	**(2,647,299)**	(1,957,271)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**3,926,684**	(2,248,143)	**3,206,009**	(2,647,299)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	**4,715,965**	651,092	**3,995,290**	255,686
Fixed deposit	**–**	3,750	**–**	–
Bank overdrafts	**(789,281)**	(2,902,985)	**(789,281)**	(2,902,985)
	3,926,684	(2,248,143)	**3,206,009**	(2,647,299)

Group and Company

* In the financial year 2009, the Group and the Company acquired property, plant and equipment amounting to RM494,825/- and RM465,904/- respectively of which RM28,281/- were acquired under hire purchase instalment plans. Cash payments amounting to RM5,656/- were made towards the hire purchase arrangement.

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

1. GENERAL INFORMATION

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

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

The registered office and principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

The financial statements of the Group and of the Company have also been prepared under the historical cost convention modified to include the revaluation of certain assets.

The preparation of financial statements requires the directors to make certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reported financial year. It also requires directors to exercise their judgments in the process of applying the Group's accounting policies. Although these estimates and judgments are based on the directors' best knowledge of current events and action, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4 to the financial statements.

2.2 Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the parent and its subsidiary companies are all drawn up to the same reporting date.

The financial statements of the subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 2.2(c) to the financial statements.

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statement for like transactions and events in similar circumstances.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its assets together with the balance of goodwill.

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

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Subsidiaries Companies

Subsidiary companies are entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(s) to the financial statements. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(c) Goodwill on Consolidation

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any. The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(s) to the financial statements.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(d) Associate Company

Associate company is an entity in which the Group exercises influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies.

Investment in associate company is accounted for in the consolidated financial statements using the equity method of accounting and is initially recognised at cost. The Group's investment in associate company includes goodwill identified on acquisition, net of any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(s).

Under the equity method, the investment in associate company is carried in the consolidated balance sheet at cost adjusted for post acquisition changes in the Group's share of net assets of the associated company. The Group's share of the net profit or loss of the associate company is recognised in the consolidated income statement. Where there has been a change that is recognised directly in the equity of the associate company, the Group recognises its share of such changes.

When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate company.

Goodwill relating to an associate company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate company's profit or loss in the period in which the investment is acquired.

On disposal of such investment, the difference between net disposal proceed and the carrying amount of the investment in an associate company is reflected as a gain or loss on disposal in the consolidated income statement.

The results of the associate company, Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd. ("the associate company"), is accounted for in the consolidated financial statements based on the unaudited financial statements of the associate company made up from 1st January 2009 to 31st December 2009 and is prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment loss, if any. The policy of recognition of impairment losses is in accordance with Note 2.2(s) to the financial statements. Cost includes expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment and Depreciation (cont'd)

No depreciation is provided on the freehold land as it has infinite useful life. Capital work in progress will be depreciated when the property, plant and equipment are ready for their intended use. Depreciation of other property, plant and equipment is provided on the straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following rates:-

Freehold building	2%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and motor vehicles	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposals proceeds and the net carrying amount, if any, is recognised in the income statement.

(f) Revaluation of Assets

The directors have applied the transitional provision of Financial Reporting Standards 116 Property, Plant and Equipment which allows the assets to be stated at their last revaluation amounts less depreciation.

Surpluses arising on revaluation are credited to the Revaluation Reserve Account. Any deficit arising from revaluation is charged against the Revaluation Reserve Account to the extent of a previous surplus held in the Revaluation Reserve Account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

(g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties. The estimated useful lives of the investment property is as follows:-

Building	2%

No depreciation is provided on the freehold land as it has indefinite useful life.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains or losses on the retirement or disposal of investment properties are recognised in income statements in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials, packing materials and consumable stores comprise purchase price and carriage costs. Cost of manufactured finished goods and work-in- progress include direct materials, direct labour and an allocation of manufacturing overheads.

(i) Receivables

Receivables are carried at anticipated realisable values. In estimating the realisable values, an allowance is made for doubtful receivables based on a review of all outstanding amounts as at the balance sheet date.Bad debts are written off to the income statement during the financial year when they are identified.

(j) Payables

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

(k) Leases

(i) Classification

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

– Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used in the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Company's incremental borrowings rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e) to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(k) Leases (cont'd)

(iii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight-line basis over the lease terms.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition and the construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(o) Foreign Currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and translations

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

Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates ruling at the balance sheet date. All exchange differences are taken to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Foreign Currencies (cont'd)

(ii) Foreign currency transactions and translations (cont'd)

Non monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

(p) Income Tax

The tax expense in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) Revenue Recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income, rental income and commission income are recognised on an accrual basis.

(r) Financial Instruments

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(s) Impairment of Assets

The carrying amounts of assets other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(s) Impairment of Assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(t) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(u) Segmental Information

Segment reporting is presented for enhanced assessment of the Group's risks and returns. The primary reporting segment information is in respect of business segments as the Group's risk and rates of return are affected predominantly by the products or services it produces or provides. No segment information on the basis of geographical segments is presented as the Group operates predominantly in Malaysia.

Segment revenue and expense are those directly attributable to the segments and include any joint revenue and expense where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenue, expense and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int")

(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int

There are no new and revised accounting standards, amendments/improvements to FRSs and IC Int that are effective and applicable for the Group's financial year ended 31st December 2009.

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been adopted early

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New FRSs		
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
Revised FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 3	Business Combinations	1 July 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010, 1 July 2010 and 1 January 2011
FRS 2	Share-based Payment	1 January 2010 and 1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010 and 1 July 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010 and 1 January 2011
FRS 8	Operating Segments	1 January 2010
FRS 107	Statement of Cash Flows	1 January 2010
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
FRS 110	Events After the Reporting Period	1 January 2010
FRS 116	Property, Plant and Equipment	1 January 2010
FRS 117	Leases	1 January 2010
FRS 118	Revenue	1 January 2010
FRS 119	Employee Benefits	1 January 2010
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 January 2010
FRS 128	Investment in Associates	1 January 2010
FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
FRS 131	Interests in Joint Ventures	1 January 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") (cont'd)

(b) New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been adopted early (cont'd)

		Effective for financial periods beginning on or after
FRS 132	Financial Instruments: Presentation	1 January 2010 and 1 March 2010
FRS 134	Interim Financial Reporting	1 January 2010
FRS 136	Impairment of Assets	1 January 2010
FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
FRS 140	Investment Property	1 January 2010
<u>IC Int</u>		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010
IC Int 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 13	Customer Loyalty Programmes	1 January 2010
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010

The Group and the Company plan to adopt the above FRSs, Amendments to FRSs and Interpretations when they become effective in the respective financial period. The adoption of the above FRSs, Amendments to FRSs and Interpretations upon their initial application are not expected to have any significant impact on the financial statements of the Group and the Company. The Company is exempted from disclosing the possible impact, if any, to the financial statements upon application of FRS 7 and FRS 139.

2.4 Significant Accounting Estimates and Judgments

(a) Key Sources of Estimation and Uncertainty

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

(i) Useful lives of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Significant Accounting Estimates and Judgments (cont'd)

(a) Key Sources of Estimation and Uncertainty (cont'd)

(ii) Allowance for doubtful debts

The Group and the Company make allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(iii) 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 can result in revisions to the valuation of inventories.

(iv) Income Taxes

The Group and the Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made.

(v) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency.

(b) Critical Judgments Made In Applying Accounting Policies

There are no critical judgments made by the management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2009	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-In-Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2009	9,537,728	37,455,047	3,486,503	625,655	1,447,693	1,935,825	54,488,451
Additions	92,276	296,727	100,452	5,130	–	240	494,825
Reclassifications	–	1,936,065	–	–	–	(1,936,065)	–
Disposals/write-off	–	(47,233)	(239,965)	–	(171,971)	–	(459,169)
At 31st December 2009	9,630,004	39,640,606	3,346,990	630,785	1,275,722	–	54,524,107

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP 2009	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-In-Progress RM	Total RM
Accumulated Depreciation							
At 1st January 2009	**2,711,889**	**25,703,447**	**3,059,434**	**471,549**	**1,075,879**	**–**	**33,022,198**
Depreciation for the financial year	**182,064**	**1,442,379**	**200,322**	**34,369**	**121,004**	**–**	**1,980,138**
Disposals/write-off	**–**	**(45,894)**	**(221,518)**	**–**	**(151,907)**	**–**	**(419,319)**
At 31st December 2009	**2,893,953**	**27,099,932**	**3,038,238**	**505,918**	**1,044,976**	**–**	**34,583,017**
Impairment Loss							
At 1st January 2009	**2,397,283**	**–**	**–**	**–**	**–**	**–**	**2,397,283**
Impairment loss for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31st December 2009	**2,397,283**	**–**	**–**	**–**	**–**	**–**	**2,397,283**
Net Book Value at 31st December 2009	**4,338,768**	**12,540,674**	**308,752**	**124,867**	**230,746**	**–**	**17,543,807**

GROUP 2008	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-In-Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2008	9,574,331	37,259,819	3,646,152	637,608	1,447,693	–	52,565,603
Additions	–	467,476	65,536	–	–	1,935,825	2,468,837
Disposals/write-off	(36,603)	(272,248)	(225,185)	(11,953)	–	–	(545,989)
At 31st December 2008	9,537,728	37,455,047	3,486,503	625,655	1,447,693	1,935,825	54,488,451
Accumulated Depreciation							
At 1st January 2008	2,565,505	24,331,375	2,957,317	448,857	944,843	–	31,247,897
Depreciation for the financial year	182,511	1,456,324	290,454	34,469	131,036	–	2,094,794
Disposals/write-off	(36,127)	(84,252)	(188,337)	(11,777)	–	–	(320,493)
At 31st December 2008	2,711,889	25,703,447	3,059,434	471,549	1,075,879	–	33,022,198
Impairment Loss							
At 1st January 2008	2,397,283	–	–	–	–	–	2,397,283
Impairment loss for the financial year	–	–	–	–	–	–	–
At 31st December 2008	2,397,283	–	–	–	–	–	2,397,283
Net Book Value at 31st December 2008	4,428,556	11,751,600	427,069	154,106	371,814	1,935,825	19,068,970

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Properties consist of:-

GROUP 2009	Freehold Land and Buildings RM	Short Leasehold Buildings RM	Short Leasehold Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)					
At 1st January 2009	**2,699,798**	**4,873,928**	**1,775,176**	**188,826**	**9,537,728**
Additions	–	–	–	**92,276**	**92,276**
Disposals	–	–	–	–	–
At 31st December 2009	**2,699,798**	**4,873,928**	**1,775,176**	**281,102**	**9,630,004**
Accumulated Depreciation					
At 1st January 2009	**170,000**	**1,556,762**	**831,304**	**153,823**	**2,711,889**
Depreciation for the financial year	–	**141,348**	**32,308**	**8,408**	**182,064**
Disposals	–	–	–	–	–
At 31st December 2009	**170,000**	**1,698,110**	**863,612**	**162,231**	**2,893,953**
Impairment Loss					
At 1st January 2009	**2,397,283**	–	–	–	**2,397,283**
Impairment loss for the financial year	–	–	–	–	–
At 31st December 2009	**2,397,283**	–	–	–	**2,397,283**
Net Book Value at 31st December 2009	**132,515**	**3,175,818**	**911,564**	**118,871**	**4,338,768**
2008					
Cost (except as stated otherwise)					
At 1st January 2008	2,699,798	4,873,928	1,775,176	225,429	9,574,331
Additions	–	–	–	–	–
Disposals	–	–	–	(36,603)	(36,603)
At 31st December 2008	2,699,798	4,873,928	1,775,176	188,826	9,537,728
Accumulated Depreciation					
At 1st January 2008	170,000	1,409,626	804,468	181,411	2,565,505
Depreciation for the financial year	–	147,136	26,836	8,539	182,511
Disposals	–	–	–	(36,127)	(36,127)
At 31st December 2008	170,000	1,556,762	831,304	153,823	2,711,889
Impairment Loss					
At 1st January 2008	2,397,283	–	–	–	2,397,283
Impairment loss for the financial year	–	–	–	–	–
At 31st December 2008	2,397,283	–	–	–	2,397,283
Net Book Value at 31st December 2008	132,515	3,317,166	943,872	35,003	4,428,556

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY 2009	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-In-Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2009	6,055,662	35,064,205	2,772,013	495,460	1,015,553	1,935,825	47,338,718
Additions	92,276	290,227	78,031	5,130	–	240	465,904
Reclassifications	–	1,936,065	–	–	–	(1,936,065)	–
Disposals/write-offs	–	(47,233)	(25,922)	–	(171,971)	–	(245,126)
At 31st December 2009	6,147,938	37,243,264	2,824,122	500,590	843,582	–	47,559,496
Accumulated Depreciation							
At 1st January 2009	2,174,006	23,553,205	2,497,922	388,026	733,003	–	29,346,162
Depreciation for the financial year	162,494	1,396,216	142,864	26,333	91,086	–	1,818,993
Disposals/write-offs	–	(45,894)	(16,769)	–	(151,907)	–	(214,570)
At 31st December 2009	2,336,500	24,903,527	2,624,017	414,359	672,182	–	30,950,585
Net Book Value at 31st December 2009	3,811,438	12,339,737	200,105	86,231	171,400	–	16,608,911
2008							
Cost (except as stated otherwise)							
At 1st January 2008	6,055,662	35,056,672	2,803,502	495,460	1,015,553	–	45,426,849
Additions	–	279,781	51,108	–	–	1,935,825	2,266,714
Disposals/write-offs	–	(272,248)	(82,597)	–	–	–	(354,845)
At 31st December 2008	6,055,662	35,064,205	2,772,013	495,460	1,015,553	1,935,825	47,338,718
Accumulated Depreciation							
At 1st January 2008	2,011,285	22,227,997	2,348,019	361,622	631,885	–	27,580,808
Depreciation for the financial year	162,721	1,409,460	219,586	26,404	101,118	–	1,919,289
Disposals/write-offs	–	(84,252)	(69,683)	–	–	–	(153,935)
At 31st December 2008	2,174,006	23,553,205	2,497,922	388,026	733,003	–	29,346,162
Net Book Value at 31st December 2008	3,881,656	11,511,000	274,091	107,434	282,550	1,935,825	17,992,556

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Properties consist of:-

COMPANY 2009	Freehold Land RM	Short Leasehold Buildings RM	Short Leasehold Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)					
At 1st January 2009	132,515	3,976,975	1,775,176	170,996	6,055,662
Additions	–	–	–	92,276	92,276
Disposals	–	–	–	–	–
At 31st December 2009	132,515	3,976,975	1,775,176	263,272	6,147,938
Accumulated Depreciation					
At 1st January 2009	–	1,201,679	831,304	141,023	2,174,006
Depreciation for the financial year	–	123,560	32,308	6,626	162,494
Disposals	–	–	–	–	–
At 31st December 2009	–	1,325,239	863,612	147,649	2,336,500
Net Book Value at 31st December 2009	132,515	2,651,736	911,564	115,623	3,811,438
2008					
Cost (except as stated otherwise)					
At 1st January 2008	132,515	3,976,975	1,775,176	170,996	6,055,662
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 31st December 2008	132,515	3,976,975	1,775,176	170,996	6,055,662
Accumulated Depreciation					
At 1st January 2008	–	1,072,439	804,468	134,378	2,011,285
Depreciation for the financial year	–	129,240	26,836	6,645	162,721
Disposals	–	–	–	–	–
At 31st December 2008	–	1,201,679	831,304	141,023	2,174,006
Net Book Value at 31st December 2008	132,515	2,775,296	943,872	29,973	3,881,656

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The net book value of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under hire purchase instalment plans:-

	GROUP AND COMPANY	
	2009 RM	2008 RM
At Net Book Value		
Motor vehicles	**99,384**	117,183
Plant and machinery	**2,319,502**	527,603
Office equipment	**43,964**	26,495
	2,462,850	671,281

(b) Details of independent professional valuations based on an open market value basis of property, plant and equipment owned by the Group are as follows:-

	Year of Valuation	Description of Property	Revalued Amount RM
The Company	1983	Short term leasehold land	408,000
The Company	1983	Short term leasehold buildings	1,775,176
Subsidiary	1985	Short term leasehold land	300,000
			2,483,176

(c) Had the short term leasehold building been carried at historical cost less accumulated depreciation, the net book values of the short term leasehold building that would have been included in the financial statements at the end of the year are as follows:-

	GROUP AND COMPANY	
	2009 RM	2008 RM
Short term leasehold building	**216,621**	224,358

4. INVESTMENT PROPERTIES

GROUP AND COMPANY	2009 Freehold Land and Buildings RM	2009 Total RM	2008 Freehold Land and Buildings RM	2008 Total RM
Cost				
At 1st January	**5,529,899**	**5,529,899**	7,169,008	7,169,008
Disposals	**(5,529,899)**	**(5,529,899)**	(1,639,109)	(1,639,109)
At 31st December	–	–	5,529,899	5,529,899
Accumulated Depreciation				
At 1st January	**303,780**	**303,780**	364,490	364,490
Depreciation for the financial year	**40,399**	**40,399**	51,103	51,103
Disposals	**(344,179)**	**(344,179)**	(111,813)	(111,813)
At 31st December	–	–	303,780	303,780
Impairment Loss				
At 1st January	**1,092,919**	**1,092,919**	1,832,028	1,832,028
Disposals	**(1,092,919)**	**(1,092,919)**	(739,109)	(739,109)
At 31st December	–	–	1,092,919	1,092,919
Net Book Value at 31st December	–	–	4,133,200	4,133,200

5. PREPAID LAND LEASE PAYMENTS

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
At 1st January	**1,445,006**	1,484,037	**737,392**	754,863
Amortisation for the financial year	**(39,141)**	(39,031)	**(17,471)**	(17,471)
	1,405,865	1,445,006	**719,921**	737,392
Analysed as:-				
Short term leasehold land	**1,405,865**	1,445,006	**719,921**	737,392

6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY 2009 RM	COMPANY 2008 RM
Unquoted shares at cost	**8,264,673**	8,264,673
Less: Impairment loss	**(5,592,728)**	(5,592,728)
	2,671,945	2,671,945

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The details of the subsidiary companies which are all incorporated in Malaysia are as follows:-

	Name of Company	Equity Held 2009 %	Equity Held 2008 %	Principal Activities
	Direct subsidiary companies			
	Epro Industries Sdn. Bhd. ("EISB")	**100**	100	Property holding
	Suria Merah Manufactory (Segamat) Sdn. Bhd. ("SMMS")	**100**	100	Property holding
	Hwa Tai Food Industries (Sabah) Sdn.Bhd. ("HTFIS")	**100**	100	Biscuit manufacturer
	Hwa Tai Wholesale Sdn. Bhd. ("HTW") (formerly known as Pan Tai Trading Sdn. Bhd.)	**100**	100	Trading
	Hwa Tai Manufacturing Sdn. Bhd. ("HTM")	**100**	100	Dormant
*	Acetai Corporation Sdn. Bhd. ("Acetai")	**90**	90	Trading
*	Keris Intan Sdn. Bhd. ("KISB")	**100**	100	Dormant
*	Hwa Tai (Sarawak) Sdn. Bhd. ("HTSB")	**100**	100	Dormant
*	Hwa Tai Distribution Sdn. Bhd.("HTDSB")	**100**	100	Trading
*	Hwa Tai Services Sdn. Bhd. ("HTSSB")	**100**	100	Dormant
*	Absolute Focus Sdn. Bhd. ("AFSB")	**100**	100	Dormant
	Indirect subsidiary companies			
*	Anika Bebas Sdn. Bhd. ("ABSB")	**100**	100	Trading
*	Esprit Classic Sdn. Bhd. ("ECSB")	**100**	100	Trading

* *Subsidiary companies not audited by Baker Tilly Monteiro Heng*

7. INVESTMENT IN AN ASSOCIATE COMPANY

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
Unquoted shares - at cost	**1,791,457**	1,791,457	**1,791,457**	1,791,457
Share of post acquisition retained profits	**57,040**	23,652	**–**	–
	1,848,497	1,815,109	**1,791,457**	1,791,457
Represented by:-				
Share of net assets of an associate company	**2,178,490**	2,145,102	**–**	–
Discount on acquisition	**(329,993)**	(329,993)	**–**	–
	1,848,497	1,815,109	**–**	–

The details of the associate company which is incorporated in the People's Republic of China are as follows:-

Name of Company	Issue Share Capital Number of shares	Effective Equity Holdings 2009 %	Effective Equity Holdings 2008 %	Principal Activity
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.	1,050,000,000	**48**	48	Dealers, importers and exporters of biscuit, cake and baby products

The summarised financial information of the associate company are as follows:-

	2009 RM	2008 RM
Assets and Liability		
Current assets	**1,054,239**	1,492,028
Non-current assets	**6,801,298**	6,873,758
Total assets	**7,855,537**	8,365,786
Current liabilities	**3,317,016**	3,896,822
Total liability	**3,317,016**	3,896,822
The Group's share of the revenue and expenses of the associate is as follows:		
Revenue	**2,173,337**	2,242,496
Profit for the financial year	**33,388**	11,430

8. AMOUNT OWING BY SUBSIDIARY COMPANIES

	COMPANY	
	2009 RM	2008 RM
Amount owing by subsidiary companies	**17,627,149**	17,347,202
Less: Allowance for doubtful debts	**(16,136,592)**	(16,136,592)
	1,490,557	1,210,610
Portion due within one year	**1,082,688**	802,741
Portion due after one year	**407,869**	407,869
	1,490,557	1,210,610
Trade	**72,697**	–
Non-trade	**1,417,860**	1,210,610
	1,490,557	1,210,610

The amount owing by subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

9. INVENTORIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At Cost				
Raw materials	**1,338,601**	1,787,914	**1,153,910**	1,591,805
Work-in-progress	**282,476**	135,736	**231,265**	103,560
Finished goods	**1,277,973**	1,803,004	**1,104,651**	1,535,803
Packing materials	**2,537,559**	2,382,391	**2,397,876**	2,189,461
Consumable stores	**203,593**	213,823	**203,593**	213,823
	5,640,202	6,322,868	**5,091,295**	5,634,452
Less: Allowance for obsolete inventories	**(528,588)**	(66,184)	**(528,588)**	(66,184)
	5,111,614	6,256,684	**4,562,707**	5,568,268

10. TRADE AND SUNDRY RECEIVABLES

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
Trade receivables	**36,292,124**	36,193,673	**23,370,878**	22,921,286
Allowance for doubtful debts	**(10,307,474)**	(9,222,941)	**(2,065,759)**	(1,887,537)
	25,984,650	26,970,732	**21,305,119**	21,033,749
Sundry receivables	**1,324,597**	2,120,542	**854,481**	830,321
Allowance for doubtful debts	**(810,679)**	(863,371)	**(752,890)**	(752,890)
	513,918	1,257,171	**101,591**	77,431
Deposits	**188,728**	174,489	**110,130**	71,227
Prepayments	**176,966**	358,414	**163,224**	339,287
	26,864,262	28,760,806	**21,680,064**	21,521,694

The Group and the Company's normal trade credit terms range from 14 to 90 days.

The currency exposure profile of trade receivables is as follows:-

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
Ringgit Malaysia	**24,027,559**	23,894,363	**19,348,028**	17,957,380
United States Dollar	**1,594,534**	2,698,396	**1,594,534**	2,698,396
Singapore Dollar	**362,557**	377,973	**362,557**	377,973
	25,984,650	26,970,732	**21,305,119**	21,033,749

The allowance for doubtful debts of the Group is net of bad debts written off amounting to RM115,979/- (2008 : RM1,186,563/-).

11. SHARE CAPITAL

	GROUP AND COMPANY			
	Number of ordinary shares of RM1/- each		Amount	
	2009 UNIT	2008 UNIT	2009 RM	2008 RM
Authorised:				
At the beginning/end of the financial year	**1,000,000,000**	1,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:				
At the beginning/end of the financial year	**40,042,400**	40,042,400	**40,042,400**	40,042,400

12. CAPITAL RESERVE

	GROUP AND COMPANY 2009 RM	2008 RM
Non-distributable		
At the beginning/ end of the financial year	**7,664**	7,664
The capital reserve comprises surplus arising from the revaluation of leasehold building and prepaid land lease payments	**7,664**	7,664

13. HIRE PURCHASE LIABILITIES

	GROUP AND COMPANY 2009 RM	2008 RM
Minimum hire purchase payments		
- not later than one year	**642,956**	680,150
- later than one year and not later than five years	**1,530,200**	2,149,827
	2,173,156	2,829,977
Future interest charges	**(323,567)**	(483,729)
Present value of hire purchase liabilities	**1,849,589**	2,346,248

	GROUP AND COMPANY 2009 RM	2008 RM
Current	**502,447**	516,244
Non-current	**1,347,142**	1,830,004
	1,849,589	2,346,248

The effective interest rate ranges from 3.80% to 4.75% (2008: 3.80% to 4.75%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements.

The hire purchase liabilities are effectively secured on the rights of the assets under hire purchase.

14. TERM LOAN

	GROUP AND COMPANY 2009 RM	2008 RM
Term loan	**1,918,057**	–
Portion due within one year	**(340,577)**	–
Portion due after one year	**1,577,480**	–

14. TERM LOAN (cont'd)

	GROUP AND COMPANY	
	2009	2008
	RM	RM
Portion due within one year	340,577	–
Portion due after one year		
- not later than two years	364,588	–
- later than two years and not later than five years	1,212,892	–
	1,577,480	–
	1,918,057	–

The effective interest rate as at the balance sheet date is 7.05% (2008 : 8.00% to 8.50%) per annum.

15. DEFERRED TAXATION

	GROUP	
	2009	2008
	RM	RM
Balance at 1st January	38,862	–
Transfer from income statement (note 24)	(7,832)	38,862
Balance at 31st December	31,030	38,862
The component of deferred tax liabilities during the financial year is as follows:-		
Temporary differences between net book values and corresponding tax written down values	31,030	38,862

16. TRADE AND SUNDRY PAYABLES

	GROUP 2009 RM	GROUP 2008 RM	COMPANY 2009 RM	COMPANY 2008 RM
Trade payables	**12,497,793**	15,609,207	**7,172,917**	9,256,747
Sundry payables	**3,979,725**	3,844,116	**3,249,287**	3,041,860
Accruals	**2,336,996**	2,166,793	**1,905,664**	1,557,024
Deposits	**130,209**	166,516	**130,209**	166,516
	18,944,723	21,786,632	**12,458,077**	14,022,147

The normal trade credit terms granted to the Group and the Company range from 30 to 120 days.

In the financial year 2008, included in sundry payables of the Group and the Company is an amount of RM2,150,000/- owing to a director which is unsecured and has no fixed terms of repayment. The aforementioned amount has been fully settled during the financial year.

17. AMOUNT OWING TO A SUBSIDIARY COMPANY

Company

The amount owing to a subsidiary company is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

18. PROVISIONS

	GROUP AND COMPANY 2009 RM	GROUP AND COMPANY 2008 RM
Balance at 1st January	**1,493,944**	1,285,847
Charged to income statement	**4,381,000**	4,878,880
Utilised during the year	**(2,994,889)**	(4,670,783)
Balance at 31st December	**2,880,055**	1,493,944

Provisions are in respect of advertising and promotion expenses. The provision is recognised for expected expenses based on the budget and quotation received and the Company's past experience as to the level of advertising and promotion expenses.

19. SHORT TERM BORROWINGS

	GROUP AND COMPANY 2009 RM	GROUP AND COMPANY 2008 RM
Bankers' acceptance	**14,000,200**	18,630,300

The short term borrowings of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

Effective interest rates as at balance sheet date range from 5.02% to 6.25% (2008 : 5.02% to 6.25%) per annum.

20. BANK OVERDRAFTS

The bank overdrafts of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

The effective interest rates as at the balance sheet date range from 7.50% to 8.20% (2008 : 8.00% to 9.25%) per annum.

21. REVENUE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Sales of trading goods	**17,641,260**	21,357,293	**–**	–
Sales of manufactured goods	**54,484,662**	58,888,405	**59,341,570**	62,150,391
	72,125,922	80,245,698	**59,341,570**	62,150,391

22. OPERATING PROFIT/(LOSS)

Operating profit/(loss) has been arrived at:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
After charging:-				
Allowance for doubtful debts	**1,147,820**	649,088	**178,222**	16,069,863
Allowance for inventories obsolescence	**462,404**	–	**462,404**	–
Amortisation of prepaid land lease payments	**39,141**	39,031	**17,471**	17,471
Audit fee				
- current year	**100,220**	94,200	**60,000**	60,000
- under/(over)accrual in prior year	**5,960**	(4,178)	**–**	(5,500)
Bad debts written off	**30,469**	–	**–**	–
Directors' remunerations				
• Directors of the Company				
- salaries, bonuses and allowances	**692,327**	647,215	**613,677**	568,565
- fees	**126,000**	70,000	**126,000**	70,000
- other emoluments	**59,440**	51,286	**59,440**	51,286
• Directors of subsidiary companies				
- other emoluments	**78,650**	78,650	**–**	–
Depreciation				
- property, plant and equipment	**1,980,138**	2,094,794	**1,818,993**	1,919,289
- investment properties	**40,399**	51,103	**40,399**	51,103
Impairment loss of investment in subsidiary companies	**–**	–	**–**	3,165,127
Hire of vehicles	**303,635**	284,011	**303,635**	284,011
Loss on disposal of property, plant and equipment	**–**	28,714	**–**	8,169

22. OPERATING PROFIT/(LOSS) (cont'd)

Operating profit/(loss) has been arrived at:- (cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Provision for advertising and promotion expenses	**4,381,000**	4,878,880	**4,381,000**	4,878,880
Property, plant and equipment written off	**7,601**	2,240	**–**	–
Rental of premises	**188,000**	212,000	**66,000**	66,000
Research and development	**1,883**	1,794	**1,883**	1,794
Staff costs:				
- bonus	**340,180**	289,965	**300,000**	279,238
- Employees' Provident Fund	**656,208**	670,242	**528,115**	565,889
- SOCSO	**85,296**	86,709	**70,280**	73,340
- salaries, wages and allowances	**6,763,978**	7,053,328	**5,504,467**	6,006,906
- other staff related expenses	**317,034**	244,121	**262,689**	190,621
And crediting:-				
Allowance for doubtful debts no longer required	**36,073**	49,158	**–**	–
Gain on disposal of property, plant and equipment	**45,184**	–	**45,184**	–
Gain on disposal of investment properties	**121,199**	106,813	**121,199**	106,813
Gain on disposal of non-current assets held for sale	**–**	104,461	**–**	–
Interest income	**16,120**	8,804	**15,052**	7,049
Rental income	**2,448**	30,807	**–**	–
Gain on foreign exchange				
- unrealised	**19,630**	81,450	**19,630**	81,450
- realised	**515,302**	103,201	**515,228**	103,201

22. OPERATING PROFIT/(LOSS) (cont'd)

(a) Directors' remuneration

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Executive Directors				
Directors' fees	**10,000**	20,000	**10,000**	20,000
Salaries	**469,677**	399,565	**469,677**	399,565
Allowances	**24,000**	29,000	**24,000**	29,000
Other emoluments	**59,440**	51,286	**59,440**	51,286
	563,117	499,851	**563,117**	499,851
Non-Executive Directors				
Directors' fees	**116,000**	50,000	**116,000**	50,000
Allowances	**198,650**	218,650	**120,000**	140,000
	314,650	268,650	**236,000**	190,000
Grand Total				
Directors' fees	**126,000**	70,000	**126,000**	70,000
Salaries	**469,677**	399,565	**469,677**	399,565
Allowances	**222,650**	247,650	**144,000**	169,000
Other emoluments	**59,440**	51,286	**59,440**	51,286
	877,767	768,501	**799,117**	689,851

The number of Directors of the Company whose total remuneration fall within the respective ranges, are as follows:-

	← Number of Directors →			
	2009		2008	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	**–**	**3**	–	3
RM100,001 - RM150,000	**–**	**–**	–	1
RM150,001 - RM200,000	**–**	**1**	1	–
RM300,001 - RM350,000	**–**	**–**	1	–
RM450,000 - RM500,000	**1**	**–**	–	–
	1	**4**	2	4

22. OPERATING PROFIT/(LOSS) (cont'd)

(b) Key Management Personnel

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Directors' remuneration (Note 22(a))	**877,767**	768,501	**799,117**	689,851
Other key management personnel				
- salaries, bonus and other emoluments	**902,297**	774,142	**692,064**	632,900
- Defined contribution plans (Employees' Provident Fund)	**107,558**	94,777	**83,059**	78,661
	1,887,622	1,637,420	**1,574,240**	1,401,412

23. FINANCE COSTS

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Interest expenses				
- trade financing	**756,589**	1,131,294	**712,826**	1,029,401
- bank overdrafts	**26,940**	151,700	**26,940**	151,700
- hire purchase	**165,535**	45,907	**165,535**	45,907
- term loans	**37,007**	1,237	**37,007**	–
- others	**30,351**	–	**–**	–
	1,016,422	1,330,138	**942,308**	1,227,008

24. TAXATION

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Income tax				
- current year	**(159,194)**	(3,060)	**(4,194)**	–
- underaccrual in prior year	**(18,031)**	(77)	**–**	–
	(177,225)	(3,137)	**(4,194)**	–
Deferred taxation (Note 15)				
- current year	**5,189**	(38,862)	**–**	–
- overaccrual in prior year	**2,643**	–	**–**	–
	7,832	(38,862)	**–**	–
	(169,393)	(41,999)	**(4,194)**	–

Income tax is calculated at the statutory rate of 25% (2008 : 26%) of the estimated taxable profit for the year.

24. TAXATION (cont'd)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the average effective income tax rate of the Group and Company are as follows:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(loss) before taxation	**2,221,382**	457,177	**2,515,019**	(18,561,814)
Tax at applicable tax rate of 25% (2008 : 26%)	**(555,343)**	(118,866)	**(628,755)**	4,826,071
Tax effects arising from				
- non-taxable income	**38,014**	80,428	**29,667**	48,571
- non-deductible expenses	**(277,218)**	(115,692)	**(144,492)**	(946,955)
- reversal/(origination) of deferred tax assets not recognised in the financial statements	**640,542**	91,697	**739,386**	(3,776,622)
- deferred tax liabilities/(assets) recognised at different tax rates	**–**	19,593	**–**	(151,065)
- (Under)/over accrual in prior year	**(15,388)**	841	**–**	–
Tax expense for the financial year	**(169,393)**	(41,999)	**(4,194)**	–

Deferred tax assets have not been recognised for the following items:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Deductible temporary differences	**11,361,589**	8,307,293	**11,437,852**	8,417,218
Unabsorbed capital allowances	**531,917**	6,082,325	**–**	5,437,990
Unabsorbed industrial building allowances	**90,339**	90,339	**–**	–
Unabsorbed reinvestment allowances	**6,558,818**	7,099,007	**6,558,818**	7,099,007
Unutilised tax losses	**16,529,284**	16,055,151	**–**	–
	35,071,947	37,634,115	**17,996,670**	20,954,215
Potential deferred tax assets not recognised at 25%	**8,767,987**	9,408,529	**4,499,168**	5,238,554

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

25. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the financial year has been calculated based on the Group's profit after taxation and minority interest divided by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2009 RM	2008 RM
Profit attributable to shareholders	**2,051,989**	415,178
Weighted average number of ordinary shares in issue	**40,042,400**	40,042,400
Basic earnings per ordinary share (sen)	**5**	1

(b) Diluted earnings per share

No calculation is made on the diluted earnings per share in respect of the current financial year as their effects on the basic earnings per share are anti-dilutive.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Transactions with subsidiary companies				
Sales to subsidiary companies				
- HTDSB	**–**	–	**10,693,742**	9,736,017
- HTW	**–**	–	**50,876**	–
Management fees, administration fee and rental received/receivable from subsidiary companies				
- HTD	**–**	–	**3,600**	3,600
- HTW	**–**	–	**1,200**	1,200
- EISB	**–**	–	**13,200**	13,200
- HTFIS	**–**	–	**1,200**	1,200
- SMMS	**–**	–	**13,200**	13,200

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Transactions with a firm in which a director is a partner				
Rental of premises paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	**36,000**	36,000	**–**	–
Legal and consultancy fees paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	**97,849**	40,683	**78,100**	6,000
Transactions with a company in which a director has interest				
Consultancy services rendered by a company in which a director has interest	**–**	28,000	**–**	28,000

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on negotiated basis.

27. CONTINGENT LIABILITIES

As at 31st December 2009, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Unsecured				
Bank guarantees issued in favourof third parties	**216,750**	325,000	**216,750**	325,000
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company to the extent of RM2,000,000/- (2008 : RM2,000,000/-)	**–**	–	**157,540**	440,144
	216,750	325,000	**374,290**	765,144

28. CAPITAL COMMITMENTS

	GROUP	
	2009 RM	2008 RM
Capital expenditure approved but not contracted for - purchase of manufacturing machinery by a subsidiary company	**1,104,678**	–

29. SEGMENTAL INFORMATION

Primary Reporting - Business Segments

	MANUFACTURING 2009 RM	MANUFACTURING 2008 RM	TRADING 2009 RM	TRADING 2008 RM	OTHERS 2009 RM	OTHERS 2008 RM	TOTAL 2009 RM	TOTAL 2008 RM	ELIMINATION 2009 RM	ELIMINATION 2008 RM	CONSOLIDATED 2009 RM	CONSOLIDATED 2008 RM
REVENUE												
External sales	**54,484,662**	58,888,405	**17,641,260**	21,357,293	**–**	–	**72,125,922**	80,245,698	**–**	–	**72,125,922**	80,245,698
Inter-segment sales	**10,744,618**	9,736,017	**–**	–	**–**	–	**10,744,618**	9,736,017	**10,744,618**	9,736,017	**–**	–
	65,229,280	68,624,422	**17,641,260**	21,357,293	**–**	–	**82,870,540**	89,981,715	**10,744,618**	9,736,017	**72,125,922**	80,245,698
RESULTS												
Segmental results	**3,405,008**	2,092,352	**154,795**	(161,958)	**(114,582)**	(86,558)	**3,445,221**	1,843,836	**32,400**	33,462	**3,477,621**	1,877,298
Other operating income	**858,455**	398,229	**81,948**	193,805	**–**	533	**940,403**	592,567	**(32,400)**	(33,462)	**908,003**	559,105
Other operating expenses	**(178,222)**	(19,235,593)	**(969,598)**	(1,250,694)	**–**	–	**(1,147,820)**	(20,486,287)	**–**	19,837,199	**(1,147,820)**	(649,088)
Finance cost (net)	**(942,308)**	(1,227,008)	**(74,114)**	(103,130)	**–**	–	**(1,016,422)**	(1,330,138)	**–**	–	**(1,016,422)**	(1,330,138)
Profit/(loss) before taxation	**3,142,933**	(17,972,020)	**(806,969)**	(1,321,977)	**(114,582)**	(86,025)	**2,221,382**	(19,380,022)	**–**	19,837,199	**2,221,382**	457,177

29. SEGMENTAL INFORMATION (cont'd)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM	2009 RM	2008 RM
OTHER INFORMATION												
Segmental assets	**51,547,723**	54,298,689	**5,054,699**	6,917,049	**894,588**	925,879	**57,497,010**	62,141,617	**(7,000)**	(7,000)	**57,490,010**	62,134,617
Total assets	**51,587,523**	54,406,983	**5,068,953**	6,931,303	**895,232**	926,327	**57,551,708**	62,264,613	**(7,000)**	(7,000)	**57,544,708**	62,257,613
Segmental liabilities	**34,761,852**	40,123,614	**5,576,799**	7,025,641	**50,254**	17,854	**40,388,905**	47,167,109	**(7,000)**	(7,000)	**40,381,905**	47,160,109
Total liabilities	**34,814,024**	40,162,476	**5,576,799**	7,025,641	**206,318**	173,918	**40,597,141**	47,362,035	**(7,000)**	(7,000)	**40,590,141**	47,355,035
Capital expenditure	**474,304**	2,458,457	**20,521**	10,380	**–**	–	**494,825**	2,468,837	**–**	–	**494,825**	2,468,837
Depreciation and amortisation	**1,969,890**	2,082,018	**60,121**	73,353	**29,667**	29,557	**2,059,678**	2,184,928	**–**	–	**2,059,678**	2,184,928
Non cash expenditure other than depreciation and amortisation	**5,022,229**	24,123,585	**1,007,668**	1,272,537	**–**	–	**6,029,897**	25,396,122	**–**	(19,837,200)	**6,029,897**	5,558,922

(a) The activities of the Group are carried out in Malaysia and as such segmental reporting by geographical locations is not presented.

(b) Inter-segmental pricing is determined on an arm's length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

30. FINANCIAL INSTRUMENTS

a) Financial Risk Management and Objectives

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

(i) Credit risk

The management has a credit policy in place to monitor and minimise the exposure of default. Trade receivables are monitored on an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

(ii) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

(iii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met.

(iv) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31st December 2009.

The Group actively reviews its debt portfolio, taking into account the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

(b) Fair Values

(i) Recognised financial instruments

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company.

The carrying amounts of financial assets and liabilities maturing within 12 months are approximate to their fair values due to the relatively short term of maturity of these financial instruments.

(ii) Unrecognised financial instruments

There are no unrecognised financial instruments in the balance sheets as at 31st December 2009.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Company had entered into an agreement to dispose off the entire investment properties for a total consideration of RM4,300,000/- in cash.

The disposal of the abovementioned investment properties was completed during the financial year ended 31 December 2009.

32. MATERIAL LITIGATION

On 26th April 2001, Danone Biscuits Manufacturing (M) Sdn. Bhd. ("Danone") filed an action against the Company claiming, inter alia, for a permanent injunction restraining the Company from allegedly infringing Danone's registered "ChipsMore" trademark as against the Company's "ChipsPlus".

Danone's claim was allowed by the Court and the Company is in the process of appealing.

statement by directors

We, **SOO THIEN MING @ SOO THIEN SEE** and **SOO CHUNG YEE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 20 to 60 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2009 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE
Director

SOO CHUNG YEE
Director

Kuala Lumpur
26 April 2010

statutory declaration

I, **LEE KIM HONG**, being the officer primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 20 to 60 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, l960.

LEE KIM HONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 26 April 2010.

Before me,

ZULKIFLA MOHD DAHLIM (W541)
Commissioner for Oaths

independent auditors' report

To the members of Hwa Tai Industries Berhad (Incorporated in Malaysia) (19688-V)

Report on the Financial Statements

We have audited the financial statements of Hwa Tai Industries Berhad, which comprise the balance sheets of the Group and of the Company as at 31st December 2009, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 60.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31st December 2009 and of their financial performance and 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 the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M. J. Monteiro
No. 828/05/10 (J/PH)
Partner

Kuala Lumpur
26 April 2010

analysis of shareholdings

As at 30 April 2010

Class of securities	:	Ordinary shares of RM1/- each fully paid.
Authorised share capital	:	RM1,000,000,000/-
Issued and fully paid-up share capital	:	RM40,042,400/-
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings.

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	161	4.19	3,453	0.01
100 – 1,000	919	23.93	833,288	2.08
1,001 – 10,000	2,320	60.42	10,109,332	25.25
10,001 – 100,000	419	10.91	10,327,200	25.79
100,001 – less than 5% of issued shares	19	0.50	6,929,900	17.30
5% and above of issued shares	2	0.05	11,839,227	29.57
Total	3,840	100.00	40,042,400	100.00

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1.	Soo Thien Ming @ Soo Thien See (A/C 1)	7,984,837	19.94
2.	Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien Ming @ Soo Thien See)	3,854,390	9.63
3.	London Biscuits Berhad	1,996,000	4.98
4.	PM Nominess (Tempatan) Sdn Bhd (A/C Gelombang Sinar Sdn Bhd)	988,000	2.47
5.	Lanjut Bestari Sdn Bhd	573,900	1.43
6.	Soo Thien Ming @ Soo Thien See (A/C 2)	513,600	1.28
7.	Secret Ingredients Sdn Bhd	478,600	1.19
8.	Saw Ah Kee	298,800	0.75
9.	AMSEC Nominees (Tempatan) Sdn Bhd (A/C Chong Sim Bee)	286,600	0.71
10.	Teh Leong Kok	262,500	0.65
11.	Chai Jee Choon	180,000	0.45
12.	Tan Tiong Cheng	179,000	0.45
13.	KE-ZAN Nominees (Tempatan) Sdn Bhd (A/C Teh Kong Siew)	174,000	0.43
14.	Mayban Nominees (Tempatan) Sdn Bhd (A/C Lee Irene)	150,000	0.37
15.	Baskaran A/L Govinda Nair	140,000	0.35
16.	Soh Kok Heng	133,400	0.33
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Liau Yong Hwa)	126,000	0.31
18.	Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
19.	Gan Lam Seong	114,000	0.28
20.	BHLB Trustee Berhad (A/C EPF Investment for Member Savings Scheme)	109,500	0.27
21.	Fong Cheng Ban	103,000	0.26
22.	Cheng Yean Yun @ Tay Yan Hoon	95,000	0.24
23.	Lim Soh Bee	90,000	0.23
24.	Lee Thye @ Lee Chooi Yoke	89,800	0.22
25.	Hee Lin Ruey Jean	89,700	0.22
26.	Ang Chee Kean	88,900	0.22
27.	Ng Chin Hoo	84,300	0.21
28.	Olive Lim Swee Lian	81,000	0.20
29.	Erwin Selvarajah A/L Peter Selvarajah	80,000	0.20
30.	Mayban Nominees (Tempatan) Sdn Bhd (A/C Erwin Selvarajah A/L Peter Selvarajah)	78,200	0.19
	Total	19,546,027	48.77

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	12,372,627	30.90	–	–	12,372,627	30.90

DIRECTORS' SHAREHOLDINGS

According to the registers required to be kept under Section 134 of the Companies Act, 1965, the directors' interest in the ordinary shares of the Company are as follows:-

Name of Director	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	12,372,627	30.90	–	–	12,372,627	30.90
Col.(Rtd.) Dato' Ir. Cheng Wah	20,000	0.05	–	–	20,000	0.05

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company.

Other than as disclosed above, none of the other directors hold any share in the Company or its related companies.

list of group properties

Held as at 31 December 2009

	Location	Land Area (Sq.ft.)	Build up Area (Sq.ft.)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & & PTD 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	32	1,873
2	Lot No. PTD 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	27	378
3	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978	2038	30	485
4	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991	2035	30	273
5	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1991	–	17	133
6	Lot No. PTD 80369 1 Jalan Impian Ria 6, Taman Impian Ria, Skudai, Johor Darul Takzim	7,476	1,592	Leasehold	1 unit 2 storey corner house (Vacant)	2006	2097	12	454
7	Lot No. PTD 40 & 41 Lok Kawi Light Industrial, Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989	2042	18	2,150

Hwa Tai Industries Berhad
华大工业有限公司
(Company No: 19688-V)

Form of Proxy

I / We, ______________________________

of ______________________________

being a member of HWA TAI INDUSTRIES BERHAD, hereby appoint ______________________________

of ______________________________

or failing him/her ______________________________

of ______________________________ or failing him/her the Chairman of the Meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held on 26 June 2010 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:-

Resolutions relating to:	For	Against
1. The receipt of Financial Statements and Reports		
2. The payment of Directors' fees		
3. The re-appointment of Director, Col. (Rtd.) Dato' Ir. Cheng Wah		
4. The re-election of Directors: Soo Thien Ming @ Soo Thien See		
Mohamed Razif Bin Tan Sri Abdul Aziz		
Soo Wei Chian		
5. Appointment of Auditors and their remuneration		
6. Ordinary Resolution – Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
7. Special Resolution – Proposed amendments to Articles of Association of the Company		

Please indicate with (X) how you wish your vote to be cast.

No. of Shares Held	

Signature: ______________________

Date: ______________________

NOTES:

(1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint at least 1 proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.

(5) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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POSTAGE

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12 JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

Fold Here

Hwa Tai... Home of Quality *Halal* Biscuits... Always the Healthier Choice!