Hwa Tai Industries Berhad

ANNUAL REPORT 2010

A taste of ***Hwa Tai*** products is the ***LUXURY*** that you won't regret. ***Bite that!***

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Sixth 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, 18 June 2011 at 11.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon.

2. To approve payment of Directors' fee for the financial year ended 31 December 2010.

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 Director, Mr. Soo Chung Yee, who retires in accordance with the Company's Articles of Association.

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 resolution:-

   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."

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
26 May 2011

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 2010 are set out in Note 19(a) of the Audited Financial Statements for the financial year ended 31 December 2010.

Auditors

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

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 26 June 2010, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

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-Sixth 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

Hwa Tai Industries Berhad
华大工业有限公司

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
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

LISTING

Bursa Malaysia Securities Berhad, Main Market – Listed since 1992

WEBSITE

www.hwatai.com

MR. SOO THIEN MING @ SOO THIEN SEE

– *Non-Independent Non-Executive Director*

Mr. Soo Thien Ming, Malaysian, aged 63, 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 36 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 32, 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 72, was appointed to the Board on 1 August 2005. He holds a Bachelor of Engineering degree in Civil Engineering from the University of Malaya. 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 served the Malaysian Armed Forces for 26 years. Amongst the appointments he held was 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. On retirement he joined Genting Group, became Director of Development and later a Senior Vice President (Property Development) in Resorts World Berhad until his retirement in 2004. Currently, he is also a Director of Tamadam Bonded Warehouse Berhad and Kien Huat Berhad. Earlier, he had 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).

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 2010. 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 50, 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 also specialises 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 42, 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.

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DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

During the financial year ended 31 December 2010, a total of six (6) 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 6
Soo Chung Yee	5 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Mohamed Razif Bin Tan Sri Abdul Aziz	6 of 6
Soo Wei Chian	5 of 6

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 2010, 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	4 of 5
Soo Wei Chian	4 of 5

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2010, 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 statements.
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 2010, 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.

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.

C. Board Meetings and 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.

During the financial year ended 31 December 2010, the total number of Directors' Meetings convened was six (6).
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 6
Soo Chung Yee	5 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Mohamed Razif Bin Tan Sri Abdul Aziz	6 of 6
Soo Wei Chian	5 of 6

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

All the Directors had attended the Mandatory Accreditation Programme.

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:-

- Launch of Sustainability Programme for Corporate Malaysia.
- Financial Reporting Standards 2010.
- Managing the Demands of Withholding Tax.
- Achieving Excellence in Lean Manufacturing.

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 19(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 69 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 2010 as set out herein on pages 19 to 67 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 RM16,500/- 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 Convertible Securities

The Company did not issue any options or convertible securities during the financial year.

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 2010 and the unaudited results previously released for the financial quarter ended 31 December 2010.

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 2010.

BUSINESS ENVIRONMENT IN 2010

The early stages of 2010 which saw the gradual stabilising of the US economy and China moving up to become the world's second largest economy had increased optimism in market sentiment, albeit with caution as the world economic growth cooled slightly in the later stages of the year.

The stabilising of prices of raw materials in the beginning of 2010 was short-lived as these prices especially for raw materials related to food production escalated from the second half of the year onwards.

FINANCIAL REVIEW

The Group's revenue improved to RM77.02 million as compared to the revenue of RM72.13 million in 2009. The improvement was a result of the Group's marketing strategies -- a "push" selling strategy using its sales force and trade promotion activities to create consumer demand and also a "pull" promotional strategy through spending on advertising and branding activities to build up consumer demand. These marketing strategies have created higher sales volume from existing customers and also opened new markets in both the domestic and international markets.

Despite the stronger revenue, the Group registered a decline in net profit at RM385,000 as compared to the profit of RM2.05 million in 2009. The decrease in profit was mainly due to higher raw material costs and additional spending on advertising and promotional activities. The Group will continue with its effort in enhancing cost control and production planning to achieve better results.

CORPORATE DEVELOPMENTS

The Company had in April 2010 entered into a sale and purchase agreement for the purchase of a single storey factory cum warehouse in Tongkang Pecah, Batu Pahat, Johor for a total purchase consideration of RM1.08 million in cash and the said purchase had recently been completed. The said property which is located in the vicinity of the Company's main factory, will be utilised as additional factory and warehouse space as part of the continuous business expansion plans of the Group.

CORPORATE SOCIAL RESPONSIBILITY

For the year 2010, the Group's Corporate Social Responsibility initiatives centred on the collaboration with Estee Lauder Companies Malaysia in Estee Lauder's Breast Cancer Awareness Campaign 2010 popularly known as "The Pink Ribbon" Campaign, where the Company co-sponsored the illumination of the historic Sultan Abdul Samad Building in Kuala Lumpur. In addition, the Company also donated RM0.10 for each box and poly-pack of selected Hwa Tai Luxury biscuits sold in Malaysia during the campaign period to organisations supported by Estee Lauder, namely Breast Cancer Welfare Association, National Cancer Society of Malaysia, Cancer Research Initiatives Foundation and College of Radiology Malaysia.

The Company also held the "You Eat. We Aid" charity drive in OUG Plaza in Kuala Lumpur by donating RM1.00 for every piece of biscuit consumed by the public to Yayasan Maha Karuna to help finance the purchase of school items for under-privilege school children.

OUTLOOK AND FUTURE PROSPECTS FOR 2011

Although the world economy seems to be gaining momentum, inflation is expected to trend upwards due to the effects of quantitative easing in the USA, geopolitical tensions in the Middle East and North Africa, and on the reconstruction of Japan. Meanwhile, emerging currencies including the Ringgit are likely to appreciate further against the USD.

Our country's economy is expected to maintain its growth momentum and remain robust in 2011 due to supportive government policy measures particularly the Economic Transformation Programmes.

Against this backdrop, the Group remains committed to well-thought growth strategies as the global market sentiment find its way to return to normalcy.

ACKNOWLEDGEMENT

The Board and I wish to extend our effusive thanks to all our employees, shareholders, customers, distributors, business associates, financiers, suppliers and governmental and regulatory authorities for continuously supporting us in our development of Hwa Tai.

SOO THIEN MING @ SOO THIEN SEE
Chairman
26 May 2011

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 2010.

PRINCIPAL ACTIVITIES

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 in the nature of these principal activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	385,127	1,123,620
Other comprehensive income	–	–
Total comprehensive income for the financial year	385,127	1,123,620
Attributable to:-		
Owners of the Company	385,127	1,123,620
Non-controlling interest	–	–
	385,127	1,123,620

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 2010.

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 statements of comprehensive income and statements of financial position 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 statements of comprehensive income and statements of financial position 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 have 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.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely 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 did not issue any shares or debentures during the financial year.

DIRECTORS

The names of the directors of the Company 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

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 in the Company during the financial year ended 31st December 2010 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Soo Thien Ming @ Soo Thien See				
- direct	**12,372,627**	–	–	**12,372,627**
Col. (Rtd) Dato' Ir. Cheng Wah				
- direct	**20,000**	–	–	**20,000**

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 disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company and 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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Company as shown in Note 19 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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.

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
28 April 2011

Statements of Financial Position

As at 31st December 2010

	Note	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**16,930,742**	17,543,807	**15,663,830**	16,608,911
Leasehold land	5	**1,366,832**	1,405,865	**702,450**	719,921
Investment in subsidiary companies	6	**–**	–	**2,671,945**	2,671,945
Investment in an associate company	7	**1,819,410**	1,848,497	**1,791,457**	1,791,457
Trade and other receivables	8	**–**	–	**–**	407,869
		20,116,984	20,798,169	**20,829,682**	22,200,103
Current assets					
Inventories	9	**6,359,284**	5,111,614	**5,811,524**	4,562,707
Trade and other receivables	8	**24,160,814**	26,687,296	**22,723,012**	22,599,528
Prepayments		**370,979**	176,966	**160,387**	163,224
Tax recoverable		**83,540**	54,698	**–**	39,800
Cash and bank balances		**4,369,192**	4,715,965	**3,661,253**	3,995,290
		35,343,809	36,746,539	**32,356,176**	31,360,549
TOTAL ASSETS		**55,460,793**	57,544,708	**53,185,858**	53,560,652
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	10	**40,042,400**	40,042,400	**40,042,400**	40,042,400
Capital reserve	11	**7,664**	7,664	**7,664**	7,664
Accumulated losses		**(22,710,370)**	(23,095,497)	**(20,196,726)**	(21,320,346)
Shareholders' funds		**17,339,694**	16,954,567	**19,853,338**	18,729,718
Non-controlling interests		**–**	–	**–**	–
Total Equity		**17,339,694**	16,954,567	**19,853,338**	18,729,718
Non-current liabilities					
Loans and borrowings	12	**2,315,417**	2,924,622	**2,263,611**	2,924,622
Deferred tax liabilities	13	**31,030**	31,030	**–**	–
		2,346,447	2,955,652	**2,263,611**	2,924,622
Current liabilities					
Trade and other payables	14	**19,438,390**	18,944,723	**14,905,109**	13,393,752
Loans and borrowings	12	**16,029,961**	15,632,505	**16,013,563**	15,632,505
Provisions	15	**149,462**	2,880,055	**149,462**	2,880,055
Tax payable		**156,839**	177,206	**775**	–
		35,774,652	37,634,489	**31,068,909**	31,906,312
Total liabilities		**38,121,099**	40,590,141	**33,332,520**	34,830,934
TOTAL EQUITY AND LIABILITIES		**55,460,793**	57,544,708	**53,185,858**	53,560,652

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

Statements of Comprehensive Income

For The Financial Year Ended 31st December 2010

	Note	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
Revenue	16	**77,016,224**	72,125,922	**63,749,209**	59,341,570
Cost of sales	17	**(54,393,416)**	(49,769,251)	**(44,164,847)**	(40,685,300)
Gross Profit		**22,622,808**	22,356,671	**19,584,362**	18,656,270
Other income		**581,762**	908,003	**439,771**	813,170
Other expenses					
- impairment loss on third parties		**(580,646)**	(1,147,820)	**–**	(178,222)
Selling and distribution expenses		**(14,204,521)**	(11,936,096)	**(13,040,273)**	(10,809,675)
Administrative expenses		**(6,677,944)**	(6,976,342)	**(4,726,133)**	(5,024,216)
Share of results of associate company		**(29,087)**	33,388	**–**	–
Finance costs	18	**(990,368)**	(1,016,422)	**(919,238)**	(942,308)
Profit before taxation	19	**722,004**	2,221,382	**1,338,489**	2,515,019
Taxation	20	**(336,877)**	(169,393)	**(214,869)**	(4,194)
Profit for the financial year		**385,127**	2,051,989	**1,123,620**	2,510,825
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the financial year		**385,127**	2,051,989	**1,123,620**	2,510,825
Total comprehensive income attributable to:					
Owners of the Company		**385,127**	2,051,989	**1,123,620**	2,510,825
Non-controlling interest		–	–	**–**	–
		385,127	2,051,989	**1,123,620**	2,510,825
Earning per share (sen)	21				
- basic		**1**	5		
- diluted		**1**	5		

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

Statements of Changes in Equity

For The Financial Year Ended 31st December 2010

Group	Share Capital RM	Non-distributable Capital Reserve RM	Distributable Accumulated Losses RM	Non-controlling Interest RM	Total RM
	← Attributable to Owners of the Company →				
At 1st January 2009	40,042,400	7,664	(25,147,486)	–	1 4,902,578
Total comprehensive income 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
Total comprehensive income for the financial year	–	–	385,127	–	385,127
At 31st December 2010	**40,042,400**	**7,664**	**(22,710,370)**	–	**17,339,694**

Company	Share Capital RM	Non-distributable Capital Reserve RM	Distributable Accumulated Losses RM	Total RM
At 1st January 2009	40,042,400	7,664	(23,831,171)	16,218,893
Total comprehensive income 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
Total comprehensive income for the financial year	–	–	1,123,620	1,123,620
At 31st December 2010	**40,042,400**	**7,664**	**(20,196,726)**	**19,853,338**

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

Statements of Cash Flows

For The Financial Year Ended 31st December 2010

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
OPERATING ACTIVITIES:				
Profit before taxation	**722,004**	2,221,382	**1,338,489**	2,515,019
Adjustments for:				
Impairment loss on third parties	**580,646**	1,147,820	**–**	178,222
Impairment loss no longer required	**(228,782)**	(36,073)	**(206,169)**	–
Allowance for inventories obsolescence	**39,270**	462,404	**39,270**	462,404
Amortisation of leasehold land	**39,033**	39,141	**17,471**	17,471
Bad debts written off	**36,433**	30,469	**–**	–
Deposit written off	**2,000**	–	**–**	–
Depreciation				
- property, plant and equipment	**1,768,319**	1,980,138	**1,623,398**	1,818,993
- investment properties	**–**	40,399	**–**	40,399
Gain on disposal of property, plant and equipment	**(54,028)**	(45,184)	**(54,028)**	(45,184)
Gain on disposal of investment properties	**–**	(121,199)	**–**	(121,199)
Interest income	**(58,596)**	(16,120)	**(58,084)**	(15,052)
Interest expenses	**990,368**	1,016,422	**919,238**	942,308
Property, plant and equipment written off	**3,181**	7,601	**–**	–
Provision for advertising and promotion expenses	**2,407,622**	4,381,000	**2,407,622**	4,381,000
Share of results in an associate company	**29,087**	(33,388)	**–**	–
Gain on unrealised foreign exchange	**(15,154)**	(19,630)	**(15,154)**	(19,630)
Operating cash flows before changes in working capital	**6,261,403**	11,055,182	**6,012,053**	10,154,751
Changes In Working Capital:				
Inventories	**(1,286,940)**	682,666	**(1,288,087)**	543,157
Receivables	**2,151,339**	592,510	**1,749,041**	(493,025)
Prepayments	**(194,013)**	181,448	**2,837**	176,063
Payables	**493,667**	(2,841,909)	**2,177,766**	(1,564,070)
Utilisation of provision for advertising and promotion expenses	**(5,138,215)**	(2,994,889)	**(5,138,215)**	(2,994,889)
Net cash flows from operations	**2,287,241**	6,675,008	**3,515,395**	5,821,987
Interest paid	**(712,519)**	(813,880)	**(643,993)**	(739,766)
Tax paid	**(399,128)**	(145,528)	**(174,294)**	(21,262)
Tax refund	**13,042**	57,743	**–**	5 7,743
Net cash flows from operating activities	**1,188,636**	5,773,343	**2,697,108**	5 ,118,702

	Note	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(a)	**(865,643)**	(472,200)	**(474,869)**	(443,279)
Proceeds from disposal of property, plant and equipment		**57,580**	77,433	**57,580**	75,740
Net proceeds from disposal of investment properties		**–**	4,214,000	**–**	4,214,000
Interest received		**58,596**	16,120	**58,084**	15,052
Net cash flows from investing activities		**(749,467)**	3,835,353	**(359,205)**	3,861,513
FINANCING ACTIVITIES:					
Net repayment of short term borrowings		**(1,467,600)**	(4,630,100)	**(1,467,600)**	(4,630,100)
Net (repayment)/ advances from subsidiary companies		**–**	–	**(1,909,742)**	306,962
Net (repayment)/ drawdown of term loans		**(344,671)**	1,918,057	**(344,671)**	1,918,057
Net repayment of hire purchase liabilities		**(558,203)**	(519,284)	**(537,063)**	(519,284)
Interest paid		**(277,849)**	(202,542)	**(275,245)**	(202,542)
Net cash flows used in financing activities		**(2,648,323)**	(3,433,869)	**(4,534,321)**	(3,126,907)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(2,209,154)**	6,174,827	**(2,196,418)**	5 ,853,308
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,926,684**	(2,248,143)	**3,206,009**	(2,647,299)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	(b)	**1,717,530**	3,926,684	**1,009,591**	3,206,009

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:-

	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
Purchase of property, plant and equipment	**1,161,987**	494,825	**681,869**	465,904
Financed by hire purchase arrangement	**296,344**	22,625	**207,000**	22,625
Cash payments on purchase of property, plant and equipment	**865,643**	472,200	**474,869**	443,279

(b) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
Cash and bank balances	**4,369,192**	4,715,965	**3,661,253**	3,995,290
Bank overdrafts	**(2,651,662)**	(789,281)	**(2,651,662)**	(789,281)
	1,717,530	3,926,684	**1,009,591**	3,206,009

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

1. PRINCIPAL ACTIVITIES AND 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 in 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 Main Market of Bursa Malaysia Securities Berhad.

The registered office and the 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 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28th April 2011.

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 ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1st January 2010 as described fully in Note 2.2(a) to the financial statements.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore 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 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The Group and the Company had adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:-

New FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments : Recognition and Measurement

Revised FRSs

FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment – Vesting Conditions and Cancellations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosures of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(a) Adoption of New and Revised FRSs, Amendments/I mprovements to FRSs, IC Int and Amendments to IC Int (cont'd)

FRS 7 Financial Instruments: Disclosures

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

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

FRS 8 Operating Segments

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

The Group concluded that the reportable operating segments determine in accordance with FRS 8 which is also the basis of presenting its monthly internal management reports are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively and the revised disclosures including the related revised comparative information are shown in Note 25 to the financial statements.

FRS 101 Presentation of Financial Statements (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes equity presented as a single line. This standard also introduce the statement of comprehensive income, together with all items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

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

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

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

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1st January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has accounted for by adjusting the opening balance of retained earnings as at 1st January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:-

- **Impairment of trade and other receivables**

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(a) Adoption of New and Revised FRSs, Amendments/I mprovements to FRSs, IC Int and Amendments to IC Int (cont'd)

FRS 139 Financial Instruments: Recognition and Measurement **(cont'd)**

- **Financial guarantee contracts**

  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiary company. Prior to 1st January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1st January 2010.

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

The Group and the Company have not adopted the following revised FRSs, amendments/improvements to FRSs, IC Int and amendments to 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
Revised FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
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 2011
FRS 2	Share-based Payment	1 July 2010 and 1 January 2011
FRS 3	Business Combinations	1 January 2011
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 131	Interests in Joint Ventures	1 January 2011
FRS 132	Financial Instruments: Presentation	1 March 2010 and 1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

IC Int		
IC Int 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 January 2012
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
IC Int 18	Transfers of Assets from Customers	1 January 2011
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Int		
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 13	Customer Loyalty Programmes	1 January 2011
IC Int 14	Prepayments of a Minimum Funding Requirement	1 July 2011

The directors do not anticipate that the application of the above revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and of the Company, except for those discussed below:-

FRS 3 Business Combinations (revised) and Amendments to FRS 127 Consolidated and Separate Financial Statements (revised)

The revised standards are effective for annual periods beginning on or after 1st July 2010. The revised FRS 3 introduces a number of changes which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The amendments to FRS 127 require that a change in the ownership interest of a subsidiary company (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amendments to FRS 127 require all losses attributable to non-controlling interest to be absorbed by non-controlling interest. Any excess and any further losses exceeding the non-controlling interest in the equity of a subsidiary company are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2.3(a) to the financial statements. The Group does not intend to early adopt the above revised FRS and amendments to FRS.

2.3 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

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 2.3(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 profit or loss.

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.

Non-controlling 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) Subsidiary 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 2.3(p) 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 profit or loss.

(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 2.3(p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 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 2.3(p) to the financial statements.

Under the equity method, the investment in associate company is carried in the statement of financial position at cost adjusted for post acquisition changes in the Group's share of net assets of the associate company. The Group's share of the net profit or loss of the associate company is recognised in the profit or loss. 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 profit or loss.

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 audited financial statements of the associate company made up from 1st January 2010 to 31st December 2010 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 2.3(p) to the financial statements. Cost includes expenditure that is 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 profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 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 buildings	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 profit or loss.

(f) Revaluation of Assets

The Company has adopted the transitional provision of IAS 116 (Revised) Property, Plant and Equipment, which allows the Company to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments.

Surpluses arising on revaluation are credited to the Capital 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 profit or loss.

(g) 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.

(h) Financial Instruments

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

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(h) Financial Instruments (cont'd)

The Group and the Company categorise the financial instruments as follows:-

(i) Financial Assets:-

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

Loans and receivables

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

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

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity investments.

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

Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(h) Financial Instruments (cont'd)

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iv) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(i) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as 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 statement of financial position 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 Group'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 2.3(e) to the financial statements.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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.

The Group had reassessed the classification of land elements of unexpired leases at the date the Group adopted the amendments to FRS 117 Leases on 1st January 2010. The Group determined that all leasehold land as disclosed in Note 5 to the financial statements that has an indefinite economic life and title was not expected to pass to the lessees by the end of the lease term are operating leases.

(j) 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 profit or loss as an expense in the period in which they are incurred.

(k) 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. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) *Post-employment benefits*

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(l) 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 not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(m) Foreign Currencies

(i) Functional and presentation currency

The individual 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 translated to Ringgit Malaysia at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the statement of financial position are translated into Ringgit Malaysia at the rates ruling at the reporting date. All exchange differences are included in the profit or loss.

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.

(n) Income Tax

The tax expense in the profit or loss 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 reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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 reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited in other comprehensive income or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(o) Revenue Recognition

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

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

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

(p) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiary companies and associate company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(p) Impairment of Assets (cont'd)

(ii) Impairment of Non-financial Assets

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

For goodwill that has an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(q) 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.

(r) Equity Instruments

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

(s) Segmental Reporting

In the previous years, a segment was distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8 Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements in applying the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 2.3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material judgement 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.

(ii) Impairment of investment in subsidiary companies and recoverability of amount owing by subsidiary companies

The Company tests investment in subsidiary companies for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiary companies affects the result of the impairment test. Costs of investments in subsidiary companies which have ceased operations were impaired up to net assets of the subsidiary companies. The impairment made on investment in subsidiary companies entails an impairment to be made to the amount owing by these subsidiary companies.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investment in subsidiary companies.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(iii) *Impairment of investment in associate company*

The Group and the Company test investment in associate company for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows generated by the associate company, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and the Company's tests for impairment of investment in associate company.

(iv) *Impairment of property, plant and equipment*

The Group and the Company review the carrying amount of its property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the property, plant and equipment. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

As at the end of the financial years under review, the directors are of the view that there is no indication of impairment to these assets and therefore no independent professional valuation was procured by the Group during the financial year to determine the carrying amount of these assets. The carrying amounts of property, plant and equipment are disclosed in Note 4.

(v) *Allowance for write down in 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.

(vi) *Impairment of loans and receivables*

The group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivable at the reporting date is disclosed in Note 8 to the financial statements.

(vii) *Taxation*

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(viii) *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) *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.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2010	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 2010	9,630,004	39,640,606	3,346,990	630,785	1,275,722	–	54,524,107
Additions	17,860	259,696	92,538	31,495	460,000	300,398	1,161,987
Disposals/write-offs	–	(65,000)	(33,810)	–	(154,612)	–	(253,422)
At 31st December 2010	9,647,864	39,835,302	3,405,718	662,280	1,581,110	300,398	55,432,672
Accumulated Depreciation							
At 1st January 2010	2,893,953	27,099,932	3,038,238	505,918	1,044,976	–	34,583,017
Depreciation for the financial year	191,379	1,315,473	117,414	36,217	107,836	–	1,768,319
Disposals/write-offs	–	(65,000)	(27,077)	–	(154,612)	–	(246,689)
At 31st December 2010	3,085,332	28,350,405	3,128,575	542,135	998,200	–	36,104,647
Impairment Loss							
At 1st January 2010	2,397,283	–	–	–	–	–	2,397,283
Impairment loss for the financial year	–	–	–	–	–	–	–
At 31st December 2010	2,397,283	–	–	–	–	–	2,397,283
Net Book Value at 31st December 2010	4,165,249	11,484,897	277,143	120,145	582,910	300,398	16,930,742

4. 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
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-offs	–	(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
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-offs	–	(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

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

Properties consist of:-

Group 2010	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 2010	2,699,798	4,873,928	1,775,176	281,102	9,630,004
Additions	–	–	–	17,860	17,860
Disposals	–	–	–	–	–
At 31st December 2010	2,699,798	4,873,928	1,775,176	298,962	9,647,864
Accumulated Depreciation					
At 1st January 2010	170,000	1,698,110	863,612	162,231	2,893,953
Depreciation for the financial year	–	141,458	32,308	17,613	191,379
Disposals	–	–	–	–	–
At 31st December 2010	170,000	1,839,568	895,920	179,844	3,085,332
Impairment Loss					
At 1st January 2010	2,397,283	–	–	–	2,397,283
Impairment loss for the financial year	–	–	–	–	–
At 31st December 2010	2,397,283	–	–	–	2,397,283
Net Book Value at 31st December 2010	132,515	3,034,360	879,256	119,118	4,165,249

4. 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

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

Company 2010	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 2010	**6,147,938**	**37,243,264**	**2,824,122**	**500,590**	**843,582**	**–**	**47,559,496**
Additions	**17,860**	**106,010**	**66,504**	**31,495**	**460,000**	**–**	**681,869**
Disposals/write-offs	**–**	**(65,000)**	**(21,010)**	**–**	**(154,612)**	**–**	**(240,622)**
At 31st December 2010	**6,165,798**	**37,284,274**	**2,869,616**	**532,085**	**1,148,970**	**–**	**48,000,743**
Accumulated Depreciation							
At 1st January 2010	**2,336,500**	**24,903,527**	**2,624,017**	**414,359**	**672,182**	**–**	**30,950,585**
Depreciation for the financial year	**172,239**	**1,282,071**	**62,509**	**28,221**	**78,358**	**–**	**1,623,398**
Disposals/write-offs	**–**	**(65,000)**	**(17,458)**	**–**	**(154,612)**	**–**	**(237,070)**
At 31st December 2010	**2,508,739**	**26,120,598**	**2,669,068**	**442,580**	**595,928**	**–**	**32,336,913**
Net Book Value at 31st December 2010	**3,657,059**	**11,163,676**	**200,548**	**89,505**	**553,042**	**–**	**15,663,830**

4. 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

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

Properties consist of:-

COMPANY 2010	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 2010	**132,515**	**3,976,975**	**1,775,176**	**263,272**	**6,147,938**
Additions	**–**	**–**	**–**	**17,860**	**17,860**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2010	**132,515**	**3,976,975**	**1,775,176**	**281,132**	**6,165,798**
Accumulated Depreciation					
At 1st January 2010	**–**	**1,325,239**	**863,612**	**147,649**	**2,336,500**
Depreciation for the financial year	**–**	**123,561**	**32,308**	**16,370**	**172,239**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31st December 2010	**–**	**1,448,800**	**895,920**	**164,019**	**2,508,739**
Net Book Value at 31st December 2010	**132,515**	**2,528,175**	**879,256**	**117,113**	**3,657,059**
2009					
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

4. 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		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At Net Book Value				
Motor vehicles	**222,333**	99,384	**222,333**	99,384
Plant and machinery	**1,858,082**	2,319,502	**1,732,876**	2,319,502
Office equipment	**26,094**	43,964	**26,094**	43,964
	2,106,509	2,462,850	**1,981,303**	2,462,850

(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 Company	1985	Short term leasehold land	300,000
			2,483,176

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

	GROUP and COMPANY	
	2010 RM	2009 RM
Short term leasehold buildings	**208,884**	216,621

5. LEASEHOLD LAND

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1st January	**1,405,865**	1,445,006	**719,921**	737,392
Amortisation for the financial year	**(39,033)**	(39,141)	**(17,471)**	(17,471)
	1,366,832	1,405,865	**702,450**	719,921
Analysed as:-				
Short term leasehold land	**1,366,832**	1,405,865	**702,450**	719,921

6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY 2010 RM	COMPANY 2009 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

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

Name of Company	Equity Held 2010 %	2009 %	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")	**100**	100	Trading
^ Hwa Tai Manufacturing Sdn. Bhd. ("HTM")	**100**	100	Dormant
* Acetai Corporation Sdn. Bhd. ("Acetai")	**90**	90	Trading
* Hwa Tai Import Sdn. Bhd. ("HTI") (formerly known as Keris Intan Sdn. Bhd.)	**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*

^ *The audit reports of these subsidiaries contain an emphasis of matter relating to the appropriateness of the going concern basis used in the preparation of their financial statements.*

7. INVESTMENT IN AN ASSOCIATE COMPANY

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Unquoted shares - at cost	**1,791,457**	1,791,457	**1,791,457**	1,791,457
Share of post acquisition retained profits	**27,953**	57,040	**–**	–
	1,819,410	1,848,497	**1,791,457**	1,791,457

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 2010 %	Effective Equity Holdings 2009 %	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

* *Associate company not audited by Baker Tilly Monteiro Heng*

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

	2010 RM	2009 RM
Assets and Liabilities		
Current assets	**1,413,669**	1,054,239
Non-current assets	**6,183,300**	6,801,298
Total assets	**7,596,969**	7,855,537
Current liabilities	**2,945,073**	3,317,016
Total liability	**2,945,073**	3,317,016

The Group's share of the revenue and expenses of the associate company is as follows:-

	2010 RM	2009 RM
Revenue	**2,540,321**	2,173,337
(Loss)/ profit for the financial year	**(29,087)**	33,388

8. TRADE AND OTHER RECEIVABLES

	GROUP 2010 RM	GROUP 2009 RM	COMPANY 2010 RM	COMPANY 2009 RM
Current				
Trade receivables				
Third parties	**32,781,820**	36,292,124	**21,628,373**	23,370,878
Amount owing by subsidiary companies	**–**	–	**16,264,980**	16,094,082
	32,781,820	36,292,124	**37,893,353**	39,464,960
Less: Allowance for impairment				
- Third parties	**(9,459,254)**	(10,307,474)	**(1,845,202)**	(2,065,759)
- Amount owing by subsidiary companies	**–**	–	**(16,057,608)**	(16,057,608)
	(9,459,254)	(10,307,474)	**(17,902,810)**	(18,123,367)
Trade receivables, net	**23,322,566**	25,984,650	**19,990,543**	21,341,593
Other receivables				
Other receivables	**1,102,396**	1,324,597	**476,181**	854,481
Amount owing by subsidiary companies	**–**	–	**2,605,502**	1,125,198
Refundable deposits	**266,444**	188,728	**190,727**	110,130
	1,368,840	1,513,325	**3,272,410**	2,089,809
Less: Allowance for impairment				
- Other receivables	**(530,592)**	(810,679)	**(460,957)**	(752,890)
- Amount owing by subsidiary companies	**–**	–	**(78,984)**	(78,984)
	(530,592)	(810,679)	**(539,941)**	(831,874)
Other receivables, net	**838,248**	702,646	**2,732,469**	1,257,935
	24,160,814	26,687,296	**22,723,012**	22,599,528
Non-current				
Other receivables				
Amount owing by subsidiary companies	**–**	–	**–**	407,869
Total receivables	**24,160,814**	26,687,296	**22,723,012**	23,007,397

Trade receivables are non-interest bearing and are generally on 14 to 90 days terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

8. TRADE AND OTHER RECEIVABLES (cont'd)

Analysis on trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Neither past due nor impaired	**13,251,453**	17,220,704	10,541,276	14,042,307
Past due 1 - 30 days	**1,943,556**	2,527,393	1,633,581	2,290,812
Past due 31 - 120 days	**3,970,030**	3,301,961	3,732,821	3,259,299
Past due more than 120 days	**13,616,781**	13,242,066	21,985,675	19,872,542
	19,530,367	19,071,420	27,352,077	25,422,653
Impaired	**(9,459,254)**	(10,307,474)	(17,902,810)	(18,123,367)
	23,322,566	25,984,650	19,990,543	21,341,593

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired
At the reporting date, trade receivables that are past due but not impaired are mainly unsecured in nature.

Receivables that are impaired
The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables - nominal amounts	**9,580,378**	10,380,608	**18,008,869**	18,169,436
Less: Allowance for impairment	**(9,459,254)**	(10,307,474)	**(17,902,810)**	(18,123,367)
	121,124	73,134	**106,059**	46,069

8. TRADE AND OTHER RECEIVABLES (cont'd)

Movements in allowance accounts:-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1st January	**10,307,474**	9,222,941	**18,123,367**	17,945,145
Charge for the financial year	**568,800**	1,147,820	**–**	178,222
Written off	**(1,188,238)**	(27,214)	**(14,388)**	–
Reversal of impairment losses	**(228,782)**	(36,073)	**(206,169)**	–
At 31st December	**9,459,254**	10,307,474	**17,902,810**	18,123,367

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amount owing by subsidiary companies is unsecured, non-interest bearing and repayable upon demand.

9. INVENTORIES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At Cost				
Raw materials	**1,647,896**	1,338,601	**1,395,410**	1,153,910
Work-in-progress	**327,111**	282,476	**241,719**	231,265
Finished goods	**1,817,376**	1,277,973	**1,736,656**	1,104,651
Packing materials	**2,712,067**	2,537,559	**2,582,905**	2,397,876
Consumable stores	**240,669**	203,593	**240,669**	203,593
	6,745,119	5,640,202	**6,197,359**	5,091,295
Less: Allowance for obsolete inventories	**(385,835)**	(528,588)	**(385,835)**	(528,588)
	6,359,284	5,111,614	**5,811,524**	4,562,707

10. SHARE CAPITAL

	GROUP and COMPANY			
	Number of ordinary shares of RM1/- each		Amount	
	2010 RM	2009 RM	2010 RM	2009 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

11. CAPITAL RESERVE

	GROUP and 2010 RM	COMPANY 2009 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 leasehold land	**7,664**	7,664

12. LOANS AND BORROWINGS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Finance lease liabilities (secured)	**492,623**	502,447	**476,225**	502,447
Floating rate bank loan (unsecured)	**353,076**	340,577	**353,076**	340,577
Bankers' acceptances (unsecured)	**12,532,600**	14,000,200	**12,532,600**	14,000,200
Bank overdrafts (unsecured)	**2,651,662**	789,281	**2,651,662**	789,281
	16,029,961	15,632,505	**16,013,563**	15,632,505
Non-current				
Finance lease liabilities (secured)	**1,095,107**	1,347,142	**1,043,301**	1,347,142
Floating rate bank loan (unsecured)	**1,220,310**	1,577,480	**1,220,310**	1,577,480
	2,315,417	2,924,622	**2,263,611**	2,924,622
Total loans and borrowings	**18,345,378**	18,557,127	**18,277,174**	18,557,127

The remaining maturities of the loans and borrowings as at 31st December 2010 are as follows:-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
On demand and within one year	**16,029,961**	15,632,505	**16,013,563**	15,632,505
Later than one year but not later than two years	**873,239**	867,035	**856,841**	867,035
Later than two years but not later than five years	**1,442,178**	2,057,587	**1,406,770**	2,057,587
Later than five years	**–**	–	**–**	–
	18,345,378	18,557,127	**18,277,174**	18,557,127

Finance lease liabilities

The effective interest rate ranges from 2.80% to 4.75% (2009: 3.80% to 4.75%) per annum. Interest rates are fixed at the inception of the finance lease arrangements.

The finance lease liabilities are effectively secured on the rights of the assets under finance lease.

Floating rate bank loan

The effective interest rate as at the reporting date is 7.80% (2009: 7.05%) per annum.

12. LOANS AND BORROWINGS (cont'd)

Bankers' acceptances
The bankers' acceptances of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

Effective interest rates as at reporting date range from 2.98% to 4.80% (2009: 5.02% to 6.25%) per annum.

Bank overdrafts
The bank overdrafts of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

The effective interest rates as at the reporting date range from 7.55% to 8.80% (2009: 7.50% to 8.20%) per annum.

13. DEFERRED TAXATION

	GROUP	
	2010 RM	**2009 RM**
Balance at 1st January	**31,030**	38,862
Transfer from profit or loss (note 20)	**–**	(7,832)
Balance at 31st December	**31,030**	31,030
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**	31,030

14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Current Trade payables				
Third parties	**9,766,771**	12,497,793	**6,283,202**	7,172,917
Other payables				
Accrued operating expenses	**6,772,648**	2,336,996	**6,284,011**	1,905,664
Other payables	**2,858,762**	3,979,725	**2,028,621**	3,249,287
Refundable deposits	**40,209**	130,209	**40,009**	130,209
Amount owing to subsidiary companies	**–**	–	**269,266**	935,675
	9,671,619	6,446,930	**8,621,907**	6,220,835
Total trade and other payables	**19,438,390**	18,944,723	**14,905,109**	13,393,752
Add: Loans and borrowings (Note 12)	**18,345,378**	18,557,127	**18,277,174**	18,557,127
Total financial liabilities carried at amortised cost	**37,783,768**	37,501,850	**33,182,283**	31,950,879

The trade and other payables are non-interest bearing and are normally settled on 30 to 120 days terms.

The amount owing to subsidiary companies is unsecured, non-interest bearing and repayable on demand.

15. PROVISIONS

	GROUP and 2010 RM	COMPANY 2009 RM
Balance at 1st January	**2,880,055**	1,493,944
Charged to profit or loss	**2,407,622**	4,381,000
Utilised during the year	**(5,138,215)**	(2,994,889)
Balance at 31st December	**149,462**	2,880,055

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.

16. REVENUE

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Sales of trading goods	**17,183,127**	17,641,260	**–**	–
Sales of manufactured goods	**59,833,097**	54,484,662	**63,749,209**	59,341,570
	77,016,224	72,125,922	**63,749,209**	59,341,570

17. COST OF SALES

Cost of sales represents cost of inventories sold.

18. FINANCE COSTS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expenses				
- trade financing	**642,386**	756,589	**601,966**	712,826
- bank overdrafts	**42,027**	26,940	**42,027**	26,940
- hire purchase	**146,720**	165,535	**144,116**	165,535
- term loans	**131,129**	37,007	**131,129**	37,007
- others	**28,106**	30,351	**–**	–
	990,368	1,016,422	**919,238**	942,308

19. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
After charging:-				
Impairment loss on third parties	**580,646**	1,147,820	**–**	178,222
Allowance for inventories obsolescence	**39,270**	462,404	**39,270**	462,404
Amortisation of leasehold land	**39,033**	39,141	**17,471**	17,471
Audit fee:				
- current year	**95,420**	100,220	**61,000**	60,000
- underaccrual in prior year	**2,150**	5,960	**3,500**	–
Bad debts written off	**36,433**	30,469	**–**	–
Directors' remunerations				
- salaries, bonuses and allowances	**975,600**	692,327	**870,000**	613,677
- fees	**121,000**	126,000	**121,000**	126,000
- other emoluments	**90,144**	59,440	**90,144**	59,440
• Directors of subsidiary companies				
- salaries, bonuses and allowances	**105,600**	78,650	**–**	–
Deposit written off	**2,000**	–	**–**	–
Depreciation				
- property, plant and equipment	**1,768,319**	1,980,138	**1,623,398**	1,818,993
- investment properties	**–**	40,399	**–**	40,399
Hire of vehicles	**420,836**	303,635	**420,836**	303,635
Provision for advertising and promotion expenses	**2,407,622**	4,381,000	**2,407,622**	4,381,000
Property, plant and equipment written off	**3,181**	7,601	**–**	–
Rental of premises	**151,200**	188,000	**62,000**	66,000
Research and development	**682**	1,883	**682**	1,883
Staff costs:				
- bonus	**379,095**	340,180	**331,995**	300,000
- Employees' Provident Fund	**667,173**	656,208	**533,067**	528,115
- SOCSO	**86,002**	85,296	**71,078**	70,280
- salaries, wages and allowances	**7,016,524**	6,763,978	**5,758,238**	5,504,467
- other staff related expenses	**369,643**	317,034	**321,962**	262,689
And crediting:-				
Gain on disposal of property, plant and equipment	**54,028**	45,184	**54,028**	45,184
Gain on disposal of investment properties	**–**	121,199	**–**	121,199
Impairment loss on third parties no longer required	**228,782**	36,073	**206,169**	–
Interest income	**58,596**	16,120	**58,084**	15,052
Rental income	**–**	2,448	**–**	–
Gain on foreign exchange				
- unrealised	**15,154**	19,630	**15,154**	19,630
- realised	**11,443**	515,302	**11,443**	515,228

19. PROFIT BEFORE TAXATION (cont'd)

(a) Directors' remuneration

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive Directors				
Directors' fees	**10,000**	10,000	**10,000**	10,000
Salaries	**726,000**	469,677	**726,000**	469,677
Allowances	**24,000**	24,000	**24,000**	24,000
Other emoluments	**90,144**	59,440	**90,144**	59,440
	850,144	563,117	**850,144**	563,117
Non-Executive Directors				
Directors' fees	**111,000**	116,000	**111,000**	116,000
Allowances	**225,600**	198,650	**120,000**	120,000
	336,600	314,650	**231,000**	236,000
Grand Total				
Directors' fees	**121,000**	126,000	**121,000**	126,000
Salaries	**726,000**	469,677	**726,000**	469,677
Allowances	**249,600**	222,650	**144,000**	144,000
Other emoluments	**90,144**	59,440	**90,144**	59,440
	1,186,744	877,767	**1,081,144**	799,117

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

	← Number of Directors →			
	2010		2009	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	**–**	**3**	–	3
RM100,001 - RM150,000	**–**	**–**	–	–
RM150,001 - RM200,000	**–**	**1**	–	1
RM300,001 - RM350,000	**–**	**–**	–	–
RM450,000 - RM500,000	**–**	**–**	1	–
RM850,000 - RM900,000	**1**	**–**	–	–
	1	**4**	1	4

19. PROFIT BEFORE TAXATION (cont'd)

(b) Key Management Personnel

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors' remuneration (Note 19(a))	**1,186,744**	877,767	**1,081,144**	799,117
Other key management personnel				
- salaries, bonus and other emoluments	**1,052,857**	902,297	**784,971**	692,064
- Defined contribution plans (Employees' Provident Fund)	**127,912**	107,558	**97,268**	83,059
	2,367,513	1,887,622	**1,963,383**	1,574,240

20. TAXATION

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Income tax				
- current year	**(190,000)**	(159,194)	**(110,000)**	(4,194)
- underaccrual in prior year	**(146,877)**	(18,031)	**(104,869)**	–
	(336,877)	(177,225)	**(214,869)**	(4,194)
Deferred taxation (Note 13)				
- current year	**–**	5,189	**–**	–
- overaccrual in prior year	**–**	2,643	**–**	–
	–	7,832	**–**	–
	(336,877)	(169,393)	**(214,869)**	(4,194)

Income tax is calculated at the statutory rate of 25% of the estimated taxable profit for the year.

20. TAXATION (cont'd)

A reconciliation of income tax expense applicable to profit 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	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before taxation	**722,004**	2,221,382	**1,338,489**	2,515,019
Tax at applicable tax rate of 25%	**(180,501)**	(555,343)	**(334,622)**	(628,755)
Tax effects arising from				
- non-taxable income	**290,599**	38,014	**3,788**	29,667
- non-deductible expenses	**(466,204)**	(277,218)	**(362,776)**	(144,492)
- reversal of deferred tax assets not recognised in the financial statements	**166,106**	640,542	**583,610**	739,386
- Underaccrual in prior year	**(146,877)**	(15,388)	**(104,869)**	–
Tax expense for the financial year	**(336,877)**	(169,393)	**(214,869)**	(4,194)

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Deductible temporary differences	**8,661,890**	11,274,367	**8,719,758**	11,351,955
Unabsorbed capital allowances	**802,703**	515,978	**297,756**	–
Unabsorbed industrial building allowances	**90,339**	90,339	**–**	–
Unabsorbed reinvestment allowances	**6,514,404**	6,514,404	**6,514,404**	6,514,404
Unutilised tax losses	**18,211,950**	16,550,619	**–**	–
	34,281,286	34,945,707	**15,531,918**	17,866,359
Potential deferred tax assets not recognised at 25%	**8,570,321**	8,736,427	**3,882,980**	4,466,590

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.

21. 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 2010 RM	2009 RM
Profit attributable to shareholders	**385,127**	2,051,989
Weighted average number of ordinary shares in issue	**40,042,400**	40,042,400
Basic earnings per ordinary share (sen)	**1**	5

(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.

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Transactions with subsidiary companies				
Sales to subsidiary companies				
- HTDSB	**–**	–	**8,689,165**	10,693,742
- HTW	**–**	–	**441,758**	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
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	**25,717**	97,849	**5,990**	78,100

The directors are of the opinion that the above transactions have been entered into in the normal course of business and the terms are no less favourable than those arranged with third parties.

23. CONTINGENT LIABILITIES

As at 31st December 2010, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Unsecured				
Bank guarantees issued in favour of third parties	**221,500**	216,750	**221,500**	216,750
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company	**–**	–	**68,204**	157,540
	221,500	216,750	**289,704**	374,290

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value of the corporate guarantees is RM Nil.

24. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Capital expenditure approved and contracted for – purchase of property, plant and equipment	**1,498,495**	1,104,678	**972,000**	–

25. SEGMENTAL INFORMATION

Business Segments

	MANUFACTURING 2010 RM	MANUFACTURING 2009 RM	TRADING 2010 RM	TRADING 2009 RM	OTHERS 2010 RM	OTHERS 2009 RM	TOTAL 2010 RM	TOTAL 2009 RM	ELIMINATION 2010 RM	ELIMINATION 2009 RM	CONSOLIDATED 2010 RM	CONSOLIDATED 2009 RM
REVENUE												
External sales	**59,833,097**	54,484,662	**17,183,127**	17,641,260	**–**	–	**77,016,224**	72,125,922	**–**	–	**77,016,224**	72,125,922
Inter - segment sales	**9,130,923**	10,744,618	**–**	–	**–**	–	**9,130,923**	10,744,618	**9,130,923**	10,744,618	**–**	–
	68,964,020	65,229,280	**17,183,127**	17,641,260	**–**	–	**86,147,147**	82,870,540	**9,130,923**	10,744,618	**77,016,224**	72,125,922
RESULTS												
Segmental results	**1,807,823**	3,405,008	**(14,041)**	154,795	**(114,926)**	(114,582)	**1,678,856**	3,445,221	**32,400**	32,400	**1,711,256**	3,477,621
Other operating income	**489,017**	858,455	**125,145**	81,948	**–**	–	**614,162**	940,403	**(32,400)**	(32,400)	**581,762**	908,003
Other operating expenses	**–**	(178,222)	**(580,646)**	(969,598)	**–**	–	**(580,646)**	(1,147,820)	**–**	–	**(580,646)**	(1,147,820)
Finance cost (net)	**(921,842)**	(942,308)	**(68,526)**	(74,114)	**–**	–	**(990,368)**	(1,016,422)	**–**	–	**(990,368)**	(1,016,422)
Profit/(loss) before taxation	**1,374,998**	3,142,933	**(538,068)**	(806,969)	**(114,926)**	(114,582)	**722,004**	2,221,382	**–**	–	**722,004**	2,221,382

25. SEGMENTAL INFORMATION (cont'd)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
OTHER INFORMATION												
Segmental assets	**50,617,645**	51,547,723	**3,896,871**	5,054,699	**869,737**	894,588	**55,384,253**	57,497,010	**(7,000)**	(7,000)	**55,377,253**	57,490,010
Total assets	**50,698,399**	51,587,523	**3,898,858**	5,068,953	**870,536**	895,232	**55,467,793**	5 7,551,708	**(7,000)**	(7,000)	**55,460,793**	57,544,708
Segmental liabilities	**33,978,467**	34,761,852	**3,941,457**	5,576,799	**20,306**	50,254	**37,940,230**	40,388,905	**(7,000)**	(7,000)	**37,933,230**	40,381,905
Total liabilities	**34,010,272**	34,814,024	**3,941,457**	5,576,799	**176,370**	206,318	**38,128,099**	40,597,141	**(7,000)**	(7,000)	**38,121,099**	40,590,141
Capital expenditure	**1,138,083**	474,304	**23,904**	20,521	**–**	–	**1,161,987**	494,825	**–**	-	**1,161,987**	494,825
Depreciation and amortisation	**1,728,668**	1,969,890	**49,127**	60,121	**29,557**	29,667	**1,807,352**	2,059,678	**–**	-	**1,807,352**	2,059,678
Non cash expenditure other than depreciation and amortisation	**2,447,873**	5,022,229	**52,633**	1,007,668	**568,646**	–	**3,069,152**	6,029,897	**–**	-	**3,069,152**	6,029,897

(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.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of their fair value:-

	Note
Trade and other receivables (current)	8
Trade and other payables (current)	14
Loans and borrowings (current)	12
Loans and borrowings (non-current)	12
- Floating rate bank loan at BLR + 1.5%	

The carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are a reasonable approximation of their fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or finance lease arrangements at the reporting date.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company does not hold any collateral as security and other credit enhancements for the above financial assets.

The management has a credit policy in place to monitor and minimise the exposure of default. The Group trades only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis.

At the reporting 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.

Financial assets that are neither past due nor impaired
Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions withno history of default.

Financial assets that are either past due or impaired
Information regarding financial assets that are past due or impaired is disclosed in Note 8 to the financial statements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis
The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010 RM			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities				
Trade and other payables	**19,438,390**	**–**	**–**	**19,438,390**
Loans and borrowings	**16,029,961**	**2,315,417**	**–**	**18,345,378**
Total undiscounted financial liabilities	**35,468,351**	**2,315,417**	**–**	**37,783,768**
Company				
Financial liabilities				
Trade and other payables	**14,905,109**	**–**	**–**	**14,905,109**
Loans and borrowings	**16,013,563**	**2,263,611**	**–**	**18,277,174**
Total undiscounted financial liabilities	**30,918,672**	**2,263,611**	**–**	**33,182,283**

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group and the Company do not manage the net exposure to interest rate risk since they consider that the cost to manage such instruments outweigh the potential risk of interest rate fluctuation.

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia ("RM"). The foreign currency in which these transactions are denominated is mainly US Dollar ("USD").

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The Group's and the Company's exposure to foreign currency risk is on USD, which is as follows:

	GROUP and COMPANY		GROUP and COMPANY	
	2010 USD	2009 USD	2010 SGD	2009 SGD
Cash and bank balances	**234,507**	8,140	**61,958**	344
Trade and other receivables	**486,394**	465,695	**66,625**	148,431
Gross statement of financial position exposure	**720,901**	473,835	**128,583**	148,775

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the financial year of 2010, the Group's strategy, which was unchanged from year 2009, was to maintain the debt-to-equity ratio at the lower end range within 2.20 to 2.40. The debt-to-equity ratios at 31st December 2010 and 31st December 2009 were as follows:-

	GROUP	
	2010 RM	2009 RM
Total liabilities	**38,121,099**	40,590,141
Equity attributable to owners of the Company	**17,339,694**	16,954,567
Debt-to-equity ratio	**2.20**	2.39

There were no changes in the Group's approach to capital management during the financial year.

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

29. SUBSEQUENT EVENTS AFTER REPORTING DATE

On 15th March 2011, the Company had increased its investments in the wholly owned subsidiary companies as follows:-

(i) Hwa Tai Distribution Sdn. Bhd. ("HTD") from RM250,000/- to RM1,250,000/- by way of the capitalisation of a sum of RM1,000,000/- owing by HTD. The issued and fully paid up share capital of HTD had also been increased to RM1,250,000/- following the issue and allotment at par of an additional RM1,000,000/- comprising 1,000,000 ordinary shares of RM1/- each to the Company.

(ii) Hwa Tai Import Sdn. Bhd. (formerly known as Keris Intan Sdn. Bhd.) ("HTI") from RM2/- to RM200,000/- by way of the capitalisation of a sum of RM80,623/- owing by HTI and the balance sum of RM119,375/- in cash. The issued and fully paid up share capital of HTI had also been increased to RM200,000/- following the issue and allotment at par of an additional RM199,998/- comprising 199,998 ordinary shares of RM1/- each to the Company.

Supplementary Information on the Breakdown of Realised and Unrealised Losses

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 31st December 2010 are as follows:-

	GROUP 2010 RM	 2009 RM
Accumulated losses		
- realised	**(44,815,167)**	(20,062,417)
- unrealised	**(165,339)**	(134,309)
As at 31st December	**(44,980,506)**	(20,196,726)
Less: Consolidation adjustments	**22,270,136**	–
Total group accumulated losses as per statements of financial position	**(22,710,370)**	(20,196,726)

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Statement by Directors

We, **SOO THIEN MING @ SOO THIEN SEE** and S**OO 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 19 to 67 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 2010 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 Companies Act, 1965 in Malaysia.

The information set out in Page 68 have been compiled in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE
Director

SOO CHUNG YEE
Director

Kuala Lumpur
Date : 28th April 2011

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 19 to 67, and the supplementary information set out on page 68 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 28th April 2011.

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 ("the Company"), which comprise the statements of financial position of the Group and of the Company as at 31st December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 67.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 of financial statements that give a true and fair view 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 FRS and the Act 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 2010 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 Act 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) Other than those subsidiaries with modified opinions in the auditors' reports as disclosed in Note 6 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries were not subject to any qualification material in relation to the consolidated financial statements, or included any adverse comments made under Section 174(3) of the Act.

Other Matters

The supplementary information set out in Page 68 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Act 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
28th April 2011

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	4.39	3,453	0.01
100 - 1,000	860	23.45	780,615	1.95
1,001 - 10,000	2,144	58.45	9,644,800	24.08
10,001 - 100,000	477	13.00	12,400,405	30.97
100,001 - less than 5% of issued shares	24	0.65	5,373,900	13.42
5% and above of issued shares	2	0.06	11,839,227	29.57
Total	3,668	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.	Lanjut Bestari Sdn Bhd	573,900	1.43
4.	Soo Thien Ming @ Soo Thien See (A/C 2)	513,600	1.28
5.	Kumpulan Jayaputera Sdn Bhd	445,600	1.11
6.	HLB Nominees (Tempatan) Sdn Bhd (A/C Francis Kong @Kong Fen Shin)	300,000	0.75
7.	Saw Ah Kee	280,000	0.70
8.	Teh Leong Kok	262,500	0.65
9.	SJ Sec Nominees (Tempatan) Sdn Bhd (A/C Lim Choon Tong)	255,000	0.64
10.	HDM Nominees (Tempatan) Sdn Bhd (A/C Lee Chee Wee)	249,800	0.62
11.	Ng Ah Poh	203,100	0.51
12.	Chua Yok Wan	200,000	0.50
13.	Hee Lin Ruey Jean	193,000	0.48
14.	CIMSEC Nominees (Tempatan) Sdn Bhd (A/C Wong Ing Chii)	183,200	0.46
15.	Citigroup Nominees (Tempatan) Sdn Bhd (A/C Tan Pek Hooi)	183,000	0.46
16.	Tan Tiong Cheng	179,000	0.45
17.	Chai Jee Choon	176,000	0.44
18.	OSK Nominees (Tempatan) Sdn Bhd (A/C Teh Kong Siew)	174,000	0.43
19.	TA Nominees (Tempatan) Sdn Bhd (A/C Chua Eng Ho Waa @ Chua Eng Wah)	150,000	0.37
20.	Baskaran A/L Govinda Nair	140,000	0.35
21.	Kenanga Nominees (Tempatan) Sdn Bhd (A/C Ong Chee Huan)	126,000	0.31
22.	Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
23.	HDM Nominees (Asing) Sdn Bhd (A/C Cheng Le Fern)	119,400	0.30
24.	London Biscuits Berhad	119,000	0.30
25.	Gan Lam Seong	114,000	0.28
26.	Thong Foo Ching @ Thong Chuan Ching	110,800	0.28
27.	Lim Guek Ching	100,000	0.25
28.	Cheng Yean Yun @ Tay Yan Hoon	95,000	0.24
29.	Tan Pek Leng	95,000	0.24
30.	Lim Soh Bee	90,000	0.22
	Total	17,593,127	43.93

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 2010

	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	33	1,768
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	28	366
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	31	468
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	31	266
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	-	18	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	13	449
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	19	2,082

Hwa Tai Industries Berhad
华大工业有限公司

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-Sixth Annual General Meeting of the Company to be held on 18 June 2011 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 Director, Mr. Soo Chung Yee		
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		

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

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