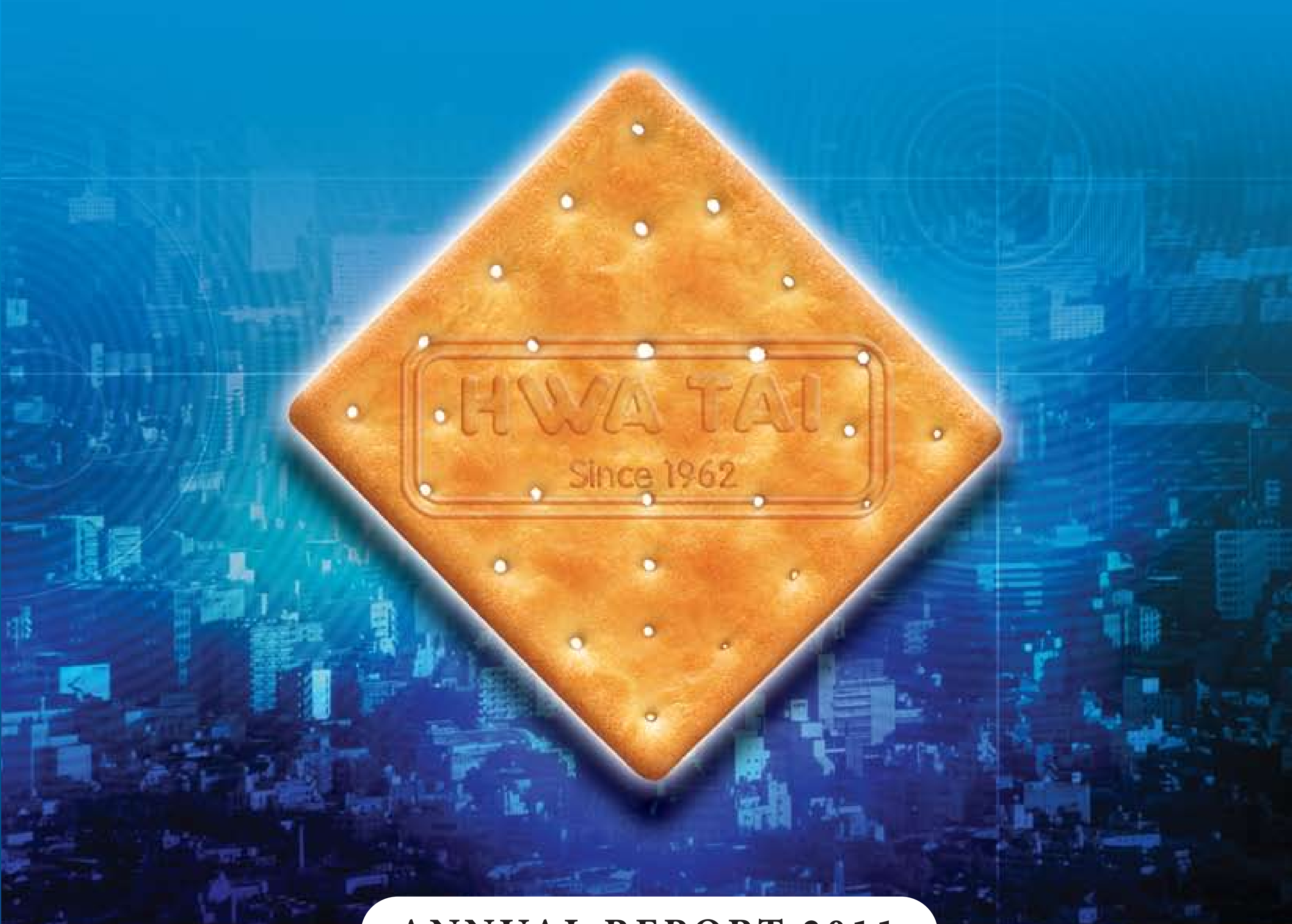
Hwa Tai Industries Berhad



ANNUAL REPORT 2011

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

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh 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, 23 June 2012 at 11.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Directors' and Auditors' Reports thereon.

2. To approve payment of Directors' fee for the financial year ended 31 December 2011.

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

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

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

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

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

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

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

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

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

   "That in line with the amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed amendments to the Articles of Association of the Company as set out in Appendix I enclosed with the Annual Report 2011, be and are hereby approved."

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

Johor Darul Takzim, Malaysia
31 May 2012

NOTES:

Entitlement to Attend and 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/her. 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.

For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 49(B) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a Record of Depositors as at 18 June 2012. Only a depositor whose name appears on the Record of Depositors as at 18 June 2012 shall be entitled to attend the Meeting or appoint proxies to attend and vote on his/her behalf.

Directors' Fee

The details of the proposed Directors' Fee for the financial year ended 31 December 2011 are set out in Note 18(a) of the Audited Financial Statements for the financial year ended 31 December 2011.

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 18 June 2011, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

Special Resolution

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

No individual other than the retiring Directors is seeking appointment / election as a Director at the forthcoming Thirty-Seventh 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
(Company No: 19688-V)

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 of China (Malaysia) Berhad

LISTING
Bursa Malaysia Securities Berhad,
Main Market – Listed since 1992

WEBSITE
www.hwatai.com

PROFILE OF THE BOARD OF DIRECTORS

MR. SOO THIEN MING @ SOO THIEN SEE
Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, aged 64, 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 37 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 2012. 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 33, 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 73, 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 Brahim's Holdings Berhad (formerly known as 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 2012. 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 51, 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 43, 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 as the Finance Manager in 1995 and he now holds the position of Executive Director in NV Multi Asia Sdn. Bhd.

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

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

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

During the financial year ended 31 December 2011, a total of five (5) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	5 of 5
Soo Chung Yee	3 of 5
Col. (Rtd.) Dato' Ir. Cheng Wah	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz	5 of 5
Soo Wei Chian	5 of 5

AUDIT COMMITTEE REPORT

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 2011, 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	5 of 5
Soo Wei Chian	5 of 5

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2011, 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.
h. Assessed the External Auditors whether they are suitable to be recommended for re-appointment.

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 2011, the following Internal Audit activities which were performed in-house, were carried out:-

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

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.

BOARD OF DIRECTORS (CONT'D)

C. Board Meetings and Supply of Information. (cont'd)

During the financial year ended 31 December 2011, the total number of Directors' Meetings convened was five (5). The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	5 of 5
Soo Chung Yee	3 of 5
Col. (Rtd.) Dato' Ir. Cheng Wah	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz	5 of 5
Soo Wei Chian	5 of 5

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 Corporate Integrity Pledge.
- Sustainability Session for Directors.
- Taking Socially Responsible Investment Practices Forward.
- Independent Directors are a Myth.
- Budget 2012 Tax Seminar.
- Tax Planning on Contentious Issues.
- Wealth Management – Property Talk 2011.
- Signs of the Creator 2.

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 18(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 73 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.

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Hwa Tai Industries Berhad ("HTIB") is pleased to present its Statement of Internal Control for the financial year ended 31 December 2011, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and guided by the Statement of Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance").

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 regularly 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 significant risk faced by the Group. 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 for the financial year which 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 procedures for major operating functions including purchases, capital expenditures, payments, credit control and stock control. Authority of the Directors is required for key treasury matters which include loan and trade financing, cheque signatories and opening of bank accounts.
3. There is a budgeting and business planning process in each financial 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 2011 as set out herein on pages 19 to 71 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 RM18,260/- 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 2011 and the unaudited results previously released for the financial quarter ended 31 December 2011.

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.

CHAIRMAN'S STATEMENT

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 2011.

Business Environment in 2011

The global economy in the year 2011 did not see any improvement as compared to the preceding year. A series of massive natural disasters which struck various parts of the world, the political unrest in the Middle East and the sovereign debt crisis which hit the Euro Zone, all had attributed to the weakened economic environment.

Despite the gloomy global economy, the Malaysian economy remained resilient in 2011 with the Government's accommodative and supportive growth policies which had helped to keep domestic consumption healthy.

Financial Review

The Group registered a lower revenue of RM73.45 million as compared to RM77.02 million in 2010. The decrease in revenue was mainly due to the Company losing a certain major OEM (Original Equipment Manufacturer) customer for cake products and also lower sales from the international market.

The lower revenue had in part resulted in the deterioration of the Group's results which recorded a net loss of RM1.80 million as compared to a net profit of RM385,000 in 2010. In addition, the decline in the results was also caused by higher spending on advertising and promotional activities to counter intense market competition and fluctuating market condition.

Corporate Social Responsibility

The Company entered into a second year of collaboration with Estee Lauder Malaysia in Estee Lauder's Breast Cancer Awareness Campaign 2011 popularly known as "The Pink Ribbon" Campaign, where the Company 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 donated to these organisations all proceeds from the sale of selected Hwa Tai Luxury biscuits during a 3-day event at Pavilion Kuala Lumpur to launch "The Pink Ribbon" Campaign.

During the year, the Company contributed both in terms of monetary and in-kind to various schools and non-profit organisations including Yayasan Maha Karuna's Educare programme to help finance the purchase of school items for under-privileged school children.

Outlook and Future Prospects for 2012

With anxiety hovering over the economic situation in Europe and the political state in the Middle East, the global economy is expected to remain challenging in the year 2012. The cooling down of the Chinese economy will also add on to the challenges. All these together with fluctuations in foreign currencies are expected to affect the Group's exports.

The domestic economic environment should remain buoyant with resilient domestic demand, though volatile raw material costs and fuel prices would cause the Group to move cautiously forward into yet another challenging year.

Staying relevant has been an important policy in the Group and we stand steadfast to respond immediately and effectively to any challenges that may derail our efforts to sustain growth. We will continue to optimise cost efficiency in our operation and undertake aggressive but prudent sales strategies to deliver sustainable growth.

Acknowledgement

On behalf of the Board, I take this opportunity to convey our gratitude to all our employees, shareholders, customers, distributors, business associates, financiers, suppliers and governmental and regulatory authorities for their unwavering support of the Group.

SOO THIEN MING @ SOO THIEN SEE
Chairman
17 May 2012

DIRECTORS' REPORT

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 ("the Group") for the financial year ended 31st December 2011.

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
Loss for the financial year	(1,802,871)	(1,268,934)
Attributable to:-		
Owners of the Company	(1,802,871)	(1,268,934)
Non-controlling interest	–	–
	(1,802,871)	(1,268,934)

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 2011.

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.

CURRENT ASSETS (CONT'D)

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 2011 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
The Company - Direct interests				
Soo Thien Ming @ Soo Thien See	**12,372,627**	–	–	**12,372,627**
Col. (Rtd.) Dato' Ir. Cheng Wah	**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 subsidiary companies by virtue of his interest in the Company.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Company as shown in Note 18 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
24 April 2012

STATEMENTS OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2011

	Note	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**17,884,162**	16,930,742	**15,295,268**	15,663,830
Prepaid land lease payments	5	**1,764,301**	1,366,832	**1,121,479**	702,450
Investment in subsidiary companies	6	**–**	–	**4,821,943**	2,671,945
Investment in an associate company	7	**1,711,376**	1,819,410	**1,791,457**	1,791,457
		21,359,839	20,116,984	**23,030,147**	20,829,682
Current assets					
Inventories	8	**6,045,567**	6,359,284	**5,400,124**	5,811,524
Trade and other receivables	9	**26,102,239**	24,160,814	**23,849,923**	22,723,012
Prepayments		**386,384**	370,979	**352,641**	160,387
Tax recoverable		**264,045**	83,540	**83,005**	–
Cash and bank balances		**4,104,565**	4,369,192	**3,320,191**	3,661,253
		36,902,800	35,343,809	**33,005,884**	32,356,176
TOTAL ASSETS		**58,262,639**	55,460,793	**56,036,031**	53,185,858
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		**(24,513,241)**	(22,710,370)	**(21,465,660)**	(20,196,726)
		15,536,823	17,339,694	**18,584,404**	19,853,338
Non-controlling interests		**–**	–	**–**	–
Total Equity		**15,536,823**	17,339,694	**18,584,404**	19,853,338
Non-current liabilities					
Loans and borrowings	12	**2,214,982**	2,315,417	**1,909,210**	2,263,611
Deferred tax liabilities	13	**–**	31,030	**–**	–
		2,214,982	2,346,447	**1,909,210**	2,263,611
Current liabilities					
Trade and other payables	14	**20,807,354**	19,587,852	**16,109,749**	15,054,571
Loans and borrowings	12	**19,547,416**	16,029,961	**19,432,668**	16,013,563
Tax payable		**156,064**	156,839	**–**	775
		40,510,834	35,774,652	**35,542,417**	31,068,909
Total liabilities		**42,725,816**	38,121,099	**37,451,627**	33,332,520
TOTAL EQUITY AND LIABILITIES		**58,262,639**	55,460,793	**56,036,031**	53,185,858

The accompanying notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

	Note	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
Revenue	15	**73,449,500**	77,016,224	**61,304,627**	63,749,209
Cost of sales	16	**(53,821,779)**	(54,393,416)	**(43,968,824)**	(44,164,847)
Gross Profit		**19,627,721**	22,622,808	**17,335,803**	19,584,362
Other income		**1,127,229**	581,762	**953,092**	439,771
Selling and distribution expenses		**(14,240,825)**	(14,334,703)	**(12,849,561)**	(13,040,273)
Administrative expenses		**(6,708,551)**	(6,547,762)	**(5,214,691)**	(4,726,133)
Other expenses					
- impairment loss on subsidiary companies		**–**	–	**(50,053)**	–
- impairment loss on receivables		**(361,000)**	(580,646)	**(347,230)**	–
Share of results of associate company		**(108,034)**	(29,087)	**–**	–
Finance costs	17	**(1,189,272)**	(990,368)	**(1,115,125)**	(919,238)
(Loss)/Profit before taxation	18	**(1,852,732)**	722,004	**(1,287,765)**	1,338,489
Taxation	19	**49,861**	(336,877)	**18,831**	(214,869)
(Loss)/Profit for the financial year		**(1,802,871)**	385,127	**(1,268,934)**	1,123,620
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss)/income for the financial year		**(1,802,871)**	385,127	**(1,268,934)**	1,123,620
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(1,802,871)**	385,127	**(1,268,934)**	1,123,620
Non-controlling interest		**–**	–	**–**	–
		(1,802,871)	385,127	**(1,268,934)**	1,123,620
(Loss)/Earning per share (sen)	20				
- basic		**(4.50)**	0.96		
- diluted		**(4.50)**	0.96		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

Group	Share Capital RM	Capital Reserve RM	Accumulated Losses RM	Non-controlling Interest RM	Total RM
	Attributable to Owners of the Company				
	Non-distributable				
At 1st January 2010	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
Total comprehensive loss for the financial year	–	–	(1,802,871)	–	(1,802,871)
At 31st December 2011	**40,042,400**	**7,664**	**(24,513,241)**	**–**	**15,536,823**

Company	Share Capital RM	Capital Reserve RM	Accumulated Losses RM	Total RM
	Non-distributable			
At 1st January 2010	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
Total comprehensive loss for the financial year	–	–	(1,268,934)	(1,268,934)
At 31st December 2011	**40,042,400**	**7,664**	**(21,465,660)**	**18,584,404**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
OPERATING ACTIVITIES:				
(Loss)/profit before taxation	**(1,852,732)**	722,004	**(1,287,765)**	1,338,489
Adjustments for:				
Impairment loss on receivables	**361,000**	580,646	**347,230**	–
Impairment loss on subsidiary companies	**–**	–	**50,053**	–
Impairment loss no longer required	**(365,649)**	(228,782)	**(275,638)**	(206,169)
Allowance for inventories obsolescence	**190,223**	39,270	**190,223**	39,270
Amortisation of prepaid land lease payments	**52,531**	39,033	**30,971**	17,471
Bad debts written off	**–**	36,433	**–**	–
Deposit written off	**4,781**	2,000	**–**	–
Depreciation of property, plant and equipment	**1,797,161**	1,768,319	**1,644,305**	1,623,398
Gain on disposal of property, plant and equipment	**(50,634)**	(54,028)	**(50,634)**	(54,028)
Interest income	**(38,090)**	(58,596)	**(37,669)**	(58,084)
Interest expenses	**1,189,272**	990,368	**1,115,125**	919,238
Property, plant and equipment written off	**7,416**	3,181	**–**	–
Share of results in an associate company	**108,034**	29,087	**–**	–
Loss/(gain) on unrealised foreign exchange	**43,629**	(15,154)	**43,629**	(15,154)
Operating cash flows before changes in working capital	**1,446,942**	3,853,781	**1,769,830**	3,604,431
Changes In Working Capital:				
Inventories	**123,494**	(1,286,940)	**221,177**	(1,288,087)
Receivables	**(1,859,139)**	2,151,339	**(1,675,952)**	1,749,041
Prepayments	**(15,405)**	(194,013)	**(192,254)**	2,837
Payables	**1,218,026**	(2,236,926)	**1,093,417**	(552,827)
Net cash flows from operations	**913,918**	2,287,241	**1,216,218**	3,515,395
Interest paid	**(914,411)**	(712,519)	**(867,185)**	(643,993)
Tax paid	**(185,266)**	(399,128)	**(87,766)**	(174,294)
Tax refund	**22,817**	13,042	**22,816**	–
Net cash flows from operating activities	**(162,942)**	1,188,636	**284,083**	2,697,108

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

	Note	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	(a)	**(2,022,987)**	(865,643)	**(1,061,642)**	(474,869)
Proceeds from disposal of property, plant and equipment		**68,196**	57,580	**68,196**	57,580
Additional investment in subsidiary companies		**–**	–	**(2,149,998)**	–
Purchase of prepaid land lease payments		**(450,000)**	–	**(450,000)**	–
Interest received		**38,090**	58,596	**37,669**	58,084
Net cash flows from investing activities		**(2,366,701)**	(749,467)	**(3,555,775)**	(359,205)
FINANCING ACTIVITIES:					
Net drawdown/(repayment) of short term borrowings		**2,629,295**	(1,467,600)	**2,629,295**	(1,467,600)
Net advances/(repayment) from subsidiary companies		**–**	–	**470,100**	(1,909,742)
Net drawdown/(repayment) of term loans		**79,425**	(344,671)	**79,425**	(344,671)
Net repayment of finance lease liabilities		**(673,742)**	(558,203)	**(505,149)**	(537,063)
Interest paid		**(274,861)**	(277,849)	**(247,940)**	(275,245)
Net cash flows used in financing activities		**1,760,117**	(2,648,323)	**2,425,731**	(4,534,321)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(769,526)**	(2,209,154)	**(845,961)**	(2,196,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**1,717,530**	3,926,684	**1,009,591**	3,206,009
Effects of the exchange rate changes		**(124,571)**	–	**(124,571)**	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	(b)	**823,433**	1,717,530	**39,059**	1,009,591

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

	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
Purchase of property, plant and equipment	**2,775,559**	1,161,987	**1,293,305**	681,869
Financed by finance lease arrangement	**752,572**	296,344	**231,663**	207,000
Cash payments on purchase of property, plant and equipment	**2,022,987**	865,643	**1,061,642**	474,869

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

	Note	GROUP 2011 RM	GROUP 2010 RM	COMPANY 2011 RM	COMPANY 2010 RM
Cash and bank balances		**4,104,565**	4,369,192	**3,320,191**	3,661,253
Bank overdrafts	12	**(3,281,132)**	(2,651,662)	**(3,281,132)**	(2,651,662)
		823,433	1,717,530	**39,059**	1,009,591

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

NOTES TO THE 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 24 April 2012.

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 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 2011 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.

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

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

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

Revised FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

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

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement

New IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurs by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs, as appropriate (rather than by adjusting goodwill);

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

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

***FRS 3 Business Combinations (Revised)* (cont'd)**

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;
- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;
- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and
- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS 3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1st July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

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

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

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

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new 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
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments : Disclosures	1 January 2012/ 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments : Presentation	1 January 2014
<u>New IC Int</u>		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 201

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

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

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to of the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiary companies, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associate companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

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

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (eg. via rental income).

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associate companies, as the equity method was applicable for both investments in joint ventures and associate companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associate company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

(c) MASB Approved Accounting Standards, MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate ("Transitioning Entities")*.The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31st December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2(b) to the financial statements. The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

(c) MASB Approved Accounting Standards, MFRSs (cont'd)

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

2.3 Significant Summary of Accounting Policies

(a) Basis of Consolidation

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

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

Acquisitions of subsidiary companies are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in the Note 2.3(c) to the financial statement. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

Transaction with non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company ownership interest in subsidiary companies that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any different between the amounts by which the non- controlling interest is adjusted and their fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(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(o) 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 is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash- generating unit may be impaired, by comparing the carrying amount of the cash- generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(c) Goodwill on Consolidation (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(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 associate 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(o) 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 2011 to 31st December 2011 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(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

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

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.

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 and leasehold 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(h) Financial Instruments (cont'd)

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.

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 Significant Summary of 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(i) Leases (cont'd)

(i) Finance Leases (cont'd)

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.

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.

(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 or 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 Significant Summary of Accounting Policies (cont'd)

(l) 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.

(m) 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 bargain purchased.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(o) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Summary of Accounting Policies (cont'd)

(o) Impairment of Assets (cont'd)

(ii) Impairment of Non-financial Assets (cont'd)

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.

(p) 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.

(q) 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.

(r) Segmental Reporting

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 management has made the following judgement, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:-

Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on FRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 Critical judgements in applying the Company's accounting policies (cont'd)

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an assets and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

The Group has classified the leases as finance leases as they have met the criteria of a finance lease under FRS 117.

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 and amount owing by 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 and amount owing by subsidiary companies.

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(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 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 9 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 2011	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in-Progress RM	Total RM
Cost/Valuation							
At 1st January 2011	9,647,864	39,835,302	3,405,718	662,280	1,581,110	300,398	55,432,672
Additions	1,215,878	1,249,909	73,772	–	236,000	–	2,775,559
Transfer	–	300,398	–	–	–	(300,398)	–
Disposals/write-offs	(16,170)	(558,442)	(154,171)	(45,177)	(154,612)	–	(928,572)
At 31st December 2011	10,847,572	40,827,167	3,325,319	617,103	1,662,498	–	57,279,659
Accumulated Depreciation							
At 1st January 2011	3,085,332	28,350,405	3,128,575	542,135	998,200	–	36,104,647
Depreciation for the financial year	219,273	1,334,212	79,497	34,827	129,352	–	1,797,161
Disposals/write-offs	(15,772)	(549,041)	(142,067)	(42,102)	(154,612)	–	(903,594)
At 31st December 2011	3,288,833	29,135,576	3,066,005	534,860	972,940	–	36,998,214
Impairment Loss							
At 1st January 2011/At 31st December 2011	2,397,283	–	–	–	–	–	2,397,283
Net Book Value at 31st December 2011	5,161,456	11,691,591	259,314	82,243	689,558	–	17,884,162

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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/Valuation							
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/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)

Properties consist of:-

Group 2011	Freehold Land and Buildings RM	Short-term Leasehold Buildings RM	Short-term Leasehold Buildings (At Valuation) (Note 4(b)) RM	Renovation RM	Total RM
Cost/Valuation					
At 1st January 2011	2,699,798	4,873,928	1,775,176	298,962	9,647,864
Additions	–	753,299	–	462,579	1,215,878
Disposals/write-offs	–	–	–	(16,170)	(16 ,170)
At 31st December 2011	2,699,798	5,627,227	1,775,176	745,371	10,847,572
Accumulated Depreciation					
At 1st January 2011	170,000	1,839,568	895,920	179,844	3,085,332
Depreciation for the financial year	–	165,874	32,308	21,091	219,273
Disposals/write-offs	–	–	–	(15,772)	(15,772)
At 31st December 2011	170,000	2,005,442	928,228	185,163	3,288,833
Impairment Loss					
At 1st January 2011/At 31st December 2011	2,397,283	–	–	–	2,397,283
Net Book Value at 31st December 2011	132,515	3,621,785	846,948	560,208	5,161,456

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Properties consist of:-

Group 2010	Freehold Land and Buildings RM	Short-term Leasehold Buildings RM	Short-term Leasehold Buildings (At Valuation) (Note 4(b)) RM	Renovation RM	Total RM
Cost/Valuation					
At 1st January 2010	2,699,798	4,873,928	1,775,176	281,102	9,630,004
Additions	–	–	–	17,860	17,860
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
At 31st December 2010	170,000	1,839,568	895,920	179,844	3,085,332
Impairment Loss					
At 1st January 2010/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)

Company 2011	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
Cost/Valuation						
At 1st January 2011	6,165,798	37,284,274	2,869,616	532,085	1,148,970	48,000,743
Additions	753,299	250,505	53,501	–	236,000	1,293,305
Disposals/write-offs	–	(558,442)	(8,709)	–	(154,612)	(721,763)
At 31st December 2011	6,919,097	36,976,337	2,914,408	532,085	1,230,358	48,572,285
Accumulated Depreciation						
At 1st January 2011	2,508,739	26,120,598	2,669,068	442,580	595,928	32,336,913
Depreciation for the financial year	196,872	1,267,126	56,790	28,862	94,655	1,644,305
Disposals/write-offs	–	(549,041)	(548)	–	(154,612)	(704,201)
At 31st December 2011	2,705,611	26,838,683	2,725,310	471,442	535,971	33,277,017
Net Book Value at 31st December 2011	4,213,486	10,137,654	189,098	60,643	694,387	15,295,268

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	Total RM
Cost/Valuation						
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)

Properties consist of:-

COMPANY 2011	Freehold Land RM	Short-term Leasehold Buildings RM	Short-term Leasehold Buildings (At Valuation) (Note 4(b)) RM	Renovation RM	Total RM
Cost/Valuation					
At 1st January 2011	**132,515**	**3,976,975**	**1,775,176**	**281,132**	**6,165,798**
Additions	**–**	**753,299**	**–**	**–**	**753,299**
At 31st December 2011	**132,515**	**4,730,274**	**1,775,176**	**281,132**	**6,919,097**
Accumulated Depreciation					
At 1st January 2011	**–**	**1,448,800**	**895,920**	**164,019**	**2,508,739**
Depreciation for the financial year	**–**	**147,979**	**32,308**	**16,585**	**196,872**
At 31st December 2011	**–**	**1,596,779**	**928,228**	**180,604**	**2,705,611**
Net Book Value at 31st December 2011	**132,515**	**3,133,495**	**846,948**	**100,528**	**4,213,486**
2010					
Cost/Valuation					
At 1st January 2010	132,515	3,976,975	1,775,176	263,272	6,147,938
Additions	–	–	–	17,860	17,860
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
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

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 finance lease:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
At Net Book Value				
Motor vehicles	**423,533**	222,333	**423,533**	222,333
Plant and machinery	**2,447,077**	1,858,082	**1,449,429**	1,732,876
Office equipment	**16,382**	26,094	**16,382**	26,094
	2,886,992	2,106,509	**1,889,344**	1,981,303

(b) Short-term leasehold buildings have been carried at valuation in accordance with the transitional provision of IAS 16 (Revised) Property, Plant and Equipment as disclosed in the Note 2.3(f) to the financial statements.

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 buildings	1,775,176

(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	
	2011 RM	2010 RM
Short-term leasehold buildings	**143,796**	149,327

(d) The leasehold building of the Group and of the Company with net book value ofRM656,835/- have been pledged to the licensed bank as security for banking facilitygranted to the Group and the Company as refer in Note 12 to the financial statements.

5. PREPAID LAND LEASE PAYMENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Cost/Valuation				
At 1st January	**2,073,600**	2,073,600	**958,000**	958,000
Addition	**450,000**	–	**450,000**	–
	2,523,600	2,073,600	**1,408,000**	958,000
Amortisation				
At 1st January	**(706,768)**	(667,735)	**(255,550)**	(238,079)
Amortisation for the financial year	**(52,531)**	(39,033)	**(30,971)**	(17,471)
	(759,299)	(706,768)	**(286,521)**	(255,550)
	1,764,301	1,366,832	**1,121,479**	702,450
Analysed as:-				
Short-term prepaid land lease payments	**1,764,301**	1,366,832	**1,121,479**	702,450

(a) Included in the prepaid land lease payments with net book value of RM436,500/- (2010: Nil) have been pledged to the licensed bank as security for banking facility granted to the Group and the Company.

(b) Short-term leasehold buildings have been carried at valuation in accordance with the transitional provision of IAS 16 (Revised) Property, Plant and Equipment as disclosed in the Note 2.3(f) to the financial statements.

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 Properties	Revalued Amount RM
The Company	1983	Short-term leasehold land	408,000
Subsidiary Company	1985	Short-term leasehold land	300,000
			708,000

(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	
	2011 RM	2010 RM
Short-term leasehold buildings	**57,351**	59,557

6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY 2011 RM	COMPANY 2010 RM
Unquoted shares, at cost	**10,414,671**	8,264,673
Less: Impairment loss	**(5,592,728)**	(5,592,728)
	4,821,943	2,671,945

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

Name of Company	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
Held by the Company			
Epro Industries Sdn. Bhd.	**100**	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd.^	**100**	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	**100**	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd.^	**100**	100	Trading
Hwa Tai Manufacturing Sdn. Bhd.^	**100**	100	Dormant
Acetai Corporation Sdn. Bhd.*	**90**	90	Trading
Hwa Tai Import Sdn. Bhd.*	**100**	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd.*	**100**	100	Dormant
Hwa Tai Distribution Sdn. Bhd.*	**100**	100	Trading
Hwa Tai Services Sdn. Bhd.*	**100**	100	Dormant
Absolute Focus Sdn. Bhd.*	**100**	100	Dormant
Held through Acetai Corporation Sdn. Bhd.			
Anika Bebas Sdn. Bhd.*	**100**	100	Trading
Esprit Classic Sdn. Bhd.*	**100**	100	Trading

* *Subsidiary companies not audited by Baker Tilly Monteiro Heng.*
^ *The auditors' reports of these subsidiary companies contain an emphasis of matter relating to the appropriateness of the going concern basis used in the preparation of their financial statements.*

The Company has fully subscribed the increase in issued and paid-up ordinary shares capital of Hwa Tai Food Industries (Sabah) Sdn. Bhd., Hwa Tai Distribution Sdn. Bhd. and Hwa Tai Import Sdn. Bhd. during the financial year.

7. INVESTMENT IN AN ASSOCIATE COMPANY

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares - at cost	**1,791,457**	1,791,457	**1,791,457**	1,791,457
Share of post acquisition (losses)/profits	**(80,081)**	27,953	**–**	–
	1,711,376	1,819,410	**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 Interest 2011 %	Effective Equity Interest 2010 %	Principal Activities
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:-

Assets and Liability	2011 RM	2010 RM
Current assets	**2,047,140**	1,413,669
Non-current assets	**7,684,866**	6,183,300
Total assets	**9,732,006**	7,596,969
Current liabilities	**4,988,529**	2,945,073
Total liability	**4,988,529**	2,945,073

The Group's share of the revenue and loss for the financial year of the associate company is as follows:-

	2011 RM	2010 RM
Revenue	**2,555,740**	2,540,321
Loss for the financial year	**(108,034)**	(29,087)

8. INVENTORIES

	GROUP		COMPANY	
	2011	2010	2011	2010
At Cost	RM	RM	RM	RM
Raw materials	**1,698,144**	1,567,654	**1,483,125**	1,315,168
Work-in-progress	**304,992**	327,111	**259,349**	241,719
Finished goods	**1,763,346**	1,817,376	**1,551,682**	1,736,656
Packing materials	**2,042,993**	2,406,474	**1,900,905**	2,277,312
Consumable stores	**236,092**	240,669	**205,063**	240,669
	6,045,567	6,359,284	**5,400,124**	5,811,524

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade receivables				
Trade receivables	**33,379,525**	32,781,820	**23,330,153**	21,628,373
Amount owing by subsidiary companies	**–**	–	**16,570,023**	16,264,980
	33,379,525	32,781,820	**39,900,176**	37,893,353
Less: Allowance for impairment				
- Trade receivables	**(8,120,885)**	(9,459,254)	**(1,968,046)**	(1,845,202)
- Amount owing by subsidiary companies	**–**	–	**(16,009,219)**	(16,057,608)
	(8,120,885)	(9,459,254)	**(17,977,265)**	(17,902,810)
Trade receivables, net	**25,258,640**	23,322,566	**21,922,911**	19,990,543
Other receivables				
Other receivables	**828,826**	1,102,396	**316,495**	476,181
Amount owing by subsidiary companies	**–**	–	**1,666,612**	2,605,502
Refundable deposits	**172,027**	266,444	**84,917**	190,727
	1,000,853	1,368,840	**2,068,024**	3,272,410
Less: Allowance for impairment				
- Other receivables	**(157,254)**	(530,592)	**(87,619)**	(460,957)
- Amount owing by subsidiary companies	**–**	–	**(53,393)**	(78,984)
	(157,254)	(530,592)	**(141,012)**	(539,941)
Other receivables, net	**843,599**	838,248	**1,927,012**	2,732,469
Total receivables	**26,102,239**	24,160,814	**23,849,923**	22,723,012

9. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables are non-interest bearing and are generally on 14 to 90 days (2010: 14 to 90 days) terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

The currencies exposure profile of trade and other receivables is as follows:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	**25,475,176**	22,637,664	**23,222,860**	21,199,862
US Dollar	**527,260**	1,364,298	**527,260**	1,364,298
Singapore Dollar	**99,803**	158,852	**99,803**	158,852
	26,102,239	24,160,814	**23,849,923**	22,723,012

Analysis on trade receivables

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

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Neither past due nor impaired	**15,121,371**	13,251,453	**12,988,954**	10,541,276
Past due 1 - 30 days	**2,698,771**	1,943,556	**2,095,458**	1,633,581
Past due 31 - 120 days	**4,649,393**	3,970,030	**4,441,973**	3,732,821
Past due more than 120 days	**2,789,105**	4,157,527	**2,396,526**	4,082,865
	10,137,269	10,071,113	**8,933,957**	9,449,267
Impaired	**8,120,885**	9,459,254	**17,977,265**	17,902,810
	33,379,525	32,781,820	**39,900,176**	37,893,353

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

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Group will not able to collect the amounts due.

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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:-

	Individually Impaired			
	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables:-				
Nominal amounts	**8,120,885**	9,580,378	**17,977,265**	18,008,869
Less: Allowance for impairment	**(8,120,885)**	(9,459,254)	**(17,977,265)**	(17,902,810)
	–	121,124	**–**	106,059

Movements in allowance accounts:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1st January	**9,459,254**	10,307,474	**17,902,810**	18,123,367
Charge for the financial year	**361,000**	580,646	**347,230**	–
Written off	**(1,333,720)**	(1,200,084)	**(72,781)**	(14,388)
Reversal of impairment losses	**(365,649)**	(228,782)	**(199,994)**	(206,169)
At 31st December	**8,120,885**	9,459,254	**17,977,265**	17,902,810

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 on demand.

10. SHARE CAPITAL

	GROUP and COMPANY			
	Number of ordinary shares of RM1/- each		Amount	
	2011 Unit	2010 Unit	2011 RM	2010 RM
Authorised:				
At 1st January/ At 31st December	**1,000,000,000**	1,000,000,000	**1,000,000,000**	1,000,000,000
Issued and fully paid:				
At 1st January/ At 31st December	**40,042,400**	40,042,400	**40,042,400**	40,042,400

11. CAPITAL RESERVE

	GROUP and COMPANY 2011 RM	2010 RM
Non-distributable		
At 1st January/At 31st December	**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	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Finance lease liabilities (secured)	**640,387**	492,623	**525,639**	476,225
Floating rate bank loan (secured)	**86,182**	–	**86,182**	–
Floating rate bank loan (unsecured)	**377,820**	353,076	**377,820**	353,076
Bankers' acceptances (unsecured)	**15,161,895**	12,532,600	**15,161,895**	12,532,600
Bank overdrafts (unsecured)	**3,281,132**	2,651,662	**3,281,132**	2,651,662
	19,547,416	16,029,961	**19,432,668**	16,013,563
Non-current				
Finance lease liabilities (secured)	**1,026,173**	1,095,107	**720,401**	1,043,301
Floating rate bank loan (secured)	**356,994**	–	**356,994**	–
Floating rate bank loan (unsecured)	**831,815**	1,220,310	**831,815**	1,220,310
	2,214,982	2,315,417	**1,909,210**	2,263,611
Total loans and borrowings	**21,762,398**	18,345,378	**21,341,878**	18,277,174

(a) Finance lease liabilities

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Minimum lease payments				
On demand and within one year	**741,494**	603,035	**602,330**	582,659
Later than one year but not later than two years	**702,784**	603,035	**563,620**	582,659
Later than two years but not later than five years	**387,444**	590,107	**189,342**	552,751
Later than five years	**13,625**	–	**13,625**	–
	1,845,347	1,796,177	**1,368,917**	1,718,069
Future interest charges	**(178,787)**	(208,447)	**(122,877)**	(198,543)
Present value of mininum lease payments	**1,666,560**	1,587,730	**1,246,040**	1,519,526

12. LOANS AND BORROWINGS (CONT'D)

(a) Finance lease liabilities (cont'd)

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Represented by:-				
Current				
On demand and within one year	**640,387**	492,623	**525,639**	476,225
Non-current				
Later than one year but not later than two years	**653,723**	492,623	**532,252**	476,225
Later than two years but not later than five years	**361,533**	602,484	**177,232**	567,076
Later than five years	**10,917**	–	**10,917**	–
	1,026,173	1,095,107	**720,401**	1,043,301
	1,666,560	1,587,730	**1,246,040**	1,519,526

The effective interest rate ranges from 2.80% to 4.75% (2010: 2.80% 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.

(b) Loan and borrowings

The remaining maturities of the loans and borrowings as at 31st December 2011 are as follows:-

	GROUP		COMPANY	
	2011	2010	2011	2010
On demand and within one year	**19,547,416**	16,029,961	**19,432,668**	16,013,563
Later than one year but not later than two years	**1,155,094**	873,239	**1,033,623**	856,841
Later than two years but not later than five years	**1,048,971**	1,442,178	**864,670**	1,406,770
Later than five years	**10,917**	–	**10,917**	–
	21,762,398	18,345,378	**21,341,878**	18,277,174

Floating rate bank loan
The effective interest rate as at the reporting date ranges from 7.85% to 8.10% (2010: 7.80%) per annum.

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 3.25% to 6.09% (2010: 2.98% to 4.80%) per annum.

12. LOANS AND BORROWINGS (CONT'D)

(b) Loan and borrowings (cont'd)

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 7.85% to 8.85% (2010: 7.55% to 8.80%) per annum.

13. DEFERRED TAXATION

	GROUP	
	2011 RM	2010 RM
Balance at 1st January	**31,030**	31,030
Transfer from profit or loss (Note 19)	**(31,030)**	–
Balance at 31st December	**–**	31,030

The component of deferred tax liability during the financial year is as follows:-

Temporary differences between net book values and corresponding tax written down values	**–**	31,030

14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Current				
Trade payables				
Third parties	**13,002,754**	9,766,771	**8,705,843**	6,283,202
Other payables				
Accrued operating expenses	**6,607,158**	6,922,110	**6,138,885**	6,433,473
Other payables	**1,160,701**	2,858,762	**998,927**	2,028,621
Refundable deposits	**36,741**	40,209	**36,540**	40,009
Amount owing to subsidiary companies	**–**	–	**229,554**	269,266
	7,804,600	9,821,081	**7,403,906**	8,771,369
Total trade and other payables	**20,807,354**	19,587,852	**16,109,749**	15,054,571
Add: Loans and borrowings (Note 12)	**21,762,398**	18,345,378	**21,341,878**	18,277,174
Total financial liabilities carried at amortised cost	**42,569,752**	37,933,230	**37,451,627**	33,331,745

The trade and other payables are non-interest bearing and are normally settled on 30 to 120 days (2010: 30 to 120 days) terms.

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

14. TRADE AND OTHER PAYABLES (CONT'D)

The currencies exposure profile of trade and other payables is as follows:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	**20,800,275**	19,573,396	**16,102,670**	15,040,115
US Dollar	**7,079**	2,166	**7,079**	2,166
Singapore Dollar	**–**	12,290	**–**	12,290
	20,807,354	19,587,852	**16,109,749**	15,054,571

15. REVENUE

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Sales of trading goods	**18,206,287**	17,183,127	**–**	–
Sales of manufactured goods	**55,243,213**	59,833,097	**61,304,627**	63,749,209
	73,449,500	77,016,224	**61,304,627**	63,749,209

16. COST OF SALES

Cost of sales represents cost of inventories sold.

17. FINANCE COSTS

The currencies exposure profile of trade and other payables is as follows:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expenses				
- trade financing	**775,891**	642,386	**728,665**	601,966
- bank overdrafts	**138,520**	42,027	**138,520**	42,027
- finance lease	**139,097**	146,720	**112,176**	144,116
- term loans	**135,764**	131,129	**135,764**	131,129
- others	**–**	28,106	**–**	–
	1,189,272	990,368	**1,115,125**	919,238

18. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation has been arrived at:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging:-				
Impairment loss				
- trade receivables	**361,000**	580,646	**347,230**	–
- subsidiary companies	**–**	–	**50,053**	–
Allowance for inventories obsolescence	**190,223**	39,270	**190,223**	39,270
Amortisation of prepaid land lease payments	**52,531**	39,033	**30,971**	17,471
Audit fee:				
- current year	**102,220**	95,420	**66,800**	61,000
- (over)/underaccrual in prior year	**(78)**	2,150	**5,800**	3,500
Bad debts written off	**–**	36,433	**–**	–
Directors' remunerations				
- salaries, bonuses and allowances	**996,600**	975,600	**888,000**	870,000
- fees	**100,000**	121,000	**100,000**	121,000
- other emoluments	**92,304**	90,144	**92,304**	90,144
Directors of subsidiary companies				
- salaries, bonuses and allowances	**108,600**	105,600	**–**	–
Deposit written off	**4,781**	2,000	**–**	–
Depreciation of property, plant and equipment	**1,797,161**	1,768,319	**1,644,305**	1,623,398
Hire of vehicles	**291,511**	420,836	**291,511**	420,836
Loss on foreign exchange				
- unrealised	**43,629**	–	**43,629**	–
Property, plant and equipment written off	**7,416**	3,181	**–**	–
Rental of premises	**119,400**	151,200	**15,000**	62,000
Research costs	**979**	682	**979**	682
Staff costs:				
- salaries, wages and allowances	**7,413,647**	7,016,524	**6,490,284**	5,758,238
- bonus	**298,387**	379,095	**270,000**	331,995
- Employees' Provident Fund	**665,310**	667,173	**573,858**	533,067
- SOCSO	**83,022**	86,002	**71,988**	71,078
- other staff related expenses	**386,541**	369,643	**304,924**	321,962
And crediting:-				
Bad debts recovered	**1,420**	–	**–**	–
Gain on disposal of property, plant and equipment	**50,634**	54,028	**50,634**	54,028
Impairment loss no longer required	**365,649**	228,782	**275,638**	206,169
Interest income	**38,090**	58,596	**37,669**	58,084
Rental income	**3,600**	3,000	**–**	–
Gain on foreign exchange				
- unrealised	**–**	15,154	**–**	15,154
- realised	**464,647**	11,443	**465,745**	11,443

18. (LOSS)/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	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive Directors				
Directors' fees	**10,000**	10,000	**10,000**	10,000
Salaries	**744,000**	726,000	**744,000**	726,000
Allowances	**24,000**	24,000	**24,000**	24,000
Other emoluments	**92,304**	90,144	**92,304**	90,144
	870,304	850,144	**870,304**	850,144
Non-Executive Directors				
Directors' fees	**90,000**	111,000	**90,000**	111,000
Allowances	**228,600**	225,600	**120,000**	120,000
	318,600	336,600	**210,000**	231,000
Grand Total				
Directors' fees	**100,000**	121,000	**100,000**	121,000
Salaries	**744,000**	726,000	**744,000**	726,000
Allowances	**252,600**	249,600	**144,000**	144,000
Other emoluments	**92,304**	90,144	**92,304**	90,144
	1,188,904	1,186,744	**1,080,304**	1,081,144

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

	<---------------- NUMBER OF DIRECTORS ---------------->			
	2011 Executive Director	2010 Non-Executive Director	2011 Executive Director	2010 Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	**–**	3	**–**	3
RM100,001 - RM150,000	**–**	1	**–**	–
RM150,001 - RM200,000	**–**	–	**–**	1
RM850,000 - RM900,000	**1**	–	**1**	–
	1	4	**1**	4

18. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

(b) Key Management Personnel

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' remuneration (Note 18(a))	**1,188,904**	1,186,744	**1,080,304**	1,081,144
Other key management personnel				
- salaries, bonus and other emoluments	**1,324,095**	1,052,857	**1,026,719**	784,971
- Defined contribution plans (Employees' Provident Fund)	**154,211**	127,912	**119,281**	97,268
	2,667,210	2,367,513	**2,226,304**	1,963,383

19. TAXATION

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Income tax				
- current year	**(55,000)**	(190,000)	**(55,000)**	(110,000)
- over/(under) accrual in prior year	**73,831**	(146,877)	**73,831**	(104,869)
	18,831	(336,877)	**18,831**	(214,869)
Deferred taxation (Note 13)				
- current year	**22,153**	–	**–**	–
- overaccrual in prior year	**8,877**	–	**–**	–
	31,030	–	**–**	–
	49,861	(336,877)	**18,831**	(214,869)

19. TAXATION (CONT'D)

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

A reconciliation of income tax expense applicable to (loss)/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	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
(Loss)/Profit before taxation	**(1,852,732)**	722,004	**(1,287,765)**	1,338,489
Tax at applicable tax rate of 25%	**463,183**	(180,501)	**321,942**	(334,622)
Tax effects arising from				
- non-taxable income	**250,497**	290,599	**9,110**	3,788
- non-deductible expenses	**(252,951)**	(466,204)	**(229,407)**	(362,776)
- reversal of deferred tax assets not recognised in the financial statements	**(493,576)**	166,106	**(156,645)**	583,610
- over/(under)accrual in prior year	**82,708**	(146,877)	**73,831**	(104,869)
Tax expense for the financial year	**49,861**	(336,877)	**18,831**	(214,869)

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

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Deductible temporary differences	**9,431,878**	9,368,900	**9,807,054**	9,406,232
Unabsorbed capital allowances	**781,569**	515,713	**–**	–
Unabsorbed industrial building allowances	**90,339**	90,339	**–**	–
Unabsorbed reinvestment allowances	**6,657,362**	6,431,604	**6,657,362**	6,431,604
Unutilised tax losses	**19,084,298**	17,664,588	**–**	–
	36,045,446	34,071,144	**16,464,416**	15,837,836
Potential deferred tax assets not recognised at 25%	**9,011,362**	8,517,786	**4,116,104**	3,959,459

20. (LOSS)/EARNING PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the financial year has been calculated based on the Group's (loss)/profit after taxation and non-controlling interests divided by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2011 RM	**2010 RM**
(Loss)/Profit attributable to owners of the Company	**(1,802,871)**	385,127
Weighted average number of ordinary shares in issue	**40,042,400**	40,042,400
Basic (loss)/earning per ordinary share (sen)	**(4.50)**	0.96

(b) Diluted earnings per share

The Group has no potential dilutive of ordinary shares. As such, there is no dilution effect on the earnings per share of the Group.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Transactions with subsidiary companies				
Sales to subsidiary companies				
- Hwa Tai Distribution Sdn. Bhd.	**–**	–	**9,583,103**	8,689,165
- Hwa Tai Wholesale Sdn. Bhd.	**–**	–	**358,124**	441,758
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	**–**	–	**1,250,859**	–
Management fees, administration fee and rental received/receivable from subsidiary companies				
- Hwa Tai Distribution Sdn. Bhd.	**–**	–	**3,600**	3,600
- Hwa Tai Wholesale Sdn. Bhd.	**–**	–	**1,200**	1,200
- Epro Industries Sdn. Bhd.	**–**	–	**13,200**	13,200
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	**–**	–	**1,200**	1,200
- Suria Merah Manufactory (Segamat) Sdn. Bhd.	**–**	–	**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	**16,598**	25,717	**8,830**	5,990

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.

22. CONTINGENT LIABILITIES

As at 31st December 2011, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Unsecured				
Bank guarantees issued in favour of third parties	**228,100**	221,500	**228,100**	221,500
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company	**–**	–	**420,520**	68,204
	228,100	221,500	**648,620**	289,704

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 nil.

23. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Capital expenditure approved and contracted for				
- purchase of property, plant and equipment	**215,170**	1,498,495	**71,521**	972,000

24. SEGMENTAL INFORMATION

Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
REVENUE												
External sales	**55,243,213**	59,833,097	**18,206,287**	17,183,127	**–**	–	**73,449,500**	77,016,224	**–**	–	**73,449,500**	77,016,224
Inter - segment sales	**11,147,086**	9,130,923	**–**	–	**–**	–	**11,147,086**	9,130,923	**11,147,086**	9,130,923	**–**	–
	66,390,299	68,964,020	**18,206,287**	17,183,127	**–**	–	**84,596,586**	86,147,147	**11,147,086**	9,130,923	**73,449,500**	77,016,224
RESULTS												
Segmental results	**(1,092,333)**	1,807,823	**(251,927)**	(14,041)	**(117,829)**	(114,926)	**(1,462,089)**	1,678,856	**32,400**	32,400	**(1,429,689)**	1,711,256
Other operating income	**983,645**	489,017	**300,017**	125,145	**–**	–	**1,283,662**	614,162	**(156,433)**	(32,400)	**1,127,229**	581,762
Other operating expenses	**(397,283)**	–	**(13,770)**	(580,646)	**–**	–	**(411,053)**	(580,646)	**50,053**	–	**(361,000)**	(580,646)
Finance cost (net)	**(1,142,046)**	(921,842)	**(47,226)**	(68,526)	**–**	–	**(1,189,272)**	(990,368)	**–**	–	**(1,189,272)**	(990,368)
(Loss)/profit before taxation	**(1,648,017)**	1,374,998	**(12,906)**	(538,068)	**(117,829)**	(114,926)	**(1,778,752)**	722,004	**(73,980)**	–	**(1,852,732)**	722,004

24. SEGMENTAL INFORMATION (CONT'D)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM
OTHER INFORMATION												
Segmental assets	**52,694,651**	50,617,645	**4,354,053**	3,896,871	**956,890**	869,737	**58,005,594**	55,384,253	**(7,000)**	(7,000)	**57,998,594**	55,377,253
Total assets	**52,955,910**	50,698,399	**4,356,040**	3,898,858	**957,689**	870,536	**58,269,639**	55,467,793	**(7,000)**	(7,000)	**58,262,639**	55,460,793
Segmental liabilities	**38,312,335**	33,978,467	**4,241,668**	3,941,457	**22,749**	20,306	**42,576,752**	37,940,230	**(7,000)**	(7,000)	**42,569,752**	37,933,230
Total liabilities	**38,312,335**	34,010,272	**4,241,668**	3,941,457	**178,813**	176,370	**42,732,816**	38,128,099	**(7,000)**	(7,000)	**42,725,816**	38,121,099
Capital expenditure	**2,760,006**	1,138,083	**15,553**	23,904	**–**	–	**2,775,559**	1,161,987	**–**	–	**2,775,559**	1,161,987
Depreciation and amortisation	**1,780,236**	1,728,668	**39,901**	49,127	**29,555**	29,557	**1,849,692**	1,807,352	**–**	–	**1,849,692**	1,807,352
Non cash expenditure other than depreciation and amortisation	**119,936**	2,447,873	**–**	52,633	**8,757**	568,646	**128,693**	3,069,152	**–**	–	**128,693**	3,069,152

25. 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)	9
Trade and other payables (current)	14
Loans and borrowings	12

The Group classifies fair value measurements using a fair value hierarchy that reflects the significant of the inputs used in making the measurement. The fair value hierarchy has the following levels:-

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

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 hence the fair value hierarchy is not presented.

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.

26. 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 9 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no 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 9 to the financial statements.

26. 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.

	2011			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities				
Trade and other payables	**20,807,354**	**–**	**–**	**20,807,354**
Loans and borrowings	**19,547,416**	**2,204,065**	**10,917**	**21,762,398**
Total undiscounted financial liabilities	**40,354,770**	**2,204,065**	**10,917**	**42,569,752**
Company				
Financial liabilities				
Trade and other payables	**16,109,749**	**–**	**-**	**16,109,749**
Loans and borrowings	**19,432,668**	**1,898,293**	**10,917**	**21,341,878**
Total undiscounted financial liabilities	**35,542,417**	**1,898,293**	**10,917**	**37,451,627**

	2010			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities				
Trade and other payables	19,587,852	–	–	19,587,852
Loans and borrowings	16,029,961	2,315,417	–	18,345,378
Total undiscounted financial liabilities	35,617,813	2,315,417	–	37,933,230
Company				
Financial liabilities				
Trade and other payables	15,054,571	-	–	15,054,571
Loans and borrowings	16,013,563	2,263,611	–	18,277,174
Total undiscounted financial liabilities	31,068,134	2,263,611	–	33,331,745

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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.

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flows sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss and Equity			
	2011		2010	
	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease
Group				
Variable rate instruments	**(16,528)**	**16,528**	(15,734)	15,734
Company				
Variable rate instruments	**(16,528)**	**16,528**	(15,734)	15,734

(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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

A 10% strengthening of the USD and SGD against the RM at the end of the financial year would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variable, in particular interest rates, remain constant.

Group 2011	Profit or loss and equity RM
USD	
- strengthen 10%	**76,800**
- weakened 10%	**(76,800)**
SGD	
- strengthen 10%	**10,130**
- weakened 10%	**(10,130)**

27. 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 2011, the Group's strategy, which was unchanged from year 2010, was to maintain the debt-to-equity ratio at an appropriate level. The debt-to-equity ratios at 31st December 2011 and 31st December 2010 were as follows:-

	GROUP	
	2011 RM	2010 RM
Total liabilities	**42,725,816**	38,121,099
Equity attributable to owners of the Company	**15,536,823**	17,339,694
Debt-to-equity ratio	**2.75**	2.20

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.

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR 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 accumulated losses of the Group and the Company as at 31st December 2011 are as follows:-

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Accumulated losses of the Group and its subsidiaries:-				
- realised	**(24,358,501)**	(22,572,984)	**(21,422,031)**	(20,062,417)
- unrealised	**(74,659)**	(165,339)	**(43,629)**	(134,309)
As at 31st December	**(24,433,160)**	(22,738,323)	**(21,465,660)**	(20,196,726)
Associate company				
- realised	**(80,081)**	27,953	**–**	–
Total group accumulated losses as per statements of financial position	**(24,513,241)**	(22,710,370)	**(21,465,660)**	(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 or losses 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 **SOO CHUNG YEE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 19 to 71 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 2011 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 on Page 72 have been prepared in accordance with the Guidance of 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, 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
24 April 2012

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 71, and the supplementary information set out on page 72 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 24 April 2012.

Before me,

ARSHAD ABDULLAH (W550)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD

(INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Hwa Tai Industries Berhad, which comprise the statements of financial position as at 31st December 2011, 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 71.

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 and the Companies Act, 1965 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the 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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on other Legal and Regulatory Requirements (cont'd)

(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 subsidiary companies with emphasis of matters paragraph in the auditors' reports as disclosed in Note 6 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiary companies did not contain any qualification, or any adverse comments made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 72 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.

Other Matters

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Lock Peng Kuan
No. 2819/10/12 (J)
Partner

Kuala Lumpur

24 April 2012

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2012

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	163	4.61	3,556	0.01
100 - 1,000	843	23.83	761,615	1.90
1,001 - 10,000	2,012	56.87	9,177,200	22.92
10,001 - 100,000	491	13.88	12,889,602	32.19
100,001 - less than 5% of issued shares	27	0.76	5,371,200	13.41
5% and above of issued shares	2	0.05	11,839,227	29.57
Total	3,538	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. Ng Ah Poh	334,100	0.83
6. Teh Leong Kok	262,500	0.66
7. Lee Sau Kwang	250,000	0.62
8. Bek Peck Ein	242,400	0.61
9. TA Nominees (Tempatan) Sdn Bhd (A/C Lim Yee Foong)	230,000	0.57
10. Thong Foo Ching @ Thong Chuan Ching	220,800	0.55
11. Hee Lin Ruey Jean	212,000	0.53
12. Saw Ah Kee	190,000	0.47
13. Tan Tiong Cheng	179,000	0.45
14. Chai Jee Choon	176,000	0.44
15. TA Nominees (Tempatan) Sdn Bhd (A/C Chong Yoke Ching)	171,000	0.43
16. Kenanga Nominees (Tempatan) Sdn Bhd (A/C Cheng Siok Wah)	163,000	0.41
17. Tan Leok Kwee	150,500	0.38
18. TA Nominees (Tempatan) Sdn Bhd (A/C Chuah Eng Ho Waa @ Chua Eng Wah)	150,000	0.37
19. Tiu Swee Eng	150,000	0.37
20. Baskaran A/L Govinda Nair	140,000	0.35
21. Tan Pek Leng	135,000	0.34
22. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
23. Lim Hock Sing	120,000	0.30
24. Thong Foo Ching @ Thong Chuan Ching	120,000	0.30
25. HDM Nominees (Asing) Sdn Bhd (A/C: Cheng Le Fern)	119,400	0.30
26. London Biscuits Berhad	119,000	0.30
27. Gan Lam Seong	114,000	0.29
28. Te Yang Lee Sing @ Thian Lee Sing	110,000	0.27
29. SJ Sec Nominees (Tempatan) Sdn Bhd (A/C: Jasman Bin Hj Jaafar)	102,000	0.25
30. Cimsec Nominees (Tempatan) Sdn Bhd (A/C: Yew Miw Chin @ Yew Meow Tin)	100,000	0.25
Total	17,310,427	43.23

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

AS AT 31 DECEMBER 2011

	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	34	1,703
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	29	353
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	32	451
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	32	259
5	Lot No. PTD 1007 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,775	15,923	Leasehold	Factory land & Industrial buildings (Own Occupation)	2011	2036	Not available	1,093
6	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	–	19	133
7	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	14	443
8	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	20	2,490

APPENDIX 1

HWA TAI INDUSTRIES BERHAD
- Proposed Amendments to the Articles of Association

The Articles of Association of Hwa Tai Industries Berhad are proposed to be amended in the following manner, to be consistent with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

ARTICLE NO.	EXISTING ARTICLE	PROPOSED AMENDMENTS TO ARTICLE	
Article 2 *Interpretation*	(None)	WORDS	MEANING
		Exempt Authorised Nominee	**An authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with the provisions of sub-section 25A(1) of SICDA**
Article 66 (B) *Form of proxy*	A member may appoint at least one (1) proxy to attend at the same meeting. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholdings to be represented by each proxy.	A member may appoint at least one (1) proxy to attend at the same meeting. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholdings to be represented by each proxy. **There shall be no restriction as to the qualification of the proxy.**	
Article 66 (D) *Form of proxy*	(None)	**Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**	

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

Form of Proxy

I / We, ____

of ____

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

of ____

or failing him/her ____

of ____ or failing him/her the Chairman of the Meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held on 23 June 2012 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, YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah		
4.	The re-election of Director: Mr. Soo Thien Ming @ Soo Thien See		
	En. Mohamed Razif Bin Tan Sri Abdul Aziz		
	Mr. Soo Wei Chian		
5.	Appointment of Auditors and their remuneration		
6.	Ordinary Resolution – Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
7.	Special Resolution – Proposed Amendments to Articles of Association of the Company		

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

No. of Shares Held	

Signature: ______________________

Date: ______________________

NOTES:

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

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

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

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

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

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POSTAGE

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

Fold Here

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