



**Hwa Tai Industries Berhad**

**华大工业有限公司**

(Company No. 19688-V)



ANNUAL REPORT

2012

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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Eighth 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, 22 June 2013 at 11.30 a.m.

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Directors' and Auditors' Reports thereon.
2. To approve payment of Directors' fee for the financial year ended 31 December 2012.
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 Director, Mr. Soo Chung Yee, who retires in accordance with the Company's Articles of Association.
5. To appoint Auditors and authorise the Directors to fix their remuneration.
6. To transact any other business appropriate to an Annual General Meeting, for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 1965.
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolution:-

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

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

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

Johor Darul Takzim, Malaysia  
29 May 2013

## 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 2013. Only a depositor whose name appears on the Record of Depositors as at 18 June 2013 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 2012 are set out in Note 18(a) of the Audited Financial Statements for the financial year ended 31 December 2012.

#### **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 23 June 2012, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

No individual other than the retiring Directors is seeking appointment / election as a Director at the forthcoming Thirty-Eighth 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 7 of this Annual Report. An assessment on all the retiring Directors had been conducted by the Nomination Committee.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (*Chairman*)  
Soo Chung Yee (*Group Chief Executive Director*)  
Col. (Rtd.) Dato' Ir. Cheng Wah  
Mohamed Razif Bin Tan Sri Abdul Aziz  
Soo Wei Chian

## COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

## REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

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

## CORPORATE OFFICE

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

## SHARE REGISTRAR

Tricor Investor Services Sdn Bhd  
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*  
Baker Tilly MH Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 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](http://www.hwatai.com)

## PROFILE OF THE BOARD OF DIRECTORS

### MR. SOO THIEN MING @ SOO THIEN SEE

– *Non-Independent Non-Executive Director*

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Mr. Soo Thien Ming, Malaysian, aged 65, 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 38 years. He is also a Notary Public. He holds several directorships in private companies in Malaysia and abroad.

He sits on 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 2013. 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*

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Mr. Soo Chung Yee, Malaysian, aged 34, 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.



## Profile Of The Board Of Directors (Cont'd)

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

*- Independent Non-Executive Director*

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, Malaysian, aged 74, 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 2013. 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 52, 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 44, 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 2012**

During the financial year ended 31 December 2012, a total of six (6) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	6 of 6
Soo Chung Yee	6 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Mohamed Razif Bin Tan Sri Abdul Aziz	6 of 6
Soo Wei Chian	6 of 6



# 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 *	Independent Non-Executive Director

\* *A member of the Malaysian Institute of Accountants*

## 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.

## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

### 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.

### 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.



## *Audit Committee Report (Cont'd)*

### **2. TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)**

#### **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.

#### **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 2012, five (5) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz	4 of 5
Soo Wei Chian	5 of 5

### 4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2012, the activities of the Audit Committee included the following:

- Reviewed and recommended for Board approval the quarterly financial results for public announcement.
- Reviewed and discussed with the External Auditors the audit planning memorandum before commencement of the year end audit.
- Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
- Reviewed and recommended for Board approval the Group's audited financial year end statements.
- Reviewed the related party transactions that had arisen within the Company and Group.
- Reviewed the internal audit reports.
- Convened meetings with the External Auditor without the attendance of the management. Four (4) of such meetings were held during the financial year.
- Assessed the suitability and independence of the External Auditors 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 2012, the following Internal Audit activities which were performed in-house, were carried out:-

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

The Group incurred approximately RM44,000.00 for the internal audit function during the financial year ended 31 December 2012.



# 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 2012 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 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. The duties and responsibilities of the Board which are separated from that of the management, are spelt out in the Board Charter.

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/her 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.

**BOARD OF DIRECTORS (CONT'D)****C. Board Meetings and Supply of Information (Cont'd)**

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

During the financial year ended 31 December 2012, the total number of Directors' Meetings convened was six (6). The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	6 of 6
Soo Chung Yee	6 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Mohamed Razif Bin Tan Sri Abdul Aziz	6 of 6
Soo Wei Chian	6 of 6

**D. Appointments to the Board**

In compliance with the Malaysian Code on Corporate Governance on the appointment of Directors, the Board had 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, all of whom are non-executive directors and a majority of whom are independent. Mr. Soo Thien Ming, who is a non-independent director holds the Chair of the Nomination Committee as his extensive chairmanship experience will assist in leading the Nomination Committee professionally and effectively.

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 making recommendation to the Board on the candidate for appointment, the Committee shall determine various criteria including qualities, experience, skills, level of commitment and time that the candidate can contribute and shall also take into consideration the composition and mix skills of the existing Board. Whilst the Committee respects the requirement for gender diversity, emphasis shall first be placed on the qualities, experience and skills of a candidate irrespective of gender, which would best correspond to the composition of the Board so as to function effectively and efficiently.

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

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

During the financial year, the Committee had carried out an evaluation of each Director's ability to contribute to the effectiveness of the Board and its committees, including an assessment of the independent directors on their independence. It also evaluated the Directors who were due for retiring and proposed these retiring Directors to the Board to be put forward for re-election by the shareholders.



## Statement Of Corporate Governance (Cont'd)

### BOARD OF DIRECTORS (CONT'D)

#### 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 at least once 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.

The tenure of an independent director should not exceed a cumulative term of 9 years. Upon completion of the 9 years, the independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains, as an independent director, a person who has served in that capacity for more than 9 years.

### DIRECTORS' TRAINING

The Nomination Committee is tasked to facilitate Board induction and training programmes.

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:-

- Role of the Audit Committee in Assuring Audit Quality.
- Corporate Integrity System Malaysia: CEO Dialogue Session.
- The Implementation of Goods & Services Tax.

### DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee 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, a majority of whom are non-executive directors.

Fees payable to the Directors are proposed by the Remuneration Committee to the Board who will then recommend for shareholders' approval at the Annual General Meeting.

## DIRECTORS' REMUNERATION (CONT'D)

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, the Company's website 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 at least 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.

Where appropriate, the Chairman shall put substantive resolutions to vote by poll, and the results of such votes shall be announced to the public detailing the number of votes cast for and against.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

The Audit Committee is tasked to review and recommend for Board approval the Group's annual financial statements and quarterly financial results.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 90 of this Annual Report.



## *Statement Of Corporate Governance (Cont'd)*

### **ACCOUNTABILITY AND AUDIT (CONT'D)**

#### **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 Risks Management and Internal Controls set out on pages 17 to 18 of this Annual Report. The Statement of Risks Management and Internal Controls 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 8 to 11 of this Annual Report.

#### **Ethical Conduct and Sustainability**

Employees are introduced to the ethical corporate culture of the Group during employee induction and thereafter, employees are constantly monitored to ensure the culture is upheld in their dealings within the Group and also in their association with our customers, distributors, suppliers, governmental and regulatory authorities and other business associates. Any employee may report directly to the Chairman of any ethical misconduct discovered within the Group.

The Group consistently conducts its business in a manner which underpins sustainability.

A written code of conduct on ethical standards and a formal policy on promoting sustainability are currently being drafted.

# STATEMENT OF RISKS MANAGEMENT AND INTERNAL CONTROLS

## INTRODUCTION

The Board of Directors of Hwa Tai Industries Berhad (“HTIB”) is pleased to present its Statement of Risks Management and Internal Controls for the financial year ended 31 December 2012, 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 on Risk Management and Internal Control: Guidelines for Directors of Listed Issues.

## BOARD RESPONSIBILITY

The Board of Directors recognises its overall responsibility for maintaining the Group’s system of Risks Management and Internal Controls 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 risks management and internal controls 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.



## *Statement Of Risks Management And Internal Controls (Cont'd)*

### **KEY ELEMENTS OF INTERNAL CONTROLS (CONT'D)**

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 Risks Management and Internal Controls 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 2012 as set out herein on pages 26 to 88 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 RM22,892/- 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.



*Directors' Responsibility Statement And Other Information (Cont'd)***OTHER INFORMATION (CONT'D)****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 2012 and the unaudited results previously released for the financial quarter ended 31 December 2012.

**Profit Guarantee**

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

**Recurrent Related Party Transaction of a Revenue Nature**

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

*Dear Shareholders,*

*On behalf of the  
Board of Directors, I  
am pleased to present  
the Annual Report  
and the Audited  
Financial Statements  
of Hwa Tai Industries  
Berhad and its group  
of companies for the  
financial year ended  
31 December 2012.*

#### **Business Environment in 2012**

The unsettled global economy and politic, in particular the European debt crisis, the uncertain American economic recovery, the slowing growth in the emerging markets and the political unrest in the Middle East, had all impeded the development of the world's economy in 2012.

Nevertheless, the Malaysian economy substained growth in 2012 which was driven by strong domestic demand and robust investments.

#### **Financial Review**

The Group recorded a decrease in revenue of RM66.45 million as compared to RM73.45 million in the preceding year. The decline in revenue was affected by both the domestic and international markets which experienced lower sales in 2012 due to the soft and competitive market.

Despite the uninspiring revenue in 2012, the Group's net loss reduced to RM0.57 million as compared to a net loss of RM1.80 million in the preceding year. The lower loss was mainly due to lower advertising and promotional expenses incurred in 2012.

#### **Corporate Social Responsibility**

The Company contributed towards Estee Lauder's Breast Cancer Awareness Campaign 2011 which came to a successful end in September 2012. The Company's joint efforts with Estee Lauder in "The Pink Ribbon" Campaign had not only benefited the various organisations, namely Breast Cancer Welfare Association, National Cancer Society of Malaysia, Cancer Research Initiatives Foundation and College of Radiology Malaysia in terms of research development and support for patients, survivors and their families, but also helped raise awareness towards the importance of breast health and early detection.

During the year, the Company continued driving other initiatives under its corporate social responsibility agenda, which included the contribution to various schools and non-profit organisations both in terms of monetary and in-kind.

#### **Outlook and Future Prospects for 2013**

With the continued financial and political uncertainties, the world economic environment is expected to remain challenging in year 2013 and this is expected to affect the export of Malaysian products.

Although the domestic market will continue to be positive in 2013, market space in the confectionery industry will be more challenging with intensified competition.

Nevertheless, the Company will remain focused on strengthening its operations further in order to improve the results of the Group.

#### **Acknowledgement**

On behalf of the Board, I would like to convey our sincere thanks to all our employees, shareholders, customers, distributors, business associates, financiers, suppliers and governmental and regulatory authorities for their continuous support to the Group.

**SOO THIEN MING @ SOO THIEN SEE**

*Chairman*

29 May 2013



## 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 2012.

### 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	(574,689)	(457,072)
Other comprehensive income	–	–
<b>Total comprehensive loss for the financial year</b>	<b>(574,689)</b>	<b>(457,072)</b>
Loss for the year attributable to:-		
Owners of the Company	(574,689)	(457,072)
Non-controlling interest	–	–
	<b>(574,689)</b>	<b>(457,072)</b>
Total comprehensive loss attributable to :-		
Owners of the Company	(574,689)	(457,072)
Non-controlling interest	–	–
	<b>(574,689)</b>	<b>(457,072)</b>

### 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 2012.

### RESERVES AND PROVISIONS

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

### BAD AND DOUBTFUL DEBTS

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

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

### CURRENT ASSETS

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

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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



## Directors' Report (Cont'd)

### 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 in Malaysia, 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 2012 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
<b>The Company</b>				
<b>Direct interests</b>				
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 controlling 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

Date : 24th April 2013



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31st December 2012

	Note	31.12.2012 RM	Group 31.12.2011 RM (Restated)	1.1.2011 RM (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	16,924,076	18,117,812	17,167,117
Prepaid land lease payments	5	1,200,547	1,243,977	832,910
Investment in an associate company	7	1,756,406	1,711,376	1,819,410
		19,881,029	21,073,165	19,819,437
<b>Current assets</b>				
Inventories	8	5,172,887	6,045,567	6,359,284
Trade and other receivables	9	25,679,086	26,102,239	24,160,814
Prepayments		278,949	386,384	370,979
Tax recoverable		186,601	264,045	83,540
Cash and bank balances		3,255,291	4,104,565	4,369,192
		34,572,814	36,902,800	35,343,809
<b>TOTAL ASSETS</b>		54,453,843	57,975,965	55,163,246
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	10	40,042,400	40,042,400	40,042,400
Capital reserve	11	—	—	—
Accumulated losses		(25,366,940)	(24,792,251)	(23,000,253)
		14,675,460	15,250,149	17,042,147
Non-controlling interests		—	—	—
<b>Total Equity</b>		14,675,460	15,250,149	17,042,147
<b>Non-current liabilities</b>				
Loans and borrowings	12	1,108,652	2,214,982	2,315,417
Deferred tax liabilities	13	—	—	31,030
		1,108,652	2,214,982	2,346,447
<b>Current liabilities</b>				
Trade and other payables	14	18,546,046	20,807,354	19,587,852
Loans and borrowings	12	19,967,621	19,547,416	16,029,961
Tax payable		156,064	156,064	156,839
		38,669,731	40,510,834	35,774,652
<b>Total liabilities</b>		39,778,383	42,725,816	38,121,099
<b>TOTAL EQUITY AND LIABILITIES</b>		54,453,843	57,975,965	55,163,246

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

# STATEMENTS OF FINANCIAL POSITION

*as at 31st December 2012*

	Note	31.12.2012 RM	Company 31.12.2011 RM (Restated)	1.1.2011 RM (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	14,359,514	15,528,918	15,900,205
Prepaid land lease payments	5	706,558	733,351	305,647
Investment in subsidiary companies	6	4,821,943	4,821,943	2,671,945
Investment in an associate company	7	1,791,457	1,791,457	1,791,457
		21,679,472	22,875,669	20,669,254
<b>Current assets</b>				
Inventories	8	4,547,734	5,400,124	5,811,524
Trade and other receivables	9	23,421,692	23,849,923	22,723,012
Prepayments		241,959	352,641	160,387
Tax recoverable		67,485	83,005	–
Cash and bank balances		2,460,594	3,320,191	3,661,253
		30,739,464	33,005,884	32,356,176
<b>TOTAL ASSETS</b>		52,418,936	55,881,553	53,025,430
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	10	40,042,400	40,042,400	40,042,400
Capital reserve	11	–	–	–
Accumulated losses		(22,069,546)	(21,612,474)	(20,349,490)
		17,972,854	18,429,926	19,692,910
Non-controlling interests		–	–	–
<b>Total Equity</b>		17,972,854	18,429,926	19,692,910
<b>Non-current liability</b>				
Loans and borrowings	12	861,219	1,909,210	2,263,611
<b>Current liabilities</b>				
Trade and other payables	14	13,773,215	16,109,749	15,054,571
Loans and borrowings	12	19,811,648	19,432,668	16,013,563
Tax payable		–	–	775
		33,584,863	35,542,417	31,068,909
<b>Total liabilities</b>		34,446,082	37,451,627	33,332,520
<b>TOTAL EQUITY AND LIABILITIES</b>		52,418,936	55,881,553	53,025,430

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



# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31st December 2012

		Group		Company	
	Note	2012 RM	2011 RM (Restated)	2012 RM	2011 RM (Restated)
Revenue	15	66,446,623	73,449,500	52,892,742	61,304,627
Cost of sales	16	(49,501,691)	(53,821,779)	(38,256,228)	(43,968,824)
<b>Gross Profit</b>		16,944,932	19,627,721	14,636,514	17,335,803
Other income		660,339	1,127,229	639,604	953,092
Selling and distribution expenses		(9,653,922)	(14,240,825)	(8,682,306)	(12,849,561)
Administrative expenses		(6,876,388)	(6,697,678)	(5,475,060)	(5,208,741)
Other expenses		(387,990)	(361,000)	(357,204)	(397,283)
Share of results of associate company		45,030	(108,034)	–	–
Finance costs	17	(1,207,955)	(1,189,272)	(1,119,885)	(1,115,125)
<b>Loss before taxation</b>	18	(475,954)	(1,841,859)	(358,337)	(1,281,815)
Taxation	19	(98,735)	49,861	(98,735)	18,831
<b>Loss for the financial year</b>		(574,689)	(1,791,998)	(457,072)	(1,262,984)
Other comprehensive income		–	–	–	–
<b>Total comprehensive loss for the financial year</b>		(574,689)	(1,791,998)	(457,072)	(1,262,984)
<b>Total comprehensive loss attributable to:-</b>					
Owners of the Company		(574,689)	(1,791,998)	(457,072)	(1,262,984)
Non-controlling interest		–	–	–	–
		(574,689)	(1,791,998)	(457,072)	(1,262,984)
<b>Loss per share (sen)</b>	20				
- basic		(1.44)	(4.48)		
- diluted		(1.44)	(4.48)		

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

# STATEMENTS OF CHANGES IN EQUITY

*for the financial year ended 31st December 2012*

Group	Attributable to Owners of the Company			Non- controlling Interest RM	Total RM
	Share Capital RM	Capital Reserve RM	Accumulated Losses RM		
At 1st January 2011					
- as previously reported	40,042,400	7,664	(22,710,370)	—	17,339,694
- effect of adopting Malaysian Financial Reporting Standards ("MFRSs")	—	(7,664)	(289,883)	—	(297,547)
- as restated	40,042,400	—	(23,000,253)	—	17,042,147
Total comprehensive loss for the financial year					
- as previously reported	—	—	(1,802,871)	—	(1,802,871)
- effect of adopting MFRSs	—	—	10,873	—	10,873
- as restated	—	—	(1,791,998)	—	(1,791,998)
At 31st December 2011					
- as previously reported	40,042,400	7,664	(24,513,241)	—	15,536,823
- effect of adopting MFRSs	—	(7,664)	(279,010)	—	(286,674)
- as restated	40,042,400	—	(24,792,251)	—	15,250,149
Total comprehensive loss for the financial year	—	—	(574,689)	—	(574,689)
At 31st December 2012	40,042,400	—	(25,366,940)	—	14,675,460

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



*Statements Of Changes In Equity (Cont'd)*  
*for the financial year ended 31st December 2012*

Company	Non-distributable			Total RM
	Share Capital RM	Capital Reserve RM	Accumulated Losses RM	
At 1st January 2011				
- as previously reported	40,042,400	7,664	(20,196,726)	19,853,338
- effect of adopting MFRSs	—	(7,664)	(152,764)	(160,428)
- as restated	40,042,400	—	(20,349,490)	19,692,910
Total comprehensive loss for the financial year				
- as previously reported	—	—	(1,268,934)	(1,268,934)
- effect of adopting MFRSs	—	—	5,950	5,950
- as restated	—	—	(1,262,984)	(1,262,984)
At 31st December 2011				
- as previously reported	40,042,400	7,664	(21,465,660)	18,584,404
- effect of adopting MFRSs	—	(7,664)	(146,814)	(154,478)
- as restated	40,042,400	—	(21,612,474)	18,429,926
Total comprehensive loss for the financial year	—	—	(457,072)	(457,072)
At 31st December 2012	40,042,400	—	(22,069,546)	17,972,854

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 31st December 2012

	2012 RM	Group 2011 RM (Restated)	Company 2012 RM	2011 RM (Restated)
<b>OPERATING ACTIVITIES:</b>				
Loss before taxation	(475,954)	(1,841,859)	(358,337)	(1,281,815)
Adjustments for:				
Impairment loss on receivables	381,348	361,000	319,737	347,230
Impairment loss on subsidiary companies	–	–	30,825	50,053
Impairment loss no longer required on trade receivables	(70,999)	(365,649)	(52,442)	(275,638)
Allowance for inventories obsolescence	220,854	190,223	185,762	190,223
Amortisation of prepaid land lease payments	43,430	38,933	26,793	22,296
Bad debts written off	6,642	–	6,642	–
Deposit written off	–	4,781	–	–
Depreciation of property, plant and equipment	1,924,456	1,799,886	1,648,244	1,647,030
Gain on disposal of property, plant and equipment	–	(50,634)	–	(50,634)
Interest income	(13,930)	(38,090)	(13,692)	(37,669)
Interest expenses	1,207,955	1,189,272	1,119,885	1,115,125
Property, plant and equipment written off	23,685	7,416	21,722	–
Loss on disposal of property, plant and equipment	948	–	948	–
Share of results in an associate company	(45,030)	108,034	–	–
Loss on unrealised foreign exchange	98,999	43,629	98,999	43,629
<b>Operating cash flows before changes in working capital</b>	<b>3,302,404</b>	<b>1,446,942</b>	<b>3,035,086</b>	<b>1,769,830</b>
Changes In Working Capital:				
Inventories	651,826	123,494	666,628	221,177
Receivables	139,921	(1,859,139)	638,469	(1,675,952)
Prepayments	107,435	(15,405)	110,682	(192,254)
Payables	(2,261,308)	1,218,026	(2,296,041)	1,093,417
<b>Net cash flows from operations</b>	<b>1,940,278</b>	<b>913,918</b>	<b>2,154,824</b>	<b>1,216,218</b>
Interest paid	(985,989)	(914,411)	(926,856)	(867,185)
Tax paid	(132,796)	(185,266)	(83,215)	(87,766)
Tax refund	111,505	22,817	–	22,816
<b>Net cash flows from operating activities</b>	<b>932,998</b>	<b>(162,942)</b>	<b>1,144,753</b>	<b>284,083</b>



*Statements Of Cash Flows (Cont'd)*  
for the financial year ended 31st December 2012

		Group		Company	
	Note	2012 RM	2011 RM (Restated)	2012 RM	2011 RM (Restated)
<b>INVESTING ACTIVITIES:</b>					
Purchase of property, plant and equipment	(a)	(574,900)	(2,022,987)	(502,055)	(1,061,642)
Proceeds from disposal of property, plant and equipment		545	68,196	545	68,196
Additional investment in subsidiary companies		–	–	–	(2,149,998)
Purchase of prepaid land lease payments		–	(450,000)	–	(450,000)
Interest received		13,930	38,090	13,692	37,669
<b>Net cash flows from investing activities</b>		<b>(560,425)</b>	<b>(2,366,701)</b>	<b>(487,818)</b>	<b>(3,555,775)</b>
<b>FINANCING ACTIVITIES:</b>					
Net drawdown of short term borrowings		128,605	2,629,295	128,605	2,629,295
Net (repayment to)/advances from subsidiary companies		–	–	(521,734)	470,100
Net (repayment)/drawdown of term loans		(481,179)	79,425	(481,179)	79,425
Net repayment of finance lease liabilities		(723,005)	(673,742)	(524,893)	(505,149)
Interest paid		(221,966)	(274,861)	(193,029)	(247,940)
<b>Net cash flows used in financing activities</b>		<b>(1,297,545)</b>	<b>1,760,117</b>	<b>(1,592,230)</b>	<b>2,425,731</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(924,972)</b>	<b>(769,526)</b>	<b>(935,295)</b>	<b>(845,961)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>823,433</b>	<b>1,717,530</b>	<b>39,059</b>	<b>1,009,591</b>
<b>Effects of the exchange rate changes</b>		<b>(132,758)</b>	<b>(124,571)</b>	<b>(132,758)</b>	<b>(124,571)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	(b)	<b>(234,297)</b>	<b>823,433</b>	<b>(1,028,994)</b>	<b>39,059</b>

*Statements Of Cash Flows (Cont'd)*  
*for the financial year ended 31st December 2012*

	Note	Group		Company	
		2012 RM	2011 RM (Restated)	2012 RM	2011 RM (Restated)
(a)	During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:-				
	Purchase of property, plant and equipment	755,898	2,775,559	502,055	1,293,305
	Financed by finance lease arrangement	180,998	752,572	–	231,663
	Cash payments on purchase of property, plant and equipment	574,900	2,022,987	502,055	1,061,642
(b)	Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-				
	Cash and bank balances	3,255,291	4,104,565	2,460,594	3,320,191
	Bank overdrafts	12 (3,489,588)	(3,281,132)	(3,489,588)	(3,281,132)
		(234,297)	823,433	(1,028,994)	39,059

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 24th April 2013.

## 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

The financial statements of the Group and of the Company for the financial year ended 31st December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

The preparation of financial statements in conformity with MFRSs 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 the revenue and expenses during the reporting period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

#### (a) Explanation of transition to 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 Malaysian Accounting Standards Board ("MASB") had on 19th November 2011 issued 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 to financial periods beginning on or after 1st January 2014. 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 the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31st December 2012.

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 have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1st January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31st December 2012, 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, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs.

The transition to MFRSs does not have any significant effect on the financial statements of the Company.

In preparing the opening consolidated statement of financial position as at 1st January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSs framework. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes.



## Notes To The Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

##### (a) Explanation of Transition to MFRSs (Continued)

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:-

##### (i) Reconciliation of equity

	[----- Group -----]			[----- Company -----]		
	Previously reported under FRSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM	Previously reported under FRSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
<b>EQUITY</b>						
Equity attributable to owners of the parent						
As at 1st January 2011						
Capital reserve	7,664	(7,664)	–	7,664	(7,664)	–
Accumulated losses	(22,710,370)	(289,883)	(23,000,253)	(20,196,726)	(152,764)	(20,349,490)
	(22,702,706)	(297,547)	(23,000,253)	(20,189,062)	(160,428)	(20,349,490)
As at 31st December 2011						
Capital reserve	7,664	(7,664)	–	7,664	(7,664)	–
Accumulated losses	(24,513,241)	(279,010)	(24,792,251)	(21,465,660)	(146,814)	(21,612,474)
	(24,505,577)	(286,674)	(24,792,251)	(21,457,996)	(154,478)	(21,612,474)

Under FRSs, certain property, plant and equipment of the Group and the Company were stated at valuation less accumulated depreciation and impairment losses, if any. Upon transition of the MFRSs, the Group elected to use this valuation as deemed cost at the date of transition. Accordingly the capital reserve of the Group and the Company of RM7,664/- as at 1st January 2011 and 31st December 2011 respectively was reclassified to accumulated losses. The transition from FRSs to MFRSs did not have any significant effect on the financial performance and cash flows of the Group and the Company.

##### (ii) Prepaid land lease payments

##### (a) Effect on adoption of MFRS 117

Upon adoption of FRSs, the Group measured operating lease on leasehold land in accordance with the transitional provision in FRS 117 Leases. The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised revalued amount when the Group first applied FRS 117 in 2006. This transitional provision is not available under MFRS 117.

Upon adoption to MFRSs, the revalued prepaid lease payments were restated to its original costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

#### (a) Explanation of Transition to MFRSs (Continued)

##### (ii) Prepaid land lease payments (Continued)

##### (b) Reclassification of prepaid land lease payments

The Group has classified the lease period of more than 50 years as finance lease as they have met the criteria of a finance lease under MFRS 117.

The effects of the abovementioned transition to MFRSs are as follows:-

Group	As previously stated RM	(a) Transitioning adjustments (Fair value as deemed costs) RM	(b) Reclassification RM	As restated RM
<b>Consolidated statements of financial position</b>				
<b>At 1st January 2011</b>				
Property, plant and equipment	16,930,742	–	236,375	17,167,117
Prepaid land lease payments	1,366,832	(297,547)	(236,375)	832,910
<b>At 31st December 2011</b>				
Property, plant and equipment	17,884,162	–	233,650	18,117,812
Prepaid land lease payments	1,764,301	(286,674)	(233,650)	1,243,977
<b>Statements of comprehensive income</b>				<b>31.12.2011 RM</b>
Administrative expenses - reduction in amortisation				(10,873)
Decrease in loss before tax				(10,873)



## Notes To The Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

##### (a) Explanation of Transition to MFRSs (Continued)

##### (ii) Prepaid land lease payments (Continued)

Company	As previously stated RM	(a) Transitioning adjustments (Fair value as deemed costs) RM	(b) Reclassification RM	As restated RM
<b>Statements of financial position</b>				
<b>At 1st January 2011</b>				
Property, plant and equipment	15,663,830	–	236,375	15,900,205
Prepaid land lease payments	702,450	(160,428)	(236,375)	305,647
<b>At 31st December 2011</b>				
Property, plant and equipment	15,295,268	–	233,650	15,528,918
Prepaid land lease payments	1,121,479	(154,478)	(233,650)	733,351
<b>Statements of comprehensive income</b>				<b>31.12.2011 RM</b>
Administrative expenses - reduction in amortisation				(5,950)
Decrease in loss before tax				(5,950)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

**(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, 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:-

		<b>Effective for financial periods beginning on or after</b>
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
<u>Revised MFRSs</u>		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
<u>New IC Int</u>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

- (b) **New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

#### ***MFRS 9 Financial Instruments***

MFRS 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 the former MFRS 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.

#### ***MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)***

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

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 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.

#### ***MFRS 11 Joint Arrangements***

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (Continued)

- (b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (Continued)

#### *MFRS 12 Disclosures of Interests in Other Entities*

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS 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.

#### *MFRS 13 Fair Value Measurement*

MFRS 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.

#### *MFRS 128 Investments in Associates and Joint Ventures (Revised)*

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated 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 MFRS 9.

#### *Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities*

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

### 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.



## Notes To The Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Significant Summary of Accounting Policies (Continued)

##### (a) Basis of Consolidation (Continued)

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.

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 difference 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (b) Subsidiary Companies (Continued)

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.

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.



## Notes To The Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Significant Summary of Accounting Policies (Continued)

##### (d) Associate Company (Continued)

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 2012 to 31st December 2012 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.

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:-

Leasehold land and buildings	2%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and motor vehicles	10% - 20%

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (e) Property, Plant and Equipment and Depreciation (Continued)

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) 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.

#### (g) Financial Instruments

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

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

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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (g) Financial Instruments (Continued)

##### (i) Financial Assets:- (Continued)

###### *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.

##### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (g) Financial Instruments (Continued)

##### (ii) Financial Liabilities (Continued)

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 is 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.

#### (h) 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 is 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.



## Notes To The Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Significant Summary of Accounting Policies (Continued)

##### (h) Leases (Continued)

##### (i) Finance Leases (Continued)

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.

##### (i) 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.

##### (j) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (j) Employee benefits (Continued)

##### (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.

#### (k) 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.

#### (l) Provisions

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect at the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (m) Taxation

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 (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (o) Impairment of Assets (Continued)

##### (ii) Impairment of Non-financial Assets

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

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

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

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

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

#### (p) Cash and Cash Equivalents

For the purpose of cash flows 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Significant Summary of Accounting Policies (Continued)

#### (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 MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

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 period of more than 50 years as finance leases as they have met the criteria of a finance lease under MFRS 117.



### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### 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 (Continued)

#### 3.2 Key sources of estimation uncertainty (Continued)

##### (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 to the financial statements.

##### (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.



## Notes To The Financial Statements (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT

Group 2012	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
<b>Cost</b>						
At 1st January 2012						
- as previously stated	8,280,289	40,827,167	3,325,319	617,103	1,662,498	54,712,376
- reclassification from prepaid land lease payments	250,000	–	–	–	–	250,000
- as restated	8,530,289	40,827,167	3,325,319	617,103	1,662,498	54,962,376
Additions	110,280	601,854	43,764	–	–	755,898
Reclassification	–	12,401	(16,671)	(32,824)	(132,962)	(170,056)
Disposals/write-offs	–	(42,335)	(11,598)	–	–	(53,933)
At 31st December 2012	8,640,569	41,399,087	3,340,814	584,279	1,529,536	55,494,285
<b>Accumulated Depreciation</b>						
At 1st January 2012						
- as previously stated	3,118,833	29,135,576	3,066,005	534,860	972,940	36,828,214
- reclassification from prepaid land lease payments	16,350	–	–	–	–	16,350
- as restated	3,135,183	29,135,576	3,066,005	534,860	972,940	36,844,564
Depreciation for the financial year	279,807	1,443,403	78,175	32,424	90,647	1,924,456
Reclassification	–	9,070	(9,101)	(31,841)	(138,184)	(170,056)
Disposals/write-offs	–	(19,120)	(9,635)	–	–	(28,755)
At 31st December 2012	3,414,990	30,568,929	3,125,444	535,443	925,403	38,570,209
<b>Net Book Value at 31st December 2012</b>	5,225,579	10,830,158	215,370	48,836	604,133	16,924,076

## 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

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
<b>Cost</b>							
At 1st January 2011							
- as previously stated	7,080,581	39,835,302	3,405,718	662,280	1,581,110	300,398	52,865,389
- reclassification from prepaid land lease payments	250,000	–	–	–	–	–	250,000
- as restated	7,330,581	39,835,302	3,405,718	662,280	1,581,110	300,398	53,115,389
Addition	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	8,530,289	40,827,167	3,325,319	617,103	1,662,498	–	54,962,376
<b>Accumulated Depreciation</b>							
At 1st January 2011							
- as previously stated	2,915,332	28,350,405	3,128,575	542,135	998,200	–	35,934,647
- reclassification from prepaid land lease payments	13,625	–	–	–	–	–	13,625
- as restated	2,928,957	28,350,405	3,128,575	542,135	998,200	–	35,948,272
Depreciation for the financial year	219,273	1,334,212	79,497	34,827	129,352	–	1,797,161
Reclassification from prepaid land lease payments	2,725	–	–	–	–	–	2,725
Disposals/write-offs	(15,772)	(549,041)	(142,067)	(42,102)	(154,612)	–	(903,594)
At 31st December 2011	3,135,183	29,135,576	3,066,005	534,860	972,940	–	36,844,564
<b>Net Book Value at 31st December 2011</b>							
	5,395,106	11,691,591	259,314	82,243	689,558	–	18,117,812
<b>1st January 2011</b>							
	4,401,624	11,484,897	277,143	120,145	582,910	300,398	17,167,117



## Notes To The Financial Statements (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

# Properties consist of:-

Group 2012	Freehold Land and Buildings RM	Short-term Leasehold Land and Buildings RM	Long-term Leasehold Land and Building RM	Renovation RM	Total RM
<b>Cost</b>					
At 1st January 2012					
- as previously stated	132,515	7,402,403	–	745,371	8,280,289
- reclassification from prepaid land lease payments	–	–	250,000	–	250,000
- as restated	132,515	7,402,403	250,000	745,371	8,530,289
Additions	–	79,560	–	30,720	110,280
Disposals/write-offs	–	–	–	–	–
At 31st December 2012	132,515	7,481,963	250,000	776,091	8,640,569
<b>Accumulated Depreciation</b>					
At 1st January 2012					
- as previously stated	–	2,933,670	–	185,163	3,118,833
- reclassification from prepaid land lease payments	–	–	16,350	–	16,350
- as restated	–	2,933,670	16,350	185,163	3,135,183
Depreciation for the financial year	–	211,000	2,725	66,082	279,807
At 31st December 2012	–	3,144,670	19,075	251,245	3,414,990
<b>Net Book Value at 31st December 2012</b>	132,515	4,337,293	230,925	524,846	5,225,579

## 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

# Properties consist of:-

Group 2011	Freehold Land and Buildings RM	Short-term Leasehold Land and Buildings RM	Long-term Leasehold Land and Building RM	Renovation RM	Total RM
<b>Cost</b>					
At 1st January 2011					
- as previously stated	132,515	6,649,104	–	298,962	7,080,581
- reclassification from prepaid land lease payments	–	–	250,000	–	250,000
- as restated	132,515	6,649,104	250,000	298,962	7,330,581
Additions	–	753,299	–	462,579	1,215,878
Disposals/write-offs	–	–	–	(16,170)	(16,170)
At 31st December 2011	132,515	7,402,403	250,000	745,371	8,530,289
<b>Accumulated Depreciation</b>					
At 1st January 2011					
- as previously stated	–	2,735,488	–	179,844	2,915,332
- reclassification from prepaid land lease payments	–	–	13,625	–	13,625
- as restated	–	2,735,488	13,625	179,844	2,928,957
Depreciation for the financial year	–	198,182	–	21,091	219,273
Reclassification from prepaid land lease payments	–	–	2,725	–	2,725
Disposals/write-offs	–	–	–	(15,772)	(15,772)
At 31st December 2011	–	2,933,670	16,350	185,163	3,135,183
<b>Net Book Value at 31st December 2011</b>	132,515	4,468,733	233,650	560,208	5,395,106
<b>1st January 2011</b>	132,515	3,913,616	236,375	119,118	4,401,624



## Notes To The Financial Statements (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2012	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
<b>Cost</b>						
At 1st January 2012						
- as previously stated	6,919,097	36,976,337	2,914,408	532,085	1,230,358	48,572,285
- reclassification from prepaid land lease payments	250,000	–	–	–	–	250,000
- as restated	7,169,097	36,976,337	2,914,408	532,085	1,230,358	48,822,285
Additions	79,560	403,996	18,499	–	–	502,055
Disposals/write-offs	–	(42,335)	(8,300)	–	–	(50,635)
At 31st December 2012	7,248,657	37,337,998	2,924,607	532,085	1,230,358	49,273,705
<b>Accumulated Depreciation</b>						
At 1st January 2012						
- as previously stated	2,705,611	26,838,683	2,725,310	471,442	535,971	33,277,017
- reclassification from prepaid land lease payments	16,350	–	–	–	–	16,350
- as restated	2,721,961	26,838,683	2,725,310	471,442	535,971	33,293,367
Depreciation for the financial year	212,413	1,265,047	51,675	28,851	90,258	1,648,244
Disposals/write-offs	–	(19,120)	(8,300)	–	–	(27,420)
At 31st December 2012	2,934,374	28,084,610	2,768,685	500,293	626,229	34,914,191
<b>Net Book Value at 31st December 2012</b>	4,314,283	9,253,388	155,922	31,792	604,129	14,359,514

## 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2011	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Total RM
<b>Cost</b>						
At 1st January 2011						
- as previously stated	6,165,798	37,284,274	2,869,616	532,085	1,148,970	48,000,743
- reclassification from prepaid land lease payment	250,000	–	–	–	–	250,000
- as restated	6,415,798	37,284,274	2,869,616	532,085	1,148,970	48,250,743
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	7,169,097	36,976,337	2,914,408	532,085	1,230,358	48,822,285
<b>Accumulated Depreciation</b>						
At 1st January 2011						
- as previously stated	2,508,739	26,120,598	2,669,068	442,580	595,928	32,336,913
- reclassification from prepaid land lease payment	13,625	–	–	–	–	13,625
- as restated	2,522,364	26,120,598	2,669,068	442,580	595,928	32,350,538
Depreciation for the financial year	196,872	1,267,126	56,790	28,862	94,655	1,644,305
Reclassification from prepaid land lease payment	2,725	–	–	–	–	2,725
Disposals/write-offs	–	(549,041)	(548)	–	(154,612)	(704,201)
At 31st December 2011	2,721,961	26,838,683	2,725,310	471,442	535,971	33,293,367
<b>Net Book Value at</b>						
<b>31st December 2011</b>	4,447,136	10,137,654	189,098	60,643	694,387	15,528,918
<b>1st January 2011</b>	3,893,434	11,163,676	200,548	89,505	553,042	15,900,205



## Notes To The Financial Statements (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

# Properties consist of:-

Company 2012	Freehold Land RM	Short-term Leasehold Buildings RM	Long-term Leasehold Land and Building RM	Renovation RM	Total RM
<b>Cost</b>					
At 1st January 2012					
- as previously stated	132,515	6,505,450	–	281,132	6,919,097
- reclassification from prepaid land lease payments	–	–	250,000	–	250,000
- as restated	132,515	6,505,450	250,000	281,132	7,169,097
Additions	–	79,560	–	–	79,560
At 31st December 2012	132,515	6,585,010	250,000	281,132	7,248,657
<b>Accumulated Depreciation</b>					
At 1st January 2012					
- as previously stated	–	2,525,007	–	180,604	2,705,611
- reclassification from prepaid land lease payments	–	–	16,350	–	16,350
- as restated	–	2,525,007	16,350	180,604	2,721,961
Depreciation for the financial year	–	193,103	2,725	16,585	212,413
At 31st December 2012	–	2,718,110	19,075	197,189	2,934,374
<b>Net Book Value at 31st December 2012</b>	132,515	3,866,900	230,925	83,943	4,314,283

**4. PROPERTY, PLANT AND EQUIPMENT (Continued)**

# Properties consist of:-

<b>Company 2011</b>	<b>Freehold Land RM</b>	<b>Short-term Leasehold Buildings RM</b>	<b>Long-term Leasehold Land and Building RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Cost</b>					
At 1st January 2011					
- as previously stated	132,515	5,752,151	–	281,132	6,165,798
- reclassification from prepaid land lease payments	–	–	250,000	–	250,000
- as restated	132,515	5,752,151	250,000	281,132	6,415,798
Additions	–	753,299	–	–	753,299
At 31st December 2011	132,515	6,505,450	250,000	281,132	7,169,097
<b>Accumulated Depreciation</b>					
At 1st January 2011					
- as previously stated	–	2,344,720	–	164,019	2,508,739
- reclassification from prepaid land lease payments	–	–	13,625	–	13,625
- as restated	–	2,344,720	13,625	164,019	2,522,364
Depreciation for the financial year	–	180,287	–	16,585	196,872
Reclassification from prepaid land lease payments	–	–	2,725	–	2,725
At 31st December 2011	–	2,525,007	16,350	180,604	2,721,961
<b>Net Book Value at 31st December 2011</b>	132,515	3,980,443	233,650	100,528	4,447,136
<b>1st January 2011</b>	132,515	3,407,431	236,375	117,113	3,893,434



## Notes To The Financial Statements (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (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	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>At Net Book Value</b>				
Motor vehicles	376,933	423,533	376,933	423,533
Plant and machinery	2,349,449	2,447,077	1,251,825	1,449,429
Office equipment	5,656	16,382	5,656	16,382
	2,732,038	2,886,992	1,634,414	1,889,344

- (b) The leasehold building of the Group and of the Company with net book value of RM629,749/- (31.12.2011: RM656,835/- and 1.1.2011: Nil) have been pledged to the licensed bank as security for banking facility granted to the Group and the Company as refer in Note 12 to the financial statements.

### 5. PREPAID LAND LEASE PAYMENTS

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Cost</b>						
At 1st January						
- as previously reported	2,523,600	2,073,600	2,073,600	1,408,000	958,000	958,000
- effect of adoption MFRSs	(575,310)	(575,310)	(575,310)	(319,540)	(319,540)	(319,540)
- reclassification to property, plant and equipment	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
- as restated	1,698,290	1,248,290	1,248,290	838,460	388,460	388,460
Addition	–	450,000	–	–	450,000	–
	1,698,290	1,698,290	1,248,290	838,460	838,460	388,460
<b>Accumulated Amortisation</b>						
At 1st January						
- as previously reported	(759,299)	(706,768)	(667,735)	(286,521)	(255,550)	(238,079)
- effect of adoption MFRSs	288,636	277,763	266,890	165,062	159,112	153,162
- reclassification to property, plant and equipment	16,350	13,625	10,900	16,350	13,625	10,900
- as restated	(454,313)	(415,380)	(389,945)	(105,109)	(82,813)	(74,017)

**5. PREPAID LAND LEASE PAYMENTS (Continued)**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Amortisation for the financial year</b>						
- as previously reported	–	(52,531)	(39,033)	–	(30,971)	(17,471)
- effect of adoption MFRSs	–	10,873	10,873	–	5,950	5,950
Reclassification to property, plant and equipment	–	2,725	2,725	–	2,725	2,725
Charge for the year	(43,430)	–	–	(26,793)	–	–
- as restated	(43,430)	(38,933)	(25,435)	(26,793)	(22,296)	(8,796)
	(497,743)	(454,313)	(415,380)	(131,902)	(105,109)	(82,813)
Carrying amount at 31st December	1,200,547	1,243,977	832,910	706,558	733,351	305,647
Analysed as:-						
Short-term prepaid land lease payments	1,200,547	1,243,977	832,910	706,558	733,351	305,647
Amount to be amortised						
- Not later than one year	43,430	43,430	25,435	26,793	26,793	8,796
- Later than one year but not later than five years	173,720	173,720	101,740	107,172	107,172	35,184
- Later than five years	983,397	1,026,827	705,735	572,593	599,386	261,667

Included in the prepaid land lease payments with net carrying amount of RM418,500/- (31.12.2011: RM436,500/- and 1.1.2011: Nil) have been pledged to the licensed bank as security for banking facility granted to the Group and the Company.

**6. INVESTMENT IN SUBSIDIARY COMPANIES**

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	10,414,671	10,414,671	8,264,673
Less: Impairment loss	(5,592,728)	(5,592,728)	(5,592,728)
	4,821,943	4,821,943	2,671,945



## Notes To The Financial Statements (Cont'd)

### 6. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

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

Name of Companies	Effective Equity Interest			Principal Activities
	31.12.2012 %	31.12.2011 %	1.1.2011 %	
Held by the Company				
Epro Industries Sdn. Bhd.	100	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd. ^	100	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	100	100	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd. ^	100	100	100	Trading
Hwa Tai Manufacturing Sdn. Bhd. ^	100	100	100	Dormant
Acetai Corporation Sdn. Bhd. *	90	90	90	Trading
Hwa Tai Import Sdn. Bhd. *	100	100	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd. *	100	100	100	Dormant
Hwa Tai Distribution Sdn. Bhd. *	100	100	100	Trading
Hwa Tai Services Sdn. Bhd. *	100	100	100	Dormant
Absolute Focus Sdn. Bhd. *	100	100	100	Dormant
Held through Acetai Corporation Sdn. Bhd.				
Anika Bebas Sdn. Bhd. *	100	100	100	Trading
Esprit Classic Sdn. Bhd. *	100	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.

## 7. INVESTMENT IN AN ASSOCIATE COMPANY

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Unquoted shares - at cost	1,791,457	1,791,457	1,791,457	1,791,457	1,791,457	1,791,457
Share of post acquisition (losses)/profits	(35,051)	(80,081)	27,953	–	–	–
	1,756,406	1,711,376	1,819,410	1,791,457	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 Chinese Reminbi (RMB)	Effective Equity Interest			Principal Activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.*	10,500,000	48	48	48	Dealers, importers and exporters of biscuit, cake and baby products

\* Associate company is not audited by Baker Tilly Monteiro Heng.

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

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Assets and Liability</b>			
Current assets	2,060,250	2,047,140	1,413,669
Non-current assets	7,430,377	7,684,866	6,183,300
<b>Total assets</b>	9,490,627	9,732,006	7,596,969
Current liabilities	4,770,076	4,988,529	2,945,073
<b>Total liability</b>	4,770,076	4,988,529	2,945,073

The Group's share of profit/(loss) for the financial year of the associate company is RM45,030/- (2011: RM108,034/-).



## Notes To The Financial Statements (Cont'd)

### 8. INVENTORIES

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>At Cost</b>						
Raw materials	1,210,513	1,698,144	1,567,654	999,684	1,483,125	1,315,168
Work-in-progress	146,607	304,992	327,111	115,105	259,349	241,719
Finished goods	2,032,871	1,763,346	1,817,376	1,815,969	1,551,682	1,736,656
Packing materials	1,561,080	2,042,993	2,406,474	1,410,200	1,900,905	2,277,312
Consumable stores	221,816	236,092	240,669	206,776	205,063	240,669
	5,172,887	6,045,567	6,359,284	4,547,734	5,400,124	5,811,524

### 9. TRADE AND OTHER RECEIVABLES

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Current</b>						
<b>Trade receivables</b>						
Trade receivables	33,210,234	33,379,525	32,781,820	22,595,297	23,330,153	21,628,373
Amount owing by subsidiary companies	–	–	–	16,448,562	16,570,023	16,264,980
	33,210,234	33,379,525	32,781,820	39,043,859	39,900,176	37,893,353
<b>Less: Allowance for impairment</b>						
- Trade receivables	(8,279,024)	(8,120,885)	(9,459,254)	(2,083,721)	(1,968,046)	(1,845,202)
- Amount owing by subsidiary companies	–	–	–	(16,040,044)	(16,009,219)	(16,057,608)
	(8,279,024)	(8,120,885)	(9,459,254)	(18,123,765)	(17,977,265)	(17,902,810)
Trade receivables, net	24,931,210	25,258,640	23,322,566	20,920,094	21,922,911	19,990,543

## 9. TRADE AND OTHER RECEIVABLES (Continued)

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Other receivables</b>						
Other receivables	599,738	828,826	1,102,396	200,760	316,495	476,181
Amount owing by subsidiary companies	–	–	–	2,269,314	1,666,612	2,605,502
Refundable deposits	159,984	172,027	266,444	84,917	84,917	190,727
	759,722	1,000,853	1,368,840	2,554,991	2,068,024	3,272,410
Less: Allowance for impairment						
- Other receivables	(11,846)	(157,254)	(530,592)	–	(87,619)	(460,957)
- Amount owing by subsidiary companies	–	–	–	(53,393)	(53,393)	(78,984)
	(11,846)	(157,254)	(530,592)	(53,393)	(141,012)	(539,941)
Other receivables, net	747,876	843,599	838,248	2,501,598	1,927,012	2,732,469
Total receivables	25,679,086	26,102,239	24,160,814	23,421,692	23,849,923	22,723,012
Add: Cash and bank balances	3,255,291	4,104,565	4,369,192	2,460,594	3,320,191	3,661,253
<b>Total loans and receivables</b>	<b>28,934,377</b>	<b>30,206,804</b>	<b>28,530,006</b>	<b>25,882,286</b>	<b>27,170,114</b>	<b>26,384,265</b>

Trade receivables are non-interest bearing and are generally on 14 to 90 days (31.12.2011: 14 to 90 days and 1.1.2011: 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:-

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	24,618,851	25,475,176	22,637,664	22,361,457	23,222,860	21,199,862
US Dollar	947,396	527,260	1,364,298	947,396	527,260	1,364,298
Singapore Dollar	112,839	99,803	158,852	112,839	99,803	158,852
	25,679,086	26,102,239	24,160,814	23,421,692	23,849,923	22,723,012



## Notes To The Financial Statements (Cont'd)

### 9. TRADE AND OTHER RECEIVABLES (Continued)

#### Analysis on trade receivables

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

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	13,762,077	15,121,371	13,251,453	11,001,256	12,988,954	10,541,276
Past due 1 - 30 days	3,160,689	2,698,771	1,943,556	2,896,790	2,095,458	1,633,581
Past due 31 - 120 days	2,462,324	4,649,393	3,970,030	2,231,504	4,441,973	3,732,821
Past due more than 120 days	5,546,120	2,789,105	4,157,527	4,790,544	2,396,526	4,082,865
Impaired	11,169,133 8,279,024	10,137,269 8,120,885	10,071,113 9,459,254	9,918,838 18,123,765	8,933,957 17,977,265	9,449,267 17,902,810
	33,210,234	33,379,525	32,781,820	39,043,859	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 be able to collect the amounts due.

## 9. TRADE AND OTHER RECEIVABLES (Continued)

### 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:-

	<b>Group</b>		<b>Individually Impaired</b>		<b>Company</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables:-						
Nominal amounts	18,657,206	8,120,885	9,580,378	27,657,230	17,977,265	18,008,869
Less: Allowance for impairment	(8,279,024)	(8,120,885)	(9,459,254)	(18,123,765)	(17,977,265)	(17,902,810)
	10,378,182	–	121,124	9,533,465	–	106,059

The Directors are of the opinion that no impairment is required based on the past experience and the likelihood of recoverability of these receivables.

### Movements in allowance accounts for trade receivables:-

	<b>Group</b>		<b>Individually Impaired</b>		<b>Company</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>1.1.2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1st January	8,120,885	9,459,254	10,307,474	17,977,265	17,902,810	18,123,367
Charge for the financial year	381,348	361,000	580,646	350,562	347,230	–
Written off	(152,210)	(1,333,720)	(1,200,084)	(151,620)	(72,781)	(14,388)
Reversal of impairment losses	(70,999)	(365,649)	(228,782)	(52,442)	(199,994)	(206,169)
At 31st December	8,279,024	8,120,885	9,459,254	18,123,765	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.



## Notes To The Financial Statements (Cont'd)

## 10. SHARE CAPITAL

	Group and Company					
	Number of ordinary shares of RM1/- each			Amount		
	31.12.2012 Unit	31.12.2011 Unit	1.1.2011 Unit	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Authorised:						
At 1st January/						
At 31st December	1,000,000,000	1,000,000,000	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	40,042,400	40,042,400

## 11. CAPITAL RESERVE

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
<b>Non-distributable</b>			
At 1st January	—	—	7,664
Effect of adopting MFRSs	—	—	(7,664)
At 31st December	—	—	—
The capital reserve comprises surplus arising from the revaluation of leasehold building and leasehold land	—	—	—

## 12. LOANS AND BORROWINGS

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Current</b>						
Finance lease liabilities (secured)	684,778	640,387	492,623	528,805	525,639	476,225
Floating rate bank loan (secured)	93,190	86,182	—	93,190	86,182	—
Floating rate bank loan (unsecured)	409,565	377,820	353,076	409,565	377,820	353,076
Bankers' acceptances (unsecured)	15,290,500	15,161,895	12,532,600	15,290,500	15,161,895	12,532,600
Bank overdrafts (unsecured)	3,489,588	3,281,132	2,651,662	3,489,588	3,281,132	2,651,662
	19,967,621	19,547,416	16,029,961	19,811,648	19,432,668	16,013,563

## 12. LOANS AND BORROWINGS (Continued)

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Non-current</b>						
Finance lease liabilities (secured)	439,775	1,026,173	1,095,107	192,342	720,401	1,043,301
Floating rate bank loan (secured)	260,726	356,994	–	260,726	356,994	–
Floating rate bank loan (unsecured)	408,151	831,815	1,220,310	408,151	831,815	1,220,310
	1,108,652	2,214,982	2,315,417	861,219	1,909,210	2,263,611
<b>Total loans and borrowings</b>	<b>21,076,273</b>	<b>21,762,398</b>	<b>18,345,378</b>	<b>20,672,867</b>	<b>21,341,878</b>	<b>18,277,174</b>

## (a) Finance lease liabilities

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Minimum lease payments						
- On demand and within one year	742,541	741,494	603,035	563,633	602,330	582,659
- Later than one year but not later than two years	288,899	702,784	603,035	130,367	563,620	582,659
- Later than two years but not later than five years	182,346	387,444	590,107	72,587	189,342	552,751
- Later than five years	–	13,625	–	–	13,625	–
	1,213,786	1,845,347	1,796,177	766,587	1,368,917	1,718,069
Future interest charges	(89,233)	(178,787)	(208,447)	(45,440)	(122,877)	(198,543)
Present value of minimum lease payments	1,124,553	1,666,560	1,587,730	721,147	1,246,040	1,519,526

## Represented by:-

Current						
- On demand and within one year	684,778	640,387	492,623	528,805	525,639	476,225
Non-current						
- Later than one year but not later than two years	267,578	653,723	492,623	123,503	532,252	476,225
- Later than two years but not later than five years	172,197	361,533	602,484	68,839	177,232	567,076
- Later than five years	–	10,917	–	–	10,917	–
	439,775	1,026,173	1,095,107	192,342	720,401	1,043,301
	1,124,553	1,666,560	1,587,730	721,147	1,246,040	1,519,526



## Notes To The Financial Statements (Cont'd)

### 12. LOANS AND BORROWINGS (Continued)

#### (a) Finance lease liabilities (Continued)

The effective interest rate ranges from 3.00% to 4.75% (31.12.2011: 2.80% to 4.75% and 1.1.2011: 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 2012 are as follows:-

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
On demand and within one year	19,967,621	19,547,416	16,029,961	19,811,648	19,432,668	16,013,563
Later than one year but not later than two years	776,234	1,155,094	873,239	632,159	1,033,623	856,841
Later than two years but not later than five years	332,418	1,048,971	1,442,178	229,060	864,670	1,406,770
Later than five years	–	10,917	–	–	10,917	–
	21,076,273	21,762,398	18,345,378	20,672,867	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% (31.12.2011: 7.85 to 8.10% and 1.1.2011: 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 is range from 4.41% to 6.21% (31.12.2011: 3.25% to 6.09% and 1.1.2011: 2.98% to 4.80%) per annum.

#### Bank overdrafts

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

The effective interest rates as at the reporting date range from 7.85% to 9.10% (31.12.2011: 7.85% to 8.85% and 1.1.2011: 7.55% to 8.80%) per annum.

**13. DEFERRED TAXATION**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 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**

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Current</b>						
<b>Trade payables</b>						
Third parties	11,488,087	13,002,754	9,766,771	7,368,155	8,705,843	6,283,202
<b>Other payables</b>						
Accrued operating expenses	6,511,927	6,607,158	6,922,110	5,850,988	6,138,885	6,433,473
Other payables	493,307	1,160,701	2,858,762	312,489	998,927	2,028,621
Refundable deposits	52,725	36,741	40,209	52,525	36,540	40,009
Amount owing to subsidiary companies	–	–	–	189,058	229,554	269,266
	7,057,959	7,804,600	9,821,081	6,405,060	7,403,906	8,771,369
Total trade and other payables	18,546,046	20,807,354	19,587,852	13,773,215	16,109,749	15,054,571
Add: Loans and borrowings (Note 12)	21,076,273	21,762,398	18,345,378	20,672,867	21,341,878	18,277,174
<b>Total financial liabilities carried at amortised cost</b>	39,622,319	42,569,752	37,933,230	34,446,082	37,451,627	33,331,745

The trade and other payables are non-interest bearing and are normally settled on 30 to 120 days (31.12.2011: 30 to 120 days and 1.1.2011: 30 to 120 days) terms.

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



## Notes To The Financial Statements (Cont'd)

### 14. TRADE AND OTHER PAYABLES (Continued)

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

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	18,546,046	20,800,275	19,573,396	13,773,215	16,102,670	15,040,115
US Dollar	–	7,079	2,166	–	7,079	2,166
Singapore Dollar	–	–	12,290	–	–	12,290
	18,546,046	20,807,354	19,587,852	13,773,215	16,109,749	15,054,571

### 15. REVENUE

	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Sales of trading goods	17,450,885	18,206,287	–	–
Sales of manufactured goods	48,995,738	55,243,213	52,892,742	61,304,627
	66,446,623	73,449,500	52,892,742	61,304,627

### 16. COST OF SALES

Cost of sales represents cost of inventories sold.

### 17. FINANCE COSTS

	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
Interest expenses				
- trade financing	840,020	775,891	780,887	728,665
- bank overdrafts	145,969	138,520	145,969	138,520
- finance lease	106,373	139,097	77,436	112,176
- term loans	115,593	135,764	115,593	135,764
	1,207,955	1,189,272	1,119,885	1,115,125

**18. LOSS BEFORE TAXATION**

Loss before taxation has been arrived at:-

	<b>Group</b>		<b>Company</b>	
	<b>2012 RM</b>	<b>2011 RM</b>	<b>2012 RM</b>	<b>2011 RM</b>
<b>After charging:-</b>				
Impairment loss				
- trade receivables	381,348	361,000	319,737	347,230
- subsidiary companies	—	—	30,825	50,053
Allowance for inventories obsolescence	220,854	190,223	185,762	190,223
Amortisation of prepaid land lease payments	43,430	38,933	26,793	22,296
Audit fee:				
- current year	95,420	102,220	60,000	66,800
- (over)/underaccrual in prior year	(848)	(78)	—	5,800
Bad debts written off	6,642	—	6,642	—
Directors' remunerations				
- salaries, bonuses and allowances	888,000	888,000	888,000	888,000
- fees	100,000	100,000	100,000	100,000
- other emoluments	92,304	92,304	92,304	92,304
Directors of subsidiary companies				
- salaries, bonuses and allowances	117,650	108,600	—	—
Deposit written off	—	4,781	—	—
Depreciation of property, plant and equipment	1,924,456	1,799,886	1,648,244	1,647,030
Hire of vehicles	180,344	291,511	180,344	291,511
Loss on foreign exchange				
- unrealised	98,999	43,629	98,999	43,629
Loss on disposal of property plant and equipment	948	—	948	—
Property, plant and equipment written off	23,685	7,416	21,722	—
Rental of premises	118,000	119,400	78,000	15,000
Research costs	—	979	—	979
Staff costs:				
- salaries, wages and allowances	7,133,800	7,413,647	6,133,704	6,490,284
- bonus	340,066	298,387	318,414	270,000
- Employees' Provident Fund	669,630	665,310	567,000	573,858
- SOCSO	77,602	83,022	65,898	71,988
- other staff related expenses	463,167	386,541	376,795	304,924
<b>And crediting:-</b>				
Bad debts recovered	188	1,420	—	—
Gain on disposal of property, plant and equipment	—	50,634	—	50,634
Impairment loss no longer required on trade receivables	70,999	365,649	52,442	275,638
Interest income	13,930	38,090	13,692	37,669
Rental income	3,600	3,600	—	—
Gain on foreign exchange				
- realised	482,858	464,647	482,858	465,745



## Notes To The Financial Statements (Cont'd)

### 18. LOSS BEFORE TAXATION (Continued)

#### (a) Directors' remuneration

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Executive Directors</b>				
Directors' fees	10,000	10,000	10,000	10,000
Salaries	744,000	744,000	744,000	744,000
Allowances	24,000	24,000	24,000	24,000
Other emoluments	92,304	92,304	92,304	92,304
	870,304	870,304	870,304	870,304
<b>Non-Executive Directors</b>				
Directors' fees	90,000	90,000	90,000	90,000
Allowances	120,000	120,000	120,000	120,000
	210,000	210,000	210,000	210,000
<b>Grand Total</b>				
Directors' fees	100,000	100,000	100,000	100,000
Salaries	744,000	744,000	744,000	744,000
Allowances	144,000	144,000	144,000	144,000
Other emoluments	92,304	92,304	92,304	92,304
	1,080,304	1,080,304	1,080,304	1,080,304

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

	Number of Directors			
	2012		2011	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	—	3	—	3
RM100,001 - RM150,000	—	1	—	1
RM150,001 - RM200,000	—	—	—	—
RM850,000 - RM900,000	1	—	1	—
	1	4	1	4

**18. LOSS BEFORE TAXATION (Continued)****(b) Key Management Personnel**

	<b>Group</b>		<b>Company</b>	
	<b>2012 RM</b>	<b>2011 RM</b>	<b>2012 RM</b>	<b>2011 RM</b>
Directors' remuneration (Note 18(a))	1,080,304	1,080,304	1,080,304	1,080,304
Other key management personnel				
- salaries, bonus and other emoluments	1,645,520	1,432,695	1,233,321	1,026,719
- Defined contribution plans (Employees' Provident Fund)	185,337	154,211	147,993	119,281
	2,911,161	2,667,210	2,461,618	2,226,304

**19. TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2012 RM</b>	<b>2011 RM</b>	<b>2012 RM</b>	<b>2011 RM</b>
Income tax				
- current year	(90,000)	(55,000)	(90,000)	(55,000)
- (over)/underaccrual in prior year	(8,735)	73,831	(8,735)	73,831
	(98,735)	18,831	(98,735)	18,831
Deferred taxation (Note 13)				
- current year	—	22,153	—	—
- overaccrual in prior year	—	8,877	—	—
	—	31,030	—	—
	(98,735)	49,861	(98,735)	18,831



## Notes To The Financial Statements (Cont'd)

### 19. TAXATION (Continued)

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 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss before taxation	(475,954)	(1,841,859)	(358,337)	(1,281,815)
Tax at applicable tax rate of 25%	118,989	460,465	89,584	320,454
Tax effects arising from				
- non-taxable income	164,159	250,497	13,111	9,110
- non-deductible expenses	(248,106)	(250,233)	(185,894)	(227,919)
- originated of deferred tax assets not recognised	(125,042)	(493,576)	(6,801)	(156,645)
- (Over)/underaccrual in prior year	(8,735)	82,708	(8,735)	73,831
Tax expense for the financial year	(98,735)	49,861	(98,735)	18,831

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deductible temporary differences	10,263,593	9,264,435	9,768,703	8,724,805
Unabsorbed capital allowances	410,084	435,399	—	—
Unabsorbed industrial building allowances	90,339	90,339	—	—
Unabsorbed reinvestment allowances	5,048,678	6,065,373	5,048,678	6,065,373
Unutilised tax losses	19,336,668	18,793,649	—	—
	35,149,362	34,649,195	14,817,381	14,790,178
Potential deferred tax assets not recognised at 25%	8,787,341	8,662,299	3,704,345	3,697,544

**20. LOSS PER ORDINARY SHARE****(a) Basic loss per ordinary share**

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

	2012	Group 2011
Loss attributable to owners of the Company (RM)	(574,689)	(1,791,998)
Weighted average number of ordinary shares in issue	40,042,400	40,042,400
Basic loss per ordinary share (sen)	(1.44)	(4.48)

**(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**

	2012 RM	Group 2011 RM	2012 RM	Company 2011 RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Hwa Tai Distribution Sdn. Bhd.	—	—	8,001,724	9,583,103
- Hwa Tai Wholesale Sdn. Bhd.	—	—	91,127	358,124
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	—	—	1,014,210	1,250,589
- Acetai Corporation Sdn. Bhd.	—	—	291,433	—
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



## Notes To The Financial Statements (Cont'd)

### 21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Group 2012 RM	2011 RM	Company 2012 RM	2011 RM
<i>Transactions with a firm in which a director is a partner</i>				
Rental of premises paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	36,000	36,000	36,000	36,000
Legal and consultancy fees paid to Soo Thien Ming & Nashrah, a firm in which a director is a partner	11,050	16,598	7,350	8,830

### 22. CONTINGENT LIABILITIES

As at 31st December 2012, the Group and the Company are contingently liable for the following:-

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
<b>Unsecured</b>						
Bank guarantees issued in favour of third parties	191,250	228,100	221,500	191,250	228,100	221,500
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company	–	–	–	505,611	511,483	68,204
	191,250	228,100	221,500	696,861	739,583	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

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Capital expenditure approved and contracted for - purchase of property, plant and equipment	104,486	215,170	1,498,495	89,533	71,521	972,000

## 24. SEGMENTAL INFORMATION

## Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM
<b>REVENUE</b>												
External sales	48,995,738	55,243,213	17,450,885	18,206,287	-	-	66,446,623	73,449,500	-	-	66,446,623	73,449,500
Inter - segment sales	9,398,494	11,147,086	-	-	-	-	9,398,494	11,147,086	9,398,494	11,147,086	-	-
	58,394,232	66,390,299	17,450,885	18,206,287	-	-	75,845,117	84,596,586	9,398,494	11,147,086	66,446,623	73,449,500
<b>RESULTS</b>												
Segmental results	467,443	(1,086,383)	71,965	(251,927)	(112,156)	(112,906)	427,252	(1,451,216)	32,400	32,400	459,652	(1,418,816)
Other operating income	665,804	983,645	26,935	300,017	-	-	692,739	1,283,662	(32,400)	(156,433)	660,339	1,127,229
Other operating expenses	(357,204)	(397,283)	(61,611)	(13,770)	-	-	(418,815)	(411,053)	30,825	50,053	(387,990)	(361,000)
Finance cost (net)	(1,148,822)	(1,142,046)	(59,133)	(47,226)	-	-	(1,207,955)	(1,189,272)	-	-	(1,207,955)	(1,189,272)
	(372,779)	(1,642,067)	(21,844)	(12,906)	(112,156)	(112,906)	(506,779)	(1,767,879)	30,825	(73,980)	(475,954)	(1,841,859)
<b>OTHER INFORMATION</b>												
Segmental assets	48,835,563	52,540,173	4,637,758	4,354,053	800,921	824,694	54,274,242	57,718,920	(7,000)	(7,000)	54,267,242	57,711,920
Total assets	49,020,996	52,801,432	4,638,926	4,356,040	800,921	825,493	54,460,843	57,982,965	(7,000)	(7,000)	54,453,843	57,975,965
Segmental liabilities	35,447,582	38,312,335	4,157,972	4,241,668	23,765	22,749	39,629,319	42,576,752	(7,000)	(7,000)	39,622,319	42,569,752
Total liabilities	35,447,582	38,312,335	4,157,972	4,241,668	179,829	178,813	39,785,383	42,732,816	(7,000)	(7,000)	39,778,383	42,725,816
Capital expenditure	740,672	2,760,006	15,226	15,553	-	-	755,898	2,775,559	-	-	755,898	2,775,559
Depreciation and amortisation	1,918,212	1,774,286	25,040	39,901	24,634	24,632	1,967,886	1,838,819	-	-	1,967,886	1,838,819
Non cash expenditure other than depreciation and amortisation	214,125	119,936	37,055	-	-	8,757	251,180	128,693	-	-	251,180	128,693



## Notes To The Financial Statements (Cont'd)

### 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:-

	<b>Note</b>
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 cash and bank balances), 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.

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(i) Credit risk (Continued)**

At the reporting date, approximately 53% (2011: 54%) of the Group's trade receivables are due from 3 major customers. 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.

**(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 assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group				Company			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>31st December 2012</b>								
<b>Financial assets</b>								
Trade and other receivables	25,679,086	–	–	25,679,086	23,421,692	–	–	23,421,692
Cash and bank balances	3,255,291	–	–	3,255,291	2,460,594	–	–	2,460,594
<b>Total undiscounted financial assets</b>	<b>28,934,377</b>	<b>–</b>	<b>–</b>	<b>28,934,377</b>	<b>25,882,286</b>	<b>–</b>	<b>–</b>	<b>25,882,286</b>
<b>Financial liabilities</b>								
Trade and other payables	18,546,046	–	–	18,546,046	13,773,215	–	–	13,773,215
Loans and borrowings	19,967,621	1,108,652	–	21,076,273	19,811,648	861,219	–	20,672,867
<b>Total undiscounted financial liabilities</b>	<b>38,513,667</b>	<b>1,108,652</b>	<b>–</b>	<b>39,622,319</b>	<b>33,584,863</b>	<b>861,219</b>	<b>–</b>	<b>34,446,082</b>



## Notes To The Financial Statements (Cont'd)

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (ii) Liquidity risk (Continued)

##### Maturity analysis (Continued)

	On demand or within one year RM	Group		Total RM	On demand or within one year RM	Company		Total RM
		One to five years RM	Over five years RM			One to five years RM	Over five years RM	
31st December 2011								
Financial assets								
Trade and other receivables	26,102,239	–	–	26,102,239	23,849,923	–	–	23,849,923
Cash and bank balances	4,104,565	–	–	4,104,565	3,320,191	–	–	3,320,191
Total undiscounted financial assets	30,206,804	–	–	30,206,804	27,170,114	–	–	27,170,114
Financial liabilities								
Trade and other payables	20,807,354	–	–	20,807,354	16,109,749	–	–	16,109,749
Loans and borrowings	19,547,416	2,204,065	10,917	21,762,398	19,432,668	1,898,293	10,917	21,341,878
Total undiscounted financial liabilities	40,354,770	2,204,065	10,917	42,569,752	35,542,417	1,898,293	10,917	37,451,627
1st January 2011								
Financial assets								
Trade and other receivables	24,160,814	–	–	24,160,814	22,723,012	–	–	22,723,012
Cash and bank balances	4,369,192	–	–	4,369,192	3,661,253	–	–	3,661,253
Total undiscounted financial assets	28,530,006	–	–	28,530,006	26,384,265	–	–	26,384,265
Financial liabilities								
Trade and other payables	19,587,852	–	–	19,587,852	15,054,571	–	–	15,054,571
Loans and borrowings	16,029,961	2,315,417	–	18,345,378	16,013,563	2,263,611	–	18,277,174
Total undiscounted financial liabilities	35,617,813	2,315,417	–	37,933,230	31,068,134	2,263,611	–	33,331,745

#### (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.

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(iii) Interest rate risk (Continued)**

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.

	31.12.2012		Profit or loss and Equity 31.12.2011		1.1.2011	
	100bp Increase RM	100bp Decrease RM	100bp Increase RM	100bp Decrease RM	100bp Increase RM	100bp Decrease RM
<b>Group</b>						
Variable rate instruments	(11,716)	11,716	(16,528)	16,528	(15,734)	15,734
<b>Company</b>						
Variable rate instruments	(11,716)	11,716	(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.



## Notes To The Financial Statements (Cont'd)

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (iv) Foreign currency risk (Continued)

##### *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.

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
<b>Effect of profit or loss and equity</b>			
USD			
- strengthen 10%	96,874	76,800	219,374
- weakened 10%	(96,874)	(76,800)	(219,374)
SGD			
- strengthen 10%	14,778	10,130	30,647
- weakened 10%	(14,778)	(10,130)	(30,647)

### 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 2012, the Group's strategy, which was unchanged from year 2011, was to maintain the debt-to-equity ratio at an appropriate level. The debt-to-equity ratios at 31st December 2012, 31st December 2011 and 1st January 2011 were as follows:-

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Total liabilities	39,778,383	42,725,816	38,121,099
Equity attributable to owners of the Company	14,675,460	15,250,149	17,042,147
Debt-to-equity ratio	2.71	2.80	2.24

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 2012 are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
		<b>(Restated)</b>		<b>(Restated)</b>
<b>Accumulated losses of the Group and its subsidiaries:-</b>				
- realised	(25,232,890)	(24,668,541)	(21,970,547)	(21,568,845)
- unrealised	(98,999)	(43,629)	(98,999)	(43,629)
As at 31st December	(25,331,889)	(24,712,170)	(22,069,546)	(21,612,474)
<b>Associate company</b>				
- realised	(35,051)	(80,081)	–	–
Total group accumulated losses as per statements of financial position	(25,366,940)	(24,792,251)	(22,069,546)	(21,612,474)

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 26 to 88 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 2012 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out on Page 89 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  
Date: 24th April 2013

## 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 26 to 88, and the supplementary information set out on page 89 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, 1960.

**LEE KIM HONG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 24th April 2013.

Before me,

**ARSHAD ABDULLAH (W550)**  
Commissioner for Oaths

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD

## 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 2012 of the Group and of the Company, 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 26 to 88.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible 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 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 give a true and fair view of the financial position of the Group and of the Company as at 31st December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.



*Independent Auditor's Report (Cont'd)*  
*To The Members Of Hwa Tai Industries Berhad*

- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification, or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

### Other Reporting Responsibilities

The supplementary information set out on page 89 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

1. As stated in Note 2 to the financial statements, Hwa Tai Industries Berhad adopted the Malaysian Financial Reporting Standards on 1st January 2012 with a transition date of 1st January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31st December 2011 and 1st January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31st December 2011 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31st December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1st January 2012 do not contain misstatements that materially affect the financial position as at 31st December 2012 and the financial performance and cash flows for the financial year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

**Baker Tilly Monteiro Heng**  
 No. AF 0117  
 Chartered Accountants

**Lock Peng Kuan**  
 No. 2819/10/14 (J)  
 Chartered Accountant

Kuala Lumpur  
 Date: 24th April 2013

# ANALYSIS OF SHAREHOLDINGS

*as at 30 April 2013*

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

## SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	161	4.72	3,448	0.01
100 - 1,000	813	23.85	722,723	1.80
1,001 - 10,000	1,923	56.41	8,783,000	21.93
10,001 - 100,000	479	14.05	12,441,602	31.07
100,001 - less than 5% of issued shares	31	0.91	6,252,400	15.61
5% and above of issued shares	2	0.06	11,839,227	29.58
Total	3,409	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. Chenderoh Jaya Sdn Bhd	493,700	1.23
6. Ng Ah Poh	334,100	0.83
7. Teh Leong Kok	262,500	0.66
8. Lee Sau Kwang	250,000	0.62
9. TA Nominees (Tempatan) Sdn Bhd (A/C Lim Yee Foong)	230,000	0.57
10. Hee Lin Ruey Jean	229,000	0.57
11. Thong Foo Ching @ Thong Chuan Ching	220,800	0.55
12. Bek Peck Ein	196,100	0.49
13. TA Nominees (Tempatan) Sdn Bhd (A/C Chong Yoke Ching)	191,200	0.48
14. Tan Tiong Cheng	179,000	0.45
15. Chai Jee Choon	176,000	0.44
16. Saw Ah Kee	172,500	0.43
17. Tan Leok Kwee	166,500	0.42
18. Kenanga Nominees (Tempatan) Sdn Bhd (A/C Cheng Siok Wah)	163,000	0.41
19. Tan Pek Leng	160,000	0.40
20. Amsec Nominees (Tempatan) Sdn Bhd (A/C Tiu Swee Eng)	150,000	0.37
21. TA Nominees (Tempatan) Sdn Bhd (A/C Chua Eng Ho Waa @ Chua Eng Wah)	150,000	0.37
22. Maybank Nominees (Tempatan) Sdn Bhd (A/C Tang Kam Foong)	146,100	0.36
23. Baskaran A/L Govinda Nair	140,000	0.35



*Analysis Of Shareholdings (Cont'd)  
as at 30 April 2013*

**THIRTY LARGEST SHAREHOLDERS (Continued)**

<b>Name of Shareholders as per Register of Members</b>	<b>No. of Shares</b>	<b>% of Shareholdings</b>
24. Lim Guek Ching	132,800	0.33
25. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
26. Chew Saa Kiaat @ Chou Saa Kiaat	120,000	0.30
27. Thong Foo Ching @ Thong Chuan Ching	120,000	0.30
28. HDM Nominees (Asing) Sdn Bhd (A/C: Cheng Le Fern)	119,400	0.30
29. London Biscuits Berhad	119,000	0.30
30. Te Yang Lee Sing @ Thian Lee Sing	110,000	0.27
<b>Total</b>	<b>17,781,427</b>	<b>44.39</b>

**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:

<b>Name of Substantial Shareholder</b>	<b>Direct Interest (A)</b>	<b>%</b>	<b>Indirect Interest (B)</b>	<b>%</b>	<b>Total Interest (A) + (B)</b>	<b>%</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:-

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

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

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

## LIST OF GROUP PROPERTIES

*held as at 31 December 2012*

	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	35	1,502
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	30	213
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	33	434
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	33	251
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	1,048
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	—	20	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	15	438
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	21	2,406



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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-Eighth Annual General Meeting of the Company to be held on 22 June 2013 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 Chung Yee		
5.	Appointment of Auditors and their remuneration		
6.	Ordinary Resolution – Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		

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

No. of Shares Held	
--------------------	--

Date: .....

Signature: .....

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

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